

**Charlotte Public Schools
Charlotte, Michigan**

FINANCIAL STATEMENTS

June 30, 2010

Charlotte Public Schools
Charlotte, Michigan
BOARD OF EDUCATION
June 30, 2010

Robert Wilson	President
Julie Kimmer	Vice-President
Diane Kirkham	Secretary
Chelsea Tirrell	Treasurer
Edward Allen	Trustee
Mike Bruce	Trustee
Ron Schultheiss	Trustee

Dr. Nancy Hipskind	Superintendent

Charlotte Public Schools

TABLE OF CONTENTS

June 30, 2010

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
ADMINISTRATION'S DISCUSSION AND ANALYSIS	iii-x
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Change in Fund Balances of the Governmental Funds to the Statement of Activities	6
Statement of Fiduciary Net Assets - Fiduciary Funds	7
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	8
Notes to Financial Statements	9-25
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule	26-28
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	29-31
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	32-34
Combining Statement of Fiduciary Net Assets - Private Purpose Trust Funds	35
Combining Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Funds	36
OTHER FINANCIAL INFORMATION	
Schedule of Bonded Debt Outstanding	37-38

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Charlotte Public Schools
Charlotte, Michigan

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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charlotte Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2010, on our consideration of Charlotte Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The administration's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charlotte Public Schools' basic financial statements. The accompanying other supplementary information and other financial information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 19, 2010

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, 2010. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Charlotte Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2010.

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 *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 funds - the General Fund and 2010 Debt Fund individually, and the Special Revenue Funds, remaining Debt Service Funds, and the Capital Project Funds, collectively as other nonmajor governmental funds. The remaining statements, the statement of fiduciary net assets, and the statement of changes in fiduciary net assets, 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 Assets 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 and liabilities, 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.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - 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 assets - 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 the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The Statement of Net Assets 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, 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 Assets of the district-wide financial statements.

Fund Financial Statements

The fund level 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, Athletics, Performing Arts, Community Service, and Childcare.

In the 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 during a time 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 designation at the fund financial statement level for future technology replacement.
- Utilization of a total cost compensation approach for the negotiation of employee contracts with the District's eight employee groups.
- 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.
- Due to ongoing efficiency innovations, the District has ranked in the top two percent of the state's school districts for low spending on business and administration as reported by the Michigan Department of Education Bulletin 1014 for 2007-08 and 2008-09, thereby freeing up \$1.2 million for student education in the most recent year reported.

Summary of Net Assets:

The following summarizes the net assets as of June 30, 2010.

Condensed Statement of Net Assets as of June 30, 2010 and 2009		
	Governmental Activities 2010	Governmental Activities 2009
Assets		
Current and other assets	\$ 9,294,547	\$ 8,720,320
Capital Assets	<u>52,750,552</u>	<u>54,911,231</u>
Total Assets	62,045,099	63,631,551
Liabilities		
Current Liabilities	6,377,537	6,108,773
Noncurrent Liabilities	<u>55,124,045</u>	<u>56,629,221</u>
Total Liabilities	61,501,582	62,737,994
Net Assets		
Invested in capital assets, net of related debt	(3,749,597)	(3,108,487)
Restricted for debt service	750,893	644,502
Unrestricted	<u>3,542,221</u>	<u>3,357,542</u>
Total Net Assets	\$ 543,517	\$ 893,557

Analysis of Financial Position:

As detailed above, the District shows a positive total net asset value of \$543,517 for the fiscal year ended June 30, 2010. This statement has been affected by the following:

- Bonded debt totaling \$62.8 million was incurred by the District in 1999 and 2002 to finance the facility modification projects.

Results of Operations:

For the fiscal year ended June 30, 2010 and 2009, the district-wide results of operations were:

Condensed Statement of Activities
Years Ended June 30, 2010 and 2009

	Governmental Activities 2010	Governmental Activities 2009
Revenues:		
Program Revenues		
Charges for Service	\$ 1,662,043	\$ 1,630,092
Operating and Capital Grants	3,150,469	3,519,795
General Revenues		
Property Taxes	6,902,052	6,603,824
State School Aid-unrestricted	18,859,119	19,896,402
ARRA Stabilization funds	895,515	1,187,556
Other	<u>500,894</u>	<u>527,733</u>
Total Revenues and Special Items	31,970,092	33,365,402
Functions/Program Expenses:		
Instruction	15,594,174	15,581,273
Supporting services	8,429,336	9,914,544
Community services	769,876	957,649
Food service	1,153,548	1,193,941
Athletics	514,246	583,677
Childcare	529,893	297,376
Interest and fees on long-term debt	2,979,180	2,874,037
Unallocated depreciation	<u>2,349,879</u>	<u>2,507,985</u>
Total Expenses	<u>32,320,132</u>	<u>33,910,482</u>
Change in Net Assets	<u>\$ (350,040)</u>	<u>\$ (545,080)</u>

Analysis of Results of Operations:

During the fiscal year ended June 30, 2010, the District's net assets decreased by \$350,040. Several factors which helped cause the decrease are discussed in the following sections.

A. Governmental Fund Operating Results

The District's revenues and other financing sources for governmental fund operations exceeded expenditures and other financing sources from governmental fund operations by \$410,572 for the fiscal year ended June 30, 2010 but there were net changes in capital assets and debt that resulted in (\$760,612) in negative reconciling items as presented in the statements. Further discussion of the District's operating results is available in the section entitled "Results of 2009-2010 Operations" located on the following pages.

Results of 2009-2010 Operations

A. 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, Custodians, Maintenance staff, Librarians, Counselors, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's revenues from General Fund operations exceeded expenditures by \$284,135 for the fiscal year ended June 30, 2010. The General Fund as of June 30, 2010, had a fund balance of \$2,969,053 or 12% of expenditures for the 2009-2010 fiscal year. The School District made approximately \$2,031,000 in budget reductions in order to balance the 2009-2010 fiscal year budget and most likely will have to continue these reductions into subsequent years unless school funding from the State of Michigan improves.

B. Debt Service Fund Operations

The Debt Service Funds consist of six separate debt funds as follows: 1999 Debt, 2002 Debt, 2005 Debt, 2006 Debt, 2010 Debt, and Durant Resolution Bonds. The Debt Service Funds (2002 Debt, 2005 Debt, and 2006 Debt) are set up to collect taxes and pay annual debt payments. At June 30, 2010, the Debt Service Funds had \$1,288,555 in fund equity available for future bond payments.

The School District levies taxes to make debt payment obligations. If taxes levied were not sufficient the School District would borrow funds from the Michigan School Bond Loan Fund. All previous funds borrowed from the Michigan School Bond Loan Fund were paid off with the 2010 Refunding Bond that was issued in the current year for \$7,060,000. The District also had Durant resolution bonds and compensated absences outstanding at June 30, 2010, which totaled \$116,780. The District paid principal of \$625,000 to leave \$11,015,000 outstanding on the 2002 School Building and Site General Obligation bonds at year-end. The District also paid \$1,075,000 on the 2005 bonds to leave outstanding balances at year-end on this bond of \$32,325,000. There was also \$7,500,000 outstanding on the 2006 Refunding Bonds. A detailed presentation of the District's long-term debt is presented in Note E of the notes to the financial statements.

C. School Service Funds

The Charlotte Public Schools also has school service funds that include the following: Food Service Fund, Athletics Fund, Performing Arts Fund, Community Service Fund, and Childcare Fund.

The Food Service Fund is a fund that reports the food service program activities. In 2009-2010 the Food Service Fund had revenues of \$1,208,077 and expenditures and other financing uses of \$1,183,853. The Food Service Fund transferred \$30,305 to the General Fund to reimburse overhead costs. 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 fund balance of \$182,471.

The Athletics Fund includes all costs for high school and middle school athletic programs including the cost for coaches, officials, supplies, tournaments, and miscellaneous. Transportation cost is accounted for in the General Fund. In 2009-2010 the Athletics Fund had revenues and other financing sources of \$535,028 and expenditures of \$514,246. The Athletics Fund generated \$190,804 in revenue from gate receipts, passes, fees, donations, and other miscellaneous items. The Athletics Fund must be a balanced budget and the District contributed \$344,224 from the General Fund to balance the fund. The Athletics Fund had a fund balance of \$20,782.

The Performing Arts Fund is a fund that reports activities of the professional performances at the Charlotte Performing Arts Center, including facility rentals. In 2009-2010 the Performing Arts Fund generated revenues of \$243,005 and had expenditures and other financing uses of \$213,162. At the conclusion of its sixth year of operation in 2009-2010, the Performing Arts Center had a fund balance of \$122,724.

