

Charlotte Public Schools

Financial Statements

June 30, 2017



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Charlotte Public Schools
Members of the Board of Education and Administration
June 30, 2017

Members of the Board of Education

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

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



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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

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

Other Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017 on our consideration of the Charlotte Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Charlotte Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charlotte Public Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Lansing, Michigan
October 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Charlotte Public Schools Management Discussion and Analysis For the Fiscal Year Ended June 30, 2017

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, 2017. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Charlotte Public Schools' Management's discussion and analysis of the financial results for the fiscal year ended June 30, 2017.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Charlotte Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and longer-term view of the finances. The *Governmental Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund - the General Fund individually, and the 2010 School Bonds Series A Capital Projects, 2011 School Bonds Series B Capital Projects, Special Revenue Funds, the Debt Service Funds, and the remaining Capital Project Fund, collectively as other non-major governmental funds. The *Proprietary Fund Financial Statements* present information about the District's internal service fund. The remaining statements, the statement of fiduciary net position, and the statement of changes in fiduciary net position, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net position and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets, liabilities, and deferred inflows and outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Please note that GASB 68 & 71 adopted effective July 1, 2014 are new standards for Accounting and Financial Reporting of Pensions. These new standards have had a significant impact on all districts across the state of Michigan.

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

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

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

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

Fund Financial Statements

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

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

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

District Financial Activities:

The recent good health of the District's finances can be credited to the following innovative management approaches 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 assignment at the fund financial statement level for future technology and bus replacement.
- Utilization of a total cost compensation approach for the negotiation of employee contracts with the District's employee groups and all other individual contracts. Currently nearly all contracts are settled for two years (through 2018).

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

- 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.
- New District Programs:
 - In an effort to continue to retain and recruit students, the District continues to implement an enhanced marketing plan with a focus on district and community pride, improving customer service and engaging the community. Additional work with Truscott Rosman and enhancing community partnerships is also contributing to positive growth in the district and the community.
 - The District has implemented several new programs over recent years to enhance our students' education and experiences. Examples include:
 - Fine Arts Conservatory
 - Project Lead the Way Courses
 - Ferris State University Partnership
 - Olivet College Partnership
 - Lansing Community College Partnership
 - Charlotte Early Middle College
 - Expanded Extracurricular Offerings
 - Expanded Early Childhood and Child Care Options
 - More opportunities for teachers to collaborate to examine student progress, teaching strategies and curriculum focus.

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Summary of Net position:

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

	Governmental Activities 2017	Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	\$ 9,313,898	\$ 11,435,663
Capital assets	<u>57,338,698</u>	<u>59,347,381</u>
Total assets	66,652,596	70,783,044
Deferred Outflows of Resources		
Deferred amount related to net pension liability	4,129,331	3,769,322
Deferred amount on debt refunding	<u>857,594</u>	<u>931,333</u>
Total assets and deferred outflows of resources	<u>\$ 71,639,521</u>	<u>\$ 75,483,699</u>
Liabilities		
Current liabilities	\$ 4,588,650	\$ 5,138,454
Noncurrent liabilities	<u>102,682,718</u>	<u>106,066,486</u>
Total liabilities	107,271,368	111,204,940
Deferred Inflows of Resources		
Deferred amount on net pension liability	2,466,435	1,675,213
Noncancellable lease	<u>234,189</u>	<u>224,448</u>
Total liabilities and deferred inflows of resources	<u>109,971,992</u>	<u>113,104,601</u>
Net Position		
Net investment in capital assets	(8,860,129)	(8,993,373)
Restricted	815,186	540,703
Unrestricted	<u>(30,287,528)</u>	<u>(29,168,232)</u>
Total net position	<u>\$ (38,332,471)</u>	<u>\$ (37,620,902)</u>

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Analysis of Financial Position:

As detailed above, the District shows a total net position of \$(38,332,471) for the fiscal year ended June 30, 2017. This statement has been affected by the following:

GASB 68 Accounting and Financial Reporting for Pension– In accordance with GASB Statement 68, the School District has implemented the standard that requires, that the net pension liability is reported in financial statements for pensions across the country, including the Michigan Public School Employees Retirement System. Since the State of Michigan has no employees in this plan and is not a participating employer in the plan, the pension liability and expense are required to be recorded by the participants in the plan – Michigan public school districts. Effective June 30, 2015, the School District must record its proportionate share of the total Michigan Public School Employees Retirement System net pension liability and expense in the district-wide financial statements. Additional information regarding the liability and expense can be found in the disclosure footnotes to the Financial Statements.

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

The Office of Retirement Services calculates the total pension liability. The proportionate share for each school district is calculated based on the prior year's total pension contributions to the retirement system. This large liability has a significant impact on the unrestricted net position of the School District but does not affect the School District's governmental-fund financial statements. The majority of Michigan public school districts, if not every single one of them, will report a significant decrease in Net Position based on the implementation of GASB 68.