The Community Service Fund is responsible for the District's community service and recreation activities, including the aquatic center. The fund had revenues and other financing sources of \$440,553 and expenditures and other financing uses totaling \$440,589. The Community Service Fund received transfers from the General Fund totaling \$243,839 to end the year with a zero fund balance.

The Childcare Fund is a fund that reports the activities of the District's childcare program. In 2009-2010 the Childcare Fund generated revenues and other financing sources of \$482,063. Expenditures and other financing uses for the fund totaled \$538,526. The fund received transfers from the General Fund totaling \$7,100, to end the year with a fund balance of \$71,542.

D. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$2,160,679 during the fiscal year. This can be summarized as follows:

	<u>Balance June 30, 2009</u>	<u>Net Change</u>	<u>Balance June 30, 2010</u>
Capital Assets	\$ 80,583,874	\$(162,643)	\$ 80,421,231
Less: accumulated depreciation	<u>(25,672,643)</u>	<u>(1,998,036)</u>	<u>(27,670,679)</u>
Net investment in capital outlay	<u>\$ 54,911,231</u>	<u>\$(2,160,679)</u>	<u>\$ 52,750,552</u>

In 1999, Charlotte Public Schools voters approved a \$40,660,000 general obligation bond issue. In 2001, another general obligation bond issue totaling \$22,175,000 was approved by voters. 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.

IMPORTANT ECONOMIC FACTORS

A. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The 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 75 percent of prior year's fall count and 25 percent of prior year's winter count
- c. The District's nonhomestead property valuation

B. Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Charlotte Public Schools foundation allowance was \$7,316 per student for the 2009-2010 school year, which is the same as Charlotte Public Schools 2008-09 foundation allowance.

C. Student Enrollment

The District's State Aid Membership for 2009-2010 was 3,094 students. The District's enrollment decreased from the prior school year's Fall student count.

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

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2009-2010	3,094	(100)
2008-2009	3,194	(125)
2007-2008	3,319	29
2006-2007	3,290	(123)
2005-2006	3,413	38

D. Property Taxes levied for General Operations (General Fund Nonhomestead 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. The District's nonhomestead property tax revenue for 2009-2010 fiscal year was \$2,514,282. The nonhomestead tax revenue decreased by 7.0% over the prior year.

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 nonhomestead millage for operations as originally approved by voters in 1996. The 18 mill levy was renewed in May of 2006 for a period of ten years.

E. Debt Fund Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and nonhomestead. For 2009-2010 the District's debt millage levy was 7.59 mills, which generated revenue of \$4,282,968.

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

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>	
				<u>Actual & Original Budget</u>	<u>Actual & Final Budget</u>
2009-2010	\$24,897,003	\$24,981,102	\$24,724,494	0.7%	1.0%
2008-2009	\$26,731,784	\$27,639,991	\$27,376,151	(2.4%)	1.0%

General Fund Revenues and Other Sources, Budget vs. Actual

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>	
				<u>Actual & Original Budget</u>	<u>Actual & Final Budget</u>
2009-2010	\$24,897,002	\$25,115,302	\$25,008,629	0.4%	(0.4%)
2008-2009	\$26,527,728	\$27,156,918	\$26,935,973	1.5%	(0.8%)

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.

General Fund Expenditures:

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

		<u>Percent</u>
Total Expenditures Original Budget	\$ 24,897,003	100.0
Total Expenditures Final Budget	<u>24,981,102</u>	<u>100.3</u>
Increase in Budget Expenditures	<u>\$ 84,099</u>	<u>0.3</u>

The District's actual expenditures were less than the final budget by \$256,608 or 1.0 percent.

Some of the significant changes in expenditure budgets for the year include:

- Basic program costs were increased by \$345,797.
- Total added needs costs were increased by \$143,417.
- Student services costs were decreased by \$146,926.
- Instructional staff costs were decreased by \$46,052.
- School administration costs were decreased by \$52,709.
- Operations and maintenance costs were decreased by \$55,281.
- Adult and continuing education costs were decreased by \$92,226.

Revenue Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$ 24,897,002	100.0
Total Revenues Final Budget	<u>25,115,302</u>	<u>100.9</u>
Increase in Budget Revenues	<u>\$ 218,300</u>	<u>0.9</u>

The District's final actual general fund revenues differed from the final budget by (\$106,673), a variance of (0.4%) from the final budget.

The final revenue budget reflects the following changes from the original budget.

- State revenue was decreased by \$1,172,648.
- Federal funding for grants was increased by \$1,275,247.

Additional Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2011 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 blended count for the 2011 fiscal year is 25 percent and 75 percent of the February 2010 and September 2010 student counts, respectively. The 2011 fiscal year budget was adopted in June 2010, based on an estimate of students that will be enrolled in September 2010. 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 2010-2011 school year, we anticipate that the fall student count will be less than the estimates used in creating the 2011 fiscal year budget. 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.

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.

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 Office, Charlotte Public Schools, 378 State Street, Charlotte, Michigan 48813.

BASIC FINANCIAL STATEMENTS

Charlotte Public Schools

STATEMENT OF NET ASSETS

June 30, 2010

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 4,217,289
Accounts receivable	39,931
Taxes receivable	221,611
Due from other governmental units	3,922,675
Inventories	85,827
Prepays	65,907
Current portion of lease receivable	123,992
Total current assets	<u>8,677,232</u>
Noncurrent assets	
Noncurrent portion of lease receivable	193,608
Deferred charges, net of amortization	423,707
Capital assets not being depreciated	220,496
Capital assets, net of accumulated depreciation	52,530,056
Total noncurrent assets	<u>53,367,867</u>
TOTAL ASSETS	<u>62,045,099</u>
Current liabilities	
Accounts payable	290,566
Accrued payroll	1,735,509
Other accrued liabilities	888,478
Due to other governmental units	512,634
Accrued interest payable	537,662
Unearned revenue	323,304
Short-term notes payable	262,284
Current portion of compensated absences	13,645
Current portion of long-term debt	1,813,455
Total current liabilities	<u>6,377,537</u>
Noncurrent liabilities	
Noncurrent portion of compensated absences	13,644
Noncurrent portion of long-term debt	55,110,401
Total noncurrent liabilities	<u>55,124,045</u>
TOTAL LIABILITIES	<u>61,501,582</u>
NET ASSETS	
Invested in capital assets, net of related debt	(3,749,597)
Restricted for debt service	750,893
Unrestricted	3,542,221
TOTAL NET ASSETS	<u><u>\$ 543,517</u></u>

See accompanying notes to financial statements.

Charlotte Public Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 15,594,174	\$ 12,212	\$ 1,786,606	\$ -	\$ (13,795,356)
Supporting services	8,429,336	118,092	298,809	2,081	(8,010,354)
Community services	769,876	338,623	133,318	32,226	(265,709)
Food Service	1,153,548	563,230	642,630	-	52,312
Athletics	514,246	163,778	-	26,750	(323,718)
Childcare	529,893	466,108	8,234	-	(55,551)
Interest and fees on long-term debt	2,979,180	-	-	219,815	(2,759,365)
Unallocated depreciation	2,349,879	-	-	-	(2,349,879)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 32,320,132	\$ 1,662,043	\$ 2,869,597	\$ 280,872	(27,507,620)
		General Revenues			
					6,902,052
					18,859,119
					895,515
					25,883
					388,318
					86,693
			TOTAL GENERAL REVENUES		27,157,580
			CHANGE IN NET ASSETS		(350,040)
			Net assets, beginning of year		893,557
			Net assets, end of year		\$ 543,517

See accompanying notes to financial statements.

Charlotte Public Schools

Governmental Funds

BALANCE SHEET

June 30, 2010

	General	2010 Debt	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 2,198,158	\$ 4,468	\$ 2,014,663	\$ 4,217,289
Accounts receivable	12,308	-	27,623	39,931
Lease receivable	-	-	317,600	317,600
Taxes receivable	80,153	-	141,458	221,611
Due from other funds	161,088	-	7,595	168,683
Due from other governmental units	3,912,681	-	9,994	3,922,675
Inventories	75,314	-	10,513	85,827
Prepays	64,662	-	1,245	65,907
TOTAL ASSETS	\$ 6,504,364	\$ 4,468	\$ 2,530,691	\$ 9,039,523
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 191,134	\$ -	\$ 99,432	\$ 290,566
Accrued payroll	1,695,530	-	39,979	1,735,509
Other accrued liabilities	870,308	-	18,170	888,478
Due to other funds	-	-	168,683	168,683
Due to other governmental units	512,634	-	-	512,634
Deferred revenue	3,421	-	319,883	323,304
Short-term notes payable	262,284	-	-	262,284
TOTAL LIABILITIES	3,535,311	-0-	646,147	4,181,458
FUND BALANCES				
Reserved for:				
Inventories and prepays	139,976	-	11,758	151,734
Debt service	-	4,468	1,284,087	1,288,555
Unreserved				
Designated for:				
Capital projects	-	-	202,938	202,938
Other purposes	600,000	-	-	600,000
Undesignated, reported in:				
General fund	2,229,077	-	-	2,229,077
Special revenue funds	-	-	385,761	385,761
TOTAL FUND BALANCES	2,969,053	4,468	1,884,544	4,858,065
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,504,364	\$ 4,468	\$ 2,530,691	\$ 9,039,523

See accompanying notes to financial statements.

Charlotte Public Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS

June 30, 2010

Total fund balances - governmental funds \$ 4,858,065

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

Noncurrent assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 80,421,231	
Accumulated depreciation is	<u>(27,670,679)</u>	
	52,750,552	
Deferred charges, net of amortization	<u>423,707</u>	53,174,259

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Deferred amounts on refunding	1,065,635	
Bonds and loans payable	(57,989,491)	
Accrued interest payable on long-term debt	(537,662)	
Compensated absences	<u>(27,289)</u>	
		<u>(57,488,807)</u>

Net assets of governmental activities \$ 543,517

Charlotte Public Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2010

	General	2010 Debt	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 2,688,446	\$ -	\$ 6,152,313	\$ 8,840,759
State sources	19,715,036	-	269,227	19,984,263
Federal sources	1,955,509	-	601,453	2,556,962
TOTAL REVENUES	24,358,991	-0-	7,022,993	31,381,984
EXPENDITURES				
Current				
Instruction	15,523,906	-	-	15,523,906
Supporting services	8,391,356	-	-	8,391,356
Community service	136,154	-	427,507	563,661
Food service	-	-	1,153,548	1,153,548
Athletics	-	-	514,246	514,246
Performing arts	-	-	203,652	203,652
Childcare	-	-	529,893	529,893
Debt service				
Principal retirement	-	5,402,191	1,859,672	7,261,863
Interest, fiscal, and other charges	-	1,558,681	2,523,397	4,082,078
Capital outlay	16,905	-	222,742	239,647
TOTAL EXPENDITURES	24,068,321	6,960,872	7,434,657	38,463,850
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	290,670	(6,960,872)	(411,664)	(7,081,866)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	61,530	-	875,134	936,664
Bond proceeds	-	7,060,000	-	7,060,000
County special education allocation	388,318	-	-	388,318
Payments from other governments	141,249	-	-	141,249
Insurance proceeds	2,081	-	-	2,081
Other financing sources	56,460	-	-	56,460
Transfers to other funds	(595,163)	-	(341,501)	(936,664)
Bond issuance cost	-	(52,300)	-	(52,300)
Underwriter discount	-	(42,360)	-	(42,360)
Other financing uses	(61,010)	-	-	(61,010)
TOTAL OTHER FINANCING SOURCES (USES)	(6,535)	6,965,340	533,633	7,492,438
NET CHANGE IN FUND BALANCES	284,135	4,468	121,969	410,572
Fund balances, beginning of year	2,684,918	-	1,762,575	4,447,493
Fund balances, end of year	<u>\$ 2,969,053</u>	<u>\$ 4,468</u>	<u>\$ 1,884,544</u>	<u>\$ 4,858,065</u>

See accompanying notes to financial statements.

Charlotte Public Schools

RECONCILIATION OF THE CHANGE IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 410,572

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 189,200	
Depreciation expense	<u>(2,349,879)</u>	
Excess of depreciation expense over capital outlay		(2,160,679)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. Also, governmental funds report the effect of the difference between the carrying amount of defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consist of:

Net effect of amortization on deferred costs and other deferred amounts	(31,501)	
Bond principal retirement	8,820,544	
Bond proceeds (including SBLF interest)	<u>(7,269,474)</u>	
Excess of bond principal retirement over bond proceeds		1,519,569

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

(Increase) in accrued interest payable	(120,148)	
Decrease in accrued compensated absences	<u>646</u>	
		<u>(119,502)</u>

Change in net assets of governmental activities \$ (350,040)

Charlotte Public Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Current assets		
Cash	\$ 13,605	\$ 86,313
Investments	43,837	43,000
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 57,442</u></u>	<u><u>\$ 129,313</u></u>
LIABILITIES		
Due to individuals		
High School	\$ -	\$ 61,169
Middle School	-	42,534
Galewood Elementary	-	2,634
Parkview Elementary	-	797
Washington Elementary	-	22,179
	<u> </u>	<u> </u>
TOTAL LIABILITIES	-0-	<u><u>\$ 129,313</u></u>
NET ASSETS		
Held in trust for private purposes	<u><u>\$ 57,442</u></u>	

See accompanying notes to financial statements.

Charlotte Public Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2010

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Investment earnings	
Interest	\$ 1,093
Net assets - beginning of year	<u>56,349</u>
Net assets - end of year	<u><u>\$ 57,442</u></u>

See accompanying notes to financial statements.

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Charlotte Public Schools (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Charlotte Public Schools (primary government). The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the district as a whole. All non-fiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. A separate column is shown for each major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. The fiduciary funds are reported by type.

The District presents the following major governmental funds:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.
- b. 2010 Debt Fund - The 2010 Debt Fund is used to account for debt service on bonds issued by the District.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide and fiduciary private purpose trust fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources if they are needed.

The District reports deferred revenue on its governmental funds balance sheet, when applicable. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The District does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted to the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the Board of Education.
- f. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- g. The budget, as presented, has been amended in a legally permissible manner. Supplemental amendments were made during the year with the final amendments being approved June 14, 2010.

6. Cash and Investments

Cash consists of checking and savings accounts and imprest cash with an original maturity of 90 days or less.

Investments during the year consisted of certificates of deposit with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

7. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Inventories

Inventories are stated at cost on a first in/first out basis. The Food Services Fund inventory consists of food and paper goods. The General Fund inventory consists of gas, paper goods, and other miscellaneous items. Inventory amounts are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of total fund balance.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED9. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2010 to be paid in July and August 2010. Of the total amount of \$3,922,675 due from other governmental units, \$3,611,738 consists of State Aid and the remaining \$310,937 from other governmental grants.

10. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 except for new computers, printers, data projectors and televisions which have no cost threshold and all new classrooms (recorded at total content cost) and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions	15 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	8 years
Other capital equipment	7 - 25 years

11. Deferred/Unearned Revenue

Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period and the unexpended balance of various federal and/or state categorical and local grants until the period in which eligible expenditures are incurred. Amounts shown as unearned revenue on the Statement of Net Assets relate to the same receivables and state categorical and local grants but are shown here because they are not earned.

12. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the 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.

13. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year the District borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in August 2010 and anticipated State Aid is expected to be sufficient to cover this commitment.

14. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements. Accrued interest payable is due within one year and is reported as a current liability.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

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 general governmental services. The District levies \$7.59 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained.

17. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2010, the foundation allowance was based on the average of pupil membership counts taken in September 2009 and February 2009. The average calculation was weighted 75% for the September 2009 count and 25% for the February 2009 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payment made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

18. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are reported as deferred revenue, when they are present.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. County Special Education Revenue Allocation

The District continued to receive revenue based on excess funds remaining from a Countywide Special Education millage approved in prior years.

The millage was collected by Eaton Intermediate School District (EISD) and the payments to the District were based on EISD's previous year-end fund balance. Based on Countywide approval from all local districts within the County and the EISD, a predetermined fund equity amount has been established for equity that will remain at the EISD. The remaining excess will be allocated to all local districts within the County. The allocation is paid pro rata based upon the K-12 pupil enrollment, including Special Education students enrolled at EISD, of the District compared to the total County wide enrollment, along with a component for each local districts added special education costs incurred by each district. The K-12 enrollment for the District is defined as the blended official count for the State foundation grant.

20. Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

21. Federal Programs

Federal programs are accounted for in the specific governmental funds to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND INVESTMENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or National bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or Federal agency obligation repurchase agreements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE B: CASH AND INVESTMENTS - CONTINUED

6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured up to \$250,000 for interest-bearing savings deposits in an insured bank and up to \$250,000 for interest-bearing demand deposits at participating FDIC-insured institutions. FDIC insurance coverage through its Transaction Account Guarantee (TAG) Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent through June 30, 2010 and 0.25 percent after July 1, 2010) NOW accounts. This program is scheduled to end December 31, 2010, unless extended by the FDIC. Furthermore, if specific deposits are regulated by statute or bond indenture, these deposits are to be separately insured up to \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts. Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will have unlimited coverage at all FDIC-insured institutions.

Deposits

There is a custodial risk as it relates to 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. As of June 30, 2010, the carrying amount of the District's deposits was \$4,403,344 and the bank balance was \$4,534,757, all of which was covered by federal depository insurance. The District had \$700 cash on hand.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2010, the District did not have any investments that would be subject to rating.

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.

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.

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE B: CASH AND INVESTMENTS - CONTINUED

Custodial credit risk

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with Board approved policy.

As of June 30, 2010, the cash and investments referred to above have been reported in either the cash or investments captions in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash	\$ 4,217,289	\$ 99,918	\$ 4,317,207
Investments	<u>-</u>	<u>86,837</u>	<u>86,837</u>
	<u>\$ 4,217,289</u>	<u>\$ 186,755</u>	<u>\$ 4,404,044</u>

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Capital assets not being depreciated				
Land	\$ 220,496	\$ -	\$ -	\$ 220,496
Capital assets being depreciated				
Buildings and additions	67,922,655	25,754	(2,275)	67,946,134
Equipment and furniture	7,975,679	77,946	(219,020)	7,834,605
Vehicles	1,551,493	80,700	(130,332)	1,501,861
Other capital equipment	<u>2,913,551</u>	<u>4,800</u>	<u>(216)</u>	<u>2,918,135</u>
Subtotal	80,363,378	189,200	(351,843)	80,200,735
Less accumulated depreciation for:				
Buildings and additions	(16,902,948)	(1,719,951)	2,275	(18,620,624)
Equipment and furniture	(5,597,368)	(421,292)	219,020	(5,799,640)
Vehicles	(847,334)	(126,361)	114,615	(859,080)
Other capital equipment	<u>(2,324,993)</u>	<u>(66,558)</u>	<u>216</u>	<u>(2,391,335)</u>
Subtotal	<u>(25,672,643)</u>	<u>(2,334,162)</u>	<u>336,126</u>	<u>(27,670,679)</u>
Net capital assets being depreciated	<u>54,690,735</u>	<u>(2,144,962)</u>	<u>(15,717)</u>	<u>52,530,056</u>
Net capital assets	<u>\$ 54,911,231</u>	<u>\$(2,144,962)</u>	<u>\$(15,717)</u>	<u>\$ 52,750,552</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated". The current year depreciation expense of \$2,334,162 has been adjusted by \$15,717 for deletions of capital assets that occurred during the year in accordance with GASB Statement No. 34 implementation guide, which states that certain losses may be handled as an adjustment to the current period's depreciation expense.

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE D: SHORT-TERM NOTES

On August 20, 2009, the District issued a short-term State School Aid Anticipation Note in the amount of \$2,000,000 for the purpose of funding operating expenditures until the 2010 State Aid payments resumed. This short-term note, which has a net outstanding balance of \$262,284 (principal and accrued interest payable) at June 30, 2010, is reported in the General Fund and in the government wide financial statements under the caption short-term notes payable. The outstanding balance was paid August 20, 2010.

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2010.

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Amounts Due Within One Year
2005 Refunding Bonds	\$ 33,400,000	\$ -	\$ 1,075,000	\$32,325,000	\$ 1,110,000
2002 School Buildings and Site General Obligation Bonds	11,640,000	-	625,000	11,015,000	675,000
2006 Refunding Bonds	7,500,000	-	-	7,500,000	-
2010 Refunding Bonds	-	7,060,000	-	7,060,000	-
1998 Durant Resolution Bonds	249,163	-	159,672	89,491	28,455
Michigan School Bond Loans Principal and interest	6,751,398	209,474	6,960,872	-0-	-
Compensated Absences	<u>27,935</u>	<u>-</u>	<u>646</u>	<u>27,289</u>	<u>13,645</u>
	59,568,496	7,269,474	8,821,190	58,016,780	1,827,100
Less deferred amounts on refunding	<u>(1,121,721)</u>	<u>-</u>	<u>(56,086)</u>	<u>(1,065,635)</u>	<u>(56,086)</u>
Total	<u>\$ 58,446,775</u>	<u>\$ 7,269,474</u>	<u>\$ 8,765,104</u>	<u>\$56,951,145</u>	<u>\$ 1,771,014</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

\$33,705,000 Refunding Bonds dated May 4, 2005, due in annual installments ranging from \$1,110,000 to \$2,185,000 through May 1, 2029, with interest ranging from 3.50 to 5.00 percent, payable semi-annually. \$ 32,325,000

\$22,175,000 School Buildings and Site General Obligation Bonds dated March 1, 2002, due in annual installments ranging from \$365,000 to \$1,200,000 through May 1, 2023, with interest ranging from 4.30 to 5.00 percent, payable semi-annually. 11,015,000

\$7,500,000 Refunding Bonds dated March 1, 2006, due in annual installments ranging from \$50,000 to \$1,660,000 through May 1, 2027, with interest ranging from 4.00 to 4.25 percent, payable semi-annually. 7,500,000

\$7,060,000 Refunding Bonds dated January 13, 2010, due in annual installments ranging from \$335,000 to \$1,415,000 through May 1, 2018, with interest ranging from 2.45 to 5.00 percent, payable semi-annually. 7,060,000

\$ 57,900,000

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE E: LONG-TERM DEBT - CONTINUED

Resolution Bonds

\$465,889 1998 Durant Resolution Bonds dated November 15, 1998, due in annual installments from \$28,455 to \$31,227, with interest of 4.761353 percent, payable annually. The annual debt service payments related to these bonds is paid through an annual appropriation from the State of Michigan.

\$ 89,491

Michigan School Bond Loan Fund/School Revolving Fund

The School District has borrowed on various occasions from the Michigan School Bond Loan Fund/School Loan Revolving Fund. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate ranged from 4.98 to 6.35 percent.

During this fiscal year, an additional \$209,474 accrued in interest payable. This Michigan School Bond Loan Fund/School Loan Revolving Fund was paid off with the 2010 Refunding Bond at June 30, 2010.

Advance Refunding - Prior

On March 1, 2006 the District defeased the portion of the 2002 School Building and Site Bonds which are due and payable May 1, 2024 through May 1, 2027. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2006 Refunding Bonds in the amount of \$7,500,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2010, bonds due and payable May 1, 2024 through May 1, 2027 for the 2002 School Building and Site Bonds in the amount of \$7,010,000 are considered defeased.

On May 4, 2005 the District defeased the portion of the 1999 School Building and Site Bonds which are due and payable May 1, 2010 through May 1, 2029. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2005 Refunding Bonds in the amount of \$33,705,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2010, bonds due and payable May 1, 2011 through May 1, 2029 for the 1999 School Building and Site Bonds in the amount of \$32,350,000 are considered defeased.

Compensated Absences

In recognition of services to the District, a severance payment 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 per day.

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2010 for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE E: LONG-TERM DEBT - CONTINUED

Compensated Absences - continued

A summary of the calculated amounts of accrued severance pay and related payroll taxes as of June 30, 2010, which has been recorded in the District-wide financial statements, is as follows:

	<u>Vested Employees</u>	<u>Nonvested Employees</u>	<u>Total</u>
Severance pay	\$ 12,900	\$ 12,450	\$ 25,350
Payroll taxes	<u>987</u>	<u>952</u>	<u>1,939</u>
	<u>\$ 13,887</u>	<u>\$ 13,402</u>	<u>\$ 27,289</u>

The annual requirements to pay the debt principal and interest outstanding for the Long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Durant Resolution Bonds</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 28,455	\$ 4,261	\$ 1,785,000	\$ 2,781,823
2012	29,809	2,906	2,210,000	2,623,153
2013	31,227	1,487	2,565,000	2,533,508
2014	-	-	2,900,000	2,431,320
2015	-	-	3,300,000	2,310,045
2016-2020	-	-	16,830,000	9,089,434
2021-2025	-	-	16,405,000	5,216,970
2026-2029	<u>-</u>	<u>-</u>	<u>11,905,000</u>	<u>1,291,894</u>
	<u>\$ 89,491</u>	<u>\$ 8,654</u>	<u>\$57,900,000</u>	<u>\$28,278,147</u>

The Durant Resolution Bonds referred to above are bonds whose future debt service payments by the District are contingent on an annual State of Michigan appropriation. This is the only revenue source for making the annual debt service payments on these bonds. If the legislature of the State of Michigan fails to appropriate the funds, in any particular year, the District is under no obligation for payment of that year's debt obligation.

NOTE F: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2010 are as follows:

Due to General Fund from Nonmajor governmental funds	<u>\$ 161,088</u>
Due to nonmajor governmental funds from Nonmajor governmental funds	<u>\$ 7,595</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE G: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund from Nonmajor governmental funds	<u>\$ 61,530</u>
Transfers to nonmajor governmental funds from General Fund	\$ 595,163
Nonmajor governmental funds	<u>279,971</u>
	<u>\$ 875,134</u>

The transfers from nonmajor governmental funds to the General Fund were to offset a portion of costs of the District operations related to those funds that were recognized in the General Fund. The transfers from the General Fund to the nonmajor governmental (Athletics, Community Service, and Childcare) funds were to cover operational costs related to the District's athletics, community service, and childcare programs. The transfer from the nonmajor governmental (1999 Debt) fund to the nonmajor governmental (2005 Debt) fund was to close the 1999 Debt Fund due to paying off this debt.

NOTE H: EMPLOYEE RETIREMENT SYSTEMPension Plan Description and Funding Policy

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2009, the last year available, may be obtained by contacting the State of Michigan, Department of Management and Budget.

The payroll for employees covered by the MPERS for the year ended June 30, 2010 was \$14,663,459 of which \$11,396,513 was for members who have elected the MIP option; the District's total payroll was \$15,135,797.

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five (5) years of credited service, with credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten (10) years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date.

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Pension Plan Description and Funding Policy - continued

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death and disability benefits and health and medical, dental, vision, and hearing insurance coverage. Benefits are established by State statute.

Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987, to December 31, 1989, and 3.9% thereafter. Employees first hired on or after January 1, 1990, are required to contribute based on a graduated wage; 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

For the period of July 1, 2009 to September 30, 2009, the District was required by State statute to contribute 16.54% of covered compensation for all wages to the Plan. For the period of October 1, 2009 to June 30, 2010, the District was required by State statute to contribute 16.94% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2010, and the previous two (2) years is as follows:

<u>June 30,</u>	<u>MIP Contributions</u>	<u>District Contributions</u>	<u>Total Contributions</u>
2010	\$ 446,996	\$ 2,470,986	\$ 2,917,982
2009	467,215	2,578,043	3,045,258
2008	453,573	2,585,369	3,038,942

The following represents contributions as a percentage of the applicable covered payroll for the current and preceding two (2) years:

<u>June 30,</u>	<u>MIP Contributions</u>	<u>District Contributions</u>
2010	4.0 %	16.9 %
2009	4.0	16.6
2008	4.0	17.0

Other Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. A component of the employer contribution rate for the pension plan factors into it amounts for other postemployment benefits and this amount is paid by the District. The employer contribution rate was 6.81% of covered payroll for the period of July 1, 2009 through June 30, 2010 and is included in the above required contributions.

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE I: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the District has set aside for specific purposes.

The following are the various fund balance reserves as of June 30, 2010:

General Fund	
Reserved for inventories and prepaids	<u>\$ 139,976</u>
2010 Debt Fund	
Reserved for debt service	<u>\$ 4,468</u>
Nonmajor governmental funds	
Reserved for inventories and prepaids	\$ 11,758
Reserved for debt service	<u>1,284,087</u>
	<u>\$ 1,295,845</u>

The following are the fund balance designations as of June 30, 2010:

General Fund	
Designated for other purposes	
Technology replacement	<u>\$ 600,000</u>
Nonmajor governmental funds	
Designated for capital projects	<u>\$ 202,938</u>

NOTE J: RESTRICTED NET ASSETS

Restrictions of net assets shown in the District-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for the unrestricted purposes. The following is the net asset restriction as of June 30, 2010:

Governmental activities	
Restricted for debt service	<u>\$ 750,893</u>

NOTE K: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2010, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
Supporting Services			
Student services	\$ 957,470	\$ 962,051	\$ 4,581
School administration	1,334,727	1,365,785	31,058
Other financing uses			
Transfers to other funds	585,505	595,163	9,658

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE L: FLEXIBLE BENEFITS PLAN

In February 1996, the District approved by Board action to implement a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The Plan, available to all employees, who are salaried or hourly and scheduled to twenty (20) hours or more each week, permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments, medical expense reimbursement benefits, or dependent care benefits. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The Plan is administered by Charlotte Public Schools.

NOTE M: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler, 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 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 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 a special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE N: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

Prior to the current year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff District an agreed upon amount for past under funding of special education. Charlotte Public Schools, a nonplaintiff District, was awarded \$931,778 in the settlement. The funds are being paid as follows:

- a. One-half was paid over ten (10) years, which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F (6). These funds were recorded within the General Fund as categorical State Aid. The year ended June 30, 2008, was the last year of payments of these funds.
- b. One-half is being paid over fifteen (15) years, which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1351 (a) of the Revised School Code. The debt service payments for these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE O: BONDED CONSTRUCTION FUNDS

The Capital Project Funds of the District include the capital projects activities funded in part by the 2002 Building and Site General Obligation Bonds. The remaining funding for the activities recorded within the applicable Capital Project Funds is funded by local appropriations from the General Fund, and other local dollars (i.e., interest, etc.) For these projects recorded within the Capital Project Funds, the District has complied with the applicable provisions of Section 1351 (1) of the Revised School Code in prior and current years. The 2002 Bond construction project was substantially completed in prior years and the applicable bond audit was done at that time.

NOTE P: SUBSEQUENT EVENT

On August 20, 2010, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan in the amount of \$1,500,000 was for the purpose of funding operating expenditures until the fiscal year 2011 State Aid payments resume. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE Q: LEASE AGREEMENT

On December 17, 2007, the District entered into a lease agreement with America Telecasting of Lansing, Inc. for the channels for Educational Broadband Service within the District. This lease is recorded as a receivable and deferred revenue at the fund level in the Capital Projects Fund based on generally accepted accounting principles in the United States of America. The terms of the lease are as follows:

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 booked as a receivable/deferral at the fund level at June 30, 2010. In addition, the May and June 2010 payments of \$17,600 were not received as of year-end, so those payments are included in the receivable at June 30, 2010. The lease payments are paid to the District monthly and range from \$8,544 to \$9,336 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 revenue at the fund level and unearned revenue at the District-wide level.

At June 30, 2010, minimum lease payments for succeeding fiscal years are as follows:

Year Ended <u>June 30,</u>	
2011	\$ 106,392
2012	109,584
2013	<u>84,024</u>
	<u>\$ 300,000</u>

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE R: GASB PRONOUNCEMENTS

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

The District is currently evaluating the impact this standard will have on the financial statements when adopted. The District will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

Charlotte Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 2,909,582	\$ 2,903,170	\$ 2,688,446	\$ (214,724)
State sources	20,656,862	19,484,214	19,715,036	230,822
Federal sources	820,770	2,096,017	1,955,509	(140,508)
TOTAL REVENUES	24,387,214	24,483,401	24,358,991	(124,410)
EXPENDITURES				
Current				
Instruction				
Basic programs				
Preschool	113,528	-	-	-0-
Elementary	4,013,498	4,245,340	4,221,007	24,333
Middle school	3,460,959	3,551,955	3,548,897	3,058
High School	2,946,193	3,059,460	3,047,116	12,344
Youth facility/Day treatments	249,655	251,996	249,754	2,242
Other basic programs	266,920	287,799	287,169	630
Total basic programs	11,050,753	11,396,550	11,353,943	42,607
Added needs				
Special education	2,326,120	2,602,450	2,591,993	10,457
Compensatory education	1,203,704	1,161,133	1,101,285	59,848
Vocational education	584,862	494,520	476,685	17,835
Total added needs	4,114,686	4,258,103	4,169,963	88,140
Adult and continuing education	92,226	-	-	-0-
TOTAL INSTRUCTION	15,257,665	15,654,653	15,523,906	130,747
Supporting services				
Student services				
Guidance services	787,678	705,481	706,231	(750)
Health services	22,510	18,503	14,137	4,366
Speech pathology and audiology services	150,450	137,000	141,113	(4,113)
Teacher consultants	67,968	37,122	37,830	(708)
Other pupil services	75,790	59,364	62,740	(3,376)
Total student services	1,104,396	957,470	962,051	(4,581)

Charlotte Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2010

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
Current - continued				
Supporting services - continued				
Instructional staff				
Improvement of instruction	\$ 162,935	\$ 247,591	\$ 178,278	\$ 69,313
Media services	463,513	399,816	402,733	(2,917)
Technology assisted instruction	573,386	537,612	540,801	(3,189)
Supervision and direction of instruction staff	184,157	180,730	179,533	1,197
Director of Special Education	140,071	135,336	132,430	2,906
Other instructional staff	37,631	14,556	14,430	126
Total instructional staff	1,561,693	1,515,641	1,448,205	67,436
General administration				
Board of education	156,550	151,350	135,787	15,563
Executive administration	233,410	225,895	221,418	4,477
Total general administration	389,960	377,245	357,205	20,040
School administration	1,387,436	1,334,727	1,365,785	(31,058)
Business				
Fiscal services	361,409	364,476	364,167	309
Other business services	93,200	92,299	87,615	4,684
Total business	454,609	456,775	451,782	4,993
Operations and maintenance	2,639,389	2,584,108	2,541,055	43,053
Transportation	1,155,115	1,137,839	1,132,553	5,286
Other supporting services				
Communication services	48,965	48,977	42,697	6,280
Personnel services	91,900	92,179	90,023	2,156
Total other supporting services	140,865	141,156	132,720	8,436
TOTAL SUPPORTING SERVICES	8,833,463	8,504,961	8,391,356	113,605

Charlotte Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2010

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
Current - continued				
Community services				
Nonpublic school services	\$ 9,712	\$ 9,353	\$ 2,572	\$ 6,781
Performing arts center	144,470	145,280	133,582	11,698
TOTAL COMMUNITY SERVICES	154,182	154,633	136,154	18,479
Capital outlay	14,000	18,000	16,905	1,095
TOTAL EXPENDITURES	24,259,310	24,332,247	24,068,321	263,926
EXCESS OF REVENUES OVER EXPENDITURES	127,904	151,154	290,670	139,516
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	60,866	63,533	61,530	(2,003)
County special education allocation	343,912	343,912	388,318	44,406
Payments from other governments	72,210	127,178	141,249	14,071
Insurance proceeds	-	28,000	2,081	(25,919)
Other financing sources	32,800	69,278	56,460	(12,818)
Transfers to other funds	(599,006)	(585,505)	(595,163)	(9,658)
Other financing uses	(38,687)	(63,350)	(61,010)	2,340
TOTAL OTHER FINANCING SOURCES (USES)	(127,905)	(16,954)	(6,535)	10,419
NET CHANGE IN FUND BALANCE	(1)	134,200	284,135	149,935
Fund balance, beginning of year	2,684,918	2,684,918	2,684,918	-0-
Fund balance, end of year	<u>\$ 2,684,917</u>	<u>\$ 2,819,118</u>	<u>\$ 2,969,053</u>	<u>\$ 149,935</u>

OTHER SUPPLEMENTARY INFORMATION

Charlotte Public Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2010

	Special Revenue			
	Food Service	Athletics	Performing Arts	Community Service
ASSETS				
Cash	\$ 214,806	\$ 74,216	\$ 162,924	\$ 40,335
Accounts receivable	7,714	-	6,613	2,635
Lease receivable	-	-	-	-
Taxes receivable	-	-	-	-
Due from other funds	7,595	-	-	-
Due from other governmental units	8,983	-	-	-
Inventories	10,513	-	-	-
Prepays	-	-	845	400
TOTAL ASSETS	\$ 249,611	\$ 74,216	\$ 170,382	\$ 43,370
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 12,115	\$ 42,697	\$ 268	\$ 19,325
Accrued payroll	9,970	1,702	10,739	6,038
Other accrued liabilities	9,507	414	3,485	1,929
Due to other funds	35,548	8,621	19,323	16,078
Deferred revenue	-	-	13,843	-
TOTAL LIABILITIES	67,140	53,434	47,658	43,370
FUND BALANCES				
Reserved for:				
Inventories and prepaids	10,513	-	845	400
Debt service	-	-	-	-
Unreserved				
Designated for:				
Capital projects	-	-	-	-
Undesignated, reported in Special revenue funds	171,958	20,782	121,879	(400)
TOTAL FUND BALANCES	182,471	20,782	122,724	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 249,611	\$ 74,216	\$ 170,382	\$ 43,370

Funds	Debt Service Funds				
Childcare	2006 Debt	2005 Debt	2002 Debt	1999 Debt	Durant Resolution Bonds
\$ 193,944	\$ 42,733	\$ 599,430	\$ 500,937	\$ -	\$ -
10,661	-	-	-	-	-
-	-	-	-	-	-
-	7,579	91,367	42,512	-	-
-	-	-	-	-	-
1,011	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 205,616</u>	<u>\$ 50,312</u>	<u>\$ 690,797</u>	<u>\$ 543,449</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ 25,027	\$ -	\$ -	\$ -	\$ -	\$ -
11,530	-	-	-	-	-
2,835	-	-	-	-	-
88,642	28	299	144	-	-
6,040	-	-	-	-	-
134,074	28	299	144	-0-	-0-
-	-	-	-	-	-
-	50,284	690,498	543,305	-	-
-	-	-	-	-	-
71,542	-	-	-	-	-
71,542	50,284	690,498	543,305	-0-	-0-
<u>\$ 205,616</u>	<u>\$ 50,312</u>	<u>\$ 690,797</u>	<u>\$ 543,449</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Charlotte Public Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2010

	Capital Project Funds		
	2002 Bond Projects	Capital Projects	Total
ASSETS			
Cash	\$ -	\$ 185,338	\$ 2,014,663
Accounts receivable	-	-	27,623
Lease receivable	-	317,600	317,600
Taxes receivable	-	-	141,458
Due from other funds	-	-	7,595
Due from other governmental units	-	-	9,994
Inventories	-	-	10,513
Prepays	-	-	1,245
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 502,938</u>	<u>\$ 2,530,691</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 99,432
Accrued payroll	-	-	39,979
Other accrued liabilities	-	-	18,170
Due to other funds	-	-	168,683
Deferred revenue	-	300,000	319,883
TOTAL LIABILITIES	<u>-0-</u>	<u>300,000</u>	<u>646,147</u>
FUND BALANCES			
Reserved for:			
Inventories and prepaids	-	-	11,758
Debt service	-	-	1,284,087
Unreserved			
Designated for:			
Capital projects	-	202,938	202,938
Undesignated, reported in Special revenue funds	-	-	385,761
TOTAL FUND BALANCES	<u>-0-</u>	<u>202,938</u>	<u>1,884,544</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 502,938</u>	<u>\$ 2,530,691</u>

Charlotte Public Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2010

	Special Revenue			
	Food Service	Athletics	Performing Arts	Community Service
REVENUES				
Local sources	\$ 565,446	\$ 190,804	\$ 243,005	\$ 196,714
State sources	49,412	-	-	-
Federal sources	593,219	-	-	-
TOTAL REVENUES	1,208,077	190,804	243,005	196,714
EXPENDITURES				
Current				
Food service	1,153,548	-	-	-
Athletics	-	514,246	-	-
Performing arts	-	-	203,652	-
Community service	-	-	-	427,507
Childcare	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest, fiscal, and other charges	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	1,153,548	514,246	203,652	427,507
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	54,529	(323,442)	39,353	(230,793)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	344,224	-	243,839
Transfers to other funds	(30,305)	-	(9,510)	(13,082)
TOTAL OTHER FINANCING SOURCES (USES)	(30,305)	344,224	(9,510)	230,757
NET CHANGE IN FUND BALANCES	24,224	20,782	29,843	(36)
Fund balances, beginning of year	158,247	-	92,881	36
Fund balances, end of year	<u>\$ 182,471</u>	<u>\$ 20,782</u>	<u>\$ 122,724</u>	<u>\$ -0-</u>

Funds	Debt Service Funds				
	Childcare	2006 Debt	2005 Debt	2002 Debt	1999 Debt
\$ 466,729	\$ 298,847	\$ 2,745,731	\$ 1,340,747	\$ -	\$ -
-	-	-	-	-	219,815
8,234	-	-	-	-	-
474,963	298,847	2,745,731	1,340,747	-0-	219,815
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
529,893	-	-	-	-	-
-	-	1,075,000	625,000	-	159,672
-	306,468	1,607,809	548,977	-	60,143
-	-	-	-	-	-
529,893	306,468	2,682,809	1,173,977	-0-	219,815
(54,930)	(7,621)	62,922	166,770	-0-	-0-
7,100	-	279,971	-	-	-
(8,633)	-	-	-	(279,971)	-
(1,533)	-0-	279,971	-0-	(279,971)	-0-
(56,463)	(7,621)	342,893	166,770	(279,971)	-0-
128,005	57,905	347,605	376,535	279,971	-
\$ 71,542	\$ 50,284	\$ 690,498	\$ 543,305	\$ -0-	\$ -0-

Charlotte Public Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CONTINUED

Year Ended June 30, 2010

	Capital Project Funds		
	2002 Bond Projects	Capital Projects	Total
REVENUES			
Local sources	\$ -	\$ 104,290	\$ 6,152,313
State sources	-	-	269,227
Federal sources	-	-	601,453
TOTAL REVENUES	-0-	104,290	7,022,993
EXPENDITURES			
Current			
Food service	-	-	1,153,548
Athletics	-	-	514,246
Performing arts	-	-	203,652
Community service	-	-	427,507
Childcare	-	-	529,893
Debt service			
Principal retirement	-	-	1,859,672
Interest, fiscal, and other charges	-	-	2,523,397
Capital outlay	24,286	198,456	222,742
TOTAL EXPENDITURES	24,286	198,456	7,434,657
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,286)	(94,166)	(411,664)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	875,134
Transfers to other funds	-	-	(341,501)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	533,633
NET CHANGE IN FUND BALANCES	(24,286)	(94,166)	121,969
Fund balances, beginning of year	24,286	297,104	1,762,575
Fund balances, end of year	\$ -0-	\$ 202,938	\$ 1,884,544

Charlotte Public Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

	<u>Christine Wonch</u>	<u>Scholarships</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 3,446	\$ 10,159	\$ 13,605
Investments	<u>12,837</u>	<u>31,000</u>	<u>43,837</u>
TOTAL ASSETS	<u>\$ 16,283</u>	<u>\$ 41,159</u>	<u>\$ 57,442</u>
NET ASSETS			
Held in trust for private purposes	<u>\$ 16,283</u>	<u>\$ 41,159</u>	<u>\$ 57,442</u>

Charlotte Public Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2010

	<u>Christine Wonch</u>	<u>Scholarships</u>	<u>Total</u>
ADDITIONS			
Investment earnings			
Interest	\$ 652	\$ 441	\$ 1,093
Net assets - beginning of year	<u>15,631</u>	<u>40,718</u>	<u>56,349</u>
Net assets - end of year	<u>\$ 16,283</u>	<u>\$ 41,159</u>	<u>\$ 57,442</u>

OTHER FINANCIAL INFORMATION

Charlotte Public Schools

SCHEDULE OF BONDED DEBT OUTSTANDING

Year Ended June 30, 2010

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
GENERAL OBLIGATION BONDS					
2002 School Building and Site					
Bonds, dated March 1, 2002					
	May 1, 2011	4.50	\$ 519,531	\$ 675,000	\$ 1,194,531
	May 1, 2012	4.50	489,156	700,000	1,189,156
	May 1, 2013	4.30	457,656	750,000	1,207,656
	May 1, 2014	4.40	425,406	775,000	1,200,406
	May 1, 2015	4.50	391,306	800,000	1,191,306
	May 1, 2016	4.60	355,306	825,000	1,180,306
	May 1, 2017	4.70	317,356	875,000	1,192,356
	May 1, 2018	4.75	276,231	900,000	1,176,231
	May 1, 2019	4.88	233,481	975,000	1,208,481
	May 1, 2020	4.90	185,950	1,050,000	1,235,950
	May 1, 2021	5.00	134,500	1,125,000	1,259,500
	May 1, 2022	5.00	78,250	1,200,000	1,278,250
	May 1, 2023	5.00	18,250	365,000	383,250
			<u>3,882,379</u>	<u>11,015,000</u>	<u>14,897,379</u>
2006 Refunding Bonds,					
dated March 1, 2006					
	May 1, 2011	4.000	306,144	-	306,144
	May 1, 2012	4.000	306,144	-	306,144
	May 1, 2013	4.000	306,144	-	306,144
	May 1, 2014	4.000	306,144	-	306,144
	May 1, 2015	4.000	306,144	-	306,144
	May 1, 2016	4.000	306,144	-	306,144
	May 1, 2017	4.000	306,144	50,000	356,144
	May 1, 2018	4.000	304,144	50,000	354,144
	May 1, 2019	4.000	302,144	55,000	357,144
	May 1, 2020	4.000	299,944	55,000	354,944
	May 1, 2021	4.000	297,744	55,000	352,744
	May 1, 2022	4.000	295,544	60,000	355,544
	May 1, 2023	4.000	293,144	990,000	1,283,144
	May 1, 2024	4.000	253,544	1,420,000	1,673,544
	May 1, 2025	4.000	196,744	1,510,000	1,706,744
	May 1, 2026	4.125	136,344	1,595,000	1,731,344
	May 1, 2027	4.250	70,550	1,660,000	1,730,550
			<u>4,592,854</u>	<u>7,500,000</u>	<u>12,092,854</u>

Charlotte Public Schools

SCHEDULE OF BONDED DEBT OUTSTANDING - CONTINUED

Year Ended June 30, 2010

	Maturity Date	Interest Rate	Interest	Principal	Total
GENERAL OBLIGATION BONDS					
2005 Refunding Bonds, dated May 4, 2005					
	May 1, 2011	3.50	\$ 1,568,550	\$ 1,110,000	\$ 2,678,550
	May 1, 2012	4.25	1,529,700	1,175,000	2,704,700
	May 1, 2013	4.25	1,479,763	1,215,000	2,694,763
	May 1, 2014	4.50	1,428,125	1,280,000	2,708,125
	May 1, 2015	4.50	1,370,525	1,345,000	2,715,525
	May 1, 2016	5.00	1,310,000	1,415,000	2,725,000
	May 1, 2017	5.00	1,239,250	1,490,000	2,729,250
	May 1, 2018	5.00	1,164,750	1,585,000	2,749,750
	May 1, 2019	5.00	1,085,500	1,655,000	2,740,500
	May 1, 2020	5.00	1,002,750	1,725,000	2,727,750
	May 1, 2021	5.00	916,500	1,795,000	2,711,500
	May 1, 2022	5.00	826,750	1,870,000	2,696,750
	May 1, 2023	5.00	733,250	1,935,000	2,668,250
	May 1, 2024	5.00	636,500	2,005,000	2,641,500
	May 1, 2025	5.00	536,250	2,075,000	2,611,250
	May 1, 2026	5.00	432,500	2,140,000	2,572,500
	May 1, 2027	5.00	325,500	2,155,000	2,480,500
	May 1, 2028	5.00	217,750	2,170,000	2,387,750
	May 1, 2029	5.00	109,250	2,185,000	2,294,250
			17,913,163	32,325,000	50,238,163
2010 Refunding Bonds, dated January 13, 2010					
	May 1, 2011	2.45	387,598	-	387,598
	May 1, 2012	2.45	298,153	335,000	633,153
	May 1, 2013	3.05	289,945	600,000	889,945
	May 1, 2014	3.50	271,645	845,000	1,116,645
	May 1, 2015	4.10	242,070	1,155,000	1,397,070
	May 1, 2016	4.40	194,715	1,360,000	1,554,715
	May 1, 2017	4.75	134,875	1,350,000	1,484,875
	May 1, 2018	5.00	70,750	1,415,000	1,485,750
			1,889,751	7,060,000	8,949,751
RESOLUTION BONDS					
1998 Durant Resolution Bond, dated November 15, 1998					
	May 15, 2011	4.76	4,261	28,455	32,716
	May 15, 2012	4.76	2,906	29,809	32,715
	May 15, 2013	4.76	1,487	31,227	32,714
			8,654	89,491	98,145
TOTAL BONDED DEBT OUTSTANDING			\$28,286,801	\$57,989,491	\$ 86,276,292

Charlotte Public Schools

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2010

Charlotte Public Schools

TABLE OF CONTENTS

June 30, 2010

	<u>Page</u>
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	1-2
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	3-6
Notes to Schedule of Expenditures of Federal Awards	7
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	8-9
SCHEDULE OF FINDINGS	10
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	11

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Charlotte Public Schools
Charlotte, Michigan

Compliance

We have audited Charlotte Public Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Charlotte Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Charlotte Public Schools' management. Our responsibility is to express an opinion on Charlotte Public Schools' compliance based on our audit.

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

In our opinion, Charlotte Public Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Charlotte Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Charlotte Public Schools' internal control over compliance with requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Charlotte Public Schools' internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools as of and for the year ended June 30, 2010, and have issued our report thereon dated October 19, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Charlotte Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education and administration of Charlotte Public Schools, others within the District, the pass-through entities, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 19, 2010

Charlotte Public Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount
U.S. DEPARTMENT OF EDUCATION			
Passed Through Michigan Department of Education			
E.S.E.A. Title I - Part A	84.010 (e)(g)		
2009-10		1015300910	\$ 415,998
2008-09		0915300809	<u>436,953</u>
			852,951
E.S.E.A. Title I - Part D	84.013		
2009-10		1017000910	118,993
2008-09		0917000809	<u>116,014</u>
			235,007
Technology Literacy Challenge Grants	84.318 (j)		
2009-10 Ed Tech - Formula Grant		1042900910	1,178
2008-09 Ed Tech - Formula Grant		0942900809	<u>3,485</u>
			4,663
Improving Teacher Quality	84.367		
2009-10		1005200910	177,137
2008-09		0905200809	<u>174,578</u>
			351,715
Title II, Part D - ARRA	84.386 (j)	1042950910	6,968
Title I Grants to LEA's - ARRA	84.389 (e)(g)		
Title I, Part A		1015350910	164,986
Title I, Part D		1017050910	<u>54,014</u>
			219,000
Education Stabilization Fund-ARRA	84.394 (e)		
2009-10		1025250910	895,515
2008-09		0925250809	<u>1,187,556</u>
			2,083,071
Passed Through Michigan Department of Education and Eaton Intermediate School District (EISD)			
Special Education Grants to States	84.027 (e)(h)		
IDEA			
2009-10		N/A	75,000
2008-09	N/A	75,000	
Transition Grant			
2009-10	N/A		<u>1,059</u>
			151,059

<u>Restated (Memo Only) Prior Years' Expenditures</u>	<u>Balance July 1, 2009 Accrued or (Deferred) Revenue</u>	<u>Cash Receipts In-Kind Payments</u>	<u>Expenditures</u>	<u>Balance June 30, 2010 Accrued or (Deferred) Revenue</u>
\$ -	\$ -	\$ 318,660	\$ 398,675	\$ 80,015
<u>388,324</u>	<u>36,502</u>	<u>36,502</u>	<u>-</u>	<u>-0-</u>
388,324	36,502	355,162	398,675	80,015
-	-	61,823	76,641	14,818
<u>65,058</u>	<u>12,775</u>	<u>22,116</u>	<u>9,341</u>	<u>-0-</u>
65,058	12,775	83,939	85,982	14,818
-	-	1,178	1,178	-0-
<u>2,307</u>	<u>92</u>	<u>92</u>	<u>-</u>	<u>-0-</u>
2,307	92	1,270	1,178	-0-
-	-	103,214	123,784	20,570
<u>141,568</u>	<u>26,422</u>	<u>26,422</u>	<u>-</u>	<u>-0-</u>
141,568	26,422	129,636	123,784	20,570
-	-	6,254	6,968	714
-	-	63,169	84,117	20,948
<u>-</u>	<u>-</u>	<u>38,960</u>	<u>54,014</u>	<u>15,054</u>
-0-	-0-	102,129	138,131	36,002
-	-	895,515	895,515	-0-
<u>1,187,556</u>	<u>1,187,556</u>	<u>1,187,556</u>	<u>-</u>	<u>-0-</u>
1,187,556	1,187,556	2,083,071	895,515	-0-
-	-	-	75,000	75,000
<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>-0-</u>
-	-	1,128	1,128	-0-
<u>75,000</u>	<u>75,000</u>	<u>76,128</u>	<u>76,128</u>	<u>75,000</u>

Charlotte Public Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount
U.S. DEPARTMENT OF EDUCATION - CONTINUED			
Passed Through Michigan Department of Education and Eaton Intermediate School District (EISD) - Continued Safe and Drug Free Schools 2009-10	84.186	1028600910	\$ 323
Special Education Grants to States - ARRA IDEA 2009-10	84.391 ^{(e)(h)}	N/A	<u>228,825</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			4,133,582
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Michigan Department of Education School Breakfast Program 2009-10 Cash assistance 2008-09 Cash assistance	10.553 ^(f)	101970 091970	98,178 <u>96,146</u> 194,324
National School Lunch Program 2009-10 Cash assistance 2008-09 Cash assistance 2009-10 Noncash assistance ^(a)	10.555 ^(f)	101950,101960 091950,091960 23030	383,507 <u>63,612</u> 447,119
Child Care Food Program 2009-10 Cash in lieu 2008-09 Cash in lieu	10.558	101920,102010 091920,092010	6,973 <u>250</u> 7,223
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>648,666</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,782,248</u>

<u>Restated (Memo Only) Prior Years' Expenditures</u>	<u>Balance July 1, 2009 Accrued or (Deferred) Revenue</u>	<u>Cash Receipts In-Kind Payments</u>	<u>Expenditures</u>	<u>Balance June 30, 2010 Accrued or (Deferred) Revenue</u>
\$ -	\$ -	\$ 323	\$ 323	\$ -0-
-	-	192,274	228,825	36,551
1,859,813	1,338,347	3,030,186	1,955,509	263,670
-	-	98,178	98,178	-0-
87,761	-	8,385	8,385	-0-
87,761	-0-	106,563	106,563	-0-
-	-	379,197	379,197	-0-
339,660	-	43,847	43,847	-0-
-	-	63,612	63,612	-0-
339,660	-0-	486,656	486,656	-0-
-	-	6,973	7,984	1,011
-	-	250	250	-0-
-0-	-0-	7,223	8,234	1,011
427,421	-0-	600,442	601,453	1,011
<u>\$ 2,287,234</u>	<u>\$ 1,338,347</u>	<u>\$ 3,630,628</u>	<u>\$ 2,556,962</u>	<u>\$ 264,681</u>
		(d)	(i)	

Charlotte Public Schools

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Lake City Area Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) through (j) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards.

- (a) The current year expenditures for the Food Donation Program are determined based on the 2002/03 guidance provided in the Michigan Department of Education (MDE) Administrative Policy Number 7. The amounts reported in this schedule as commodities received were taken from the Recipient Entitlement Balance Report which is in agreement in all material respects with the District's reported amounts.
- (b) The expenditures reported in this schedule are in agreement with the amounts reported in the financial statements and financial reports. The financial reports tested, including claims for advances and reimbursements, were materially correct, complete, accurate, and timely and contain information that is supported by the books and records from which the financial statements have been prepared.
- (c) The amount of out of condition commodities due to spoilage or shrinkage included in expenditures is immaterial to the Schedule of Expenditures of Federal Awards taken as a whole.
- (d) The amounts reported in this schedule as cash received are in agreement with the "paid during date range" amounts on the Grant Auditor Report.
- (e) Denotes programs tested as "major programs".
- (f) Denotes programs required to be clustered by the United States Department of Agriculture.
- (g) Denotes programs required to be clustered by the United States Department of Education.
- (h) Denotes programs required to be clustered by the United States Department of Education.
- (i) Agrees to total revenues from Federal sources per financial statements.
- (j) Denotes programs required to be clustered by the United States Department of Education.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Charlotte Public Schools
Charlotte, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools as of and for the year ended June 30, 2010, which collectively comprise Charlotte Public Schools' basic financial statements and have issued our report thereon dated October 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Education and administration of Charlotte Public Schools, others within the District, the pass-through entities, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 19, 2010

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.394	Education Stabilization Fund-ARRA
84.010, 84.389	Title I Cluster
84.027, 84.391	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

No material findings noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

Charlotte Public Schools

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

FINDINGS/NONCOMPLIANCE

Control Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

2009-1 BUDGETS

Condition: As noted in the required supplementary information to the financial statements, certain activities in the General Fund and three (3) of the Special Revenue Funds in total exceeded the amounts appropriated. While individually these overages did not appear to be material to the financial statements as a whole, they were still noted budget overages that professional standards require us to report.

Resolution: There were no material budget overages in the current audit. We consider this issue resolved.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.