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Results of Operations:

For the fiscal year ended June 30, 2017 and 2016, the district-wide results of operations were:

	<u>Governmental Activities 2017</u>	<u>Governmental Activities 2016</u>
Revenues		
Program revenues		
Charges for services	\$ 1,797,615	\$ 1,609,196
Operating and capital grants	7,875,640	6,897,521
General revenues		
Property taxes	6,894,769	6,849,861
State school aid - unrestricted	15,362,582	15,183,004
Other	564,695	535,394
	<u>32,495,301</u>	<u>31,074,976</u>
Functions/ Program Expenses		
Instruction	14,580,188	14,140,319
Supporting services	9,916,353	8,754,993
Food service	1,091,545	1,056,142
Community services	737,807	678,854
Childcare	798,639	668,182
Playground and recreation	6,240	8,790
Interest and fees on long-term debt	3,190,906	3,638,719
Intergovernmental payments	2,365	-
Unallocated depreciation	2,882,827	3,185,518
	<u>33,206,870</u>	<u>32,131,517</u>
Change in Net Position	<u>\$ (711,569)</u>	<u>\$ (1,056,541)</u>

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

ANALYSIS OF RESULTS OF OPERATIONS:

During the fiscal year ended June 30, 2017, the District's net position decreased by \$ 711,569. Several factors which contributed to the decrease are discussed in the following sections.

Governmental Fund Operating Results

The District's expenditures and other financing uses for governmental fund operations exceeded revenues and other financing sources from governmental fund operations by \$ 1,453,148 for the fiscal year ended June 30, 2017 but there were net changes in capital assets, debt, and various other adjustments that resulted in \$741,579 in net reconciling items as presented in the statements that caused the change in net position at the government-wide level to be \$(711,569). Further discussion of the District's operating results is available in the section entitled "Results of 2016-2017 Operations" located on the following pages.

RESULTS OF 2016-2017 OPERATIONS

General Fund Operations

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

The District's actual expenditures and other financing uses from General Fund operations exceeded revenues and other financing sources by \$ 702,045 for the fiscal year ended June 30, 2017. The General Fund as of June 30, 2017, had a fund balance of \$4,117,648 or 16% of expenditures for the 2016-2017 fiscal year. This fund balance exceeds the board policy of 15%. In addition, the District drew down less fund balance than originally anticipated. Further, this shortfall was caused primarily by the intentional draw on the program enhancement and facility repair fund balance commitments resulting from the Owens Brockway damages payment. The total funds spent were \$770,282, out of the total \$833,787 available. The remaining funds will be spent on approved projects during the 2017-2018 school year.

Debt Service Fund Operations

The Debt Service Funds consist of six separate debt funds as follows: 2010 Debt, 2011 Debt, 2010A Debt, 2012 Debt, 2015 refunding, and 2016 refunding. The Debt Service Funds (2010 Debt, 2011 Debt, 2010A Debt, 2012 Debt, 2015 refunding, and 2016 refunding) are set up to collect taxes and pay annual debt payments. At June 30, 2017, the Debt Service Funds had \$ 341,634 in fund equity available for future bond payments.

The School District levies taxes to make debt payment obligations. If taxes levied were not sufficient the School District would borrow funds from the Michigan School Bond Loan Fund. During the current year the District borrowed \$908,920 from the Michigan School Bond Loan Fund. The District

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

also had termination benefits outstanding at June 30, 2017, which totaled \$44,684. The District paid principal of \$3,550,000 on bonded debt during the fiscal year. A detailed presentation of the District's long-term debt is presented in Note 9 of the notes to the financial statements.

Special Revenue Funds

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

The Food Service Fund is a fund that reports the food service program activities. In 2016-2017 the Food Service Fund had revenues of \$1,177,682 and expenditures and other financing uses of \$1,236,033. 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 \$ 275,376 at June 30, 2016. This represents 23% of annual expenditures. In order to meet state and federal guidelines, the district intentionally reduced fund balance by replacing café tables at both elementary buildings.

The Performing Arts Fund is a fund that reports activities of the professional performances at the Charlotte Performing Arts Center, including facility specific rentals. In 2016-2017 the Performing Arts Fund generated revenues of \$160,347 and had expenditures and other financing uses of \$187,066. The fund balance has been exhausted in this area and the activity will be monitored closely as we reorganize the operations.

The Childcare Fund is a fund that reports the activities of the District's childcare program. In 2016-2017 the Childcare Fund generated revenues and other financing sources of \$ 912,806. Expenditures and other financing uses for the fund totaled \$ 814,117. The fund improved by \$98,689, to end the year with a fund balance of \$ 217,256, or 27% of annual expenditures.

The Aquatic Center Fund is a fund that presents the activities related to the pool facilities and operations maintained by the district. In 2016-2017 the Aquatic Center Fund generated revenues and other financing sources of \$ 470,866. Expenditures and other financing uses for the fund totaled \$ 470,866. The Aquatic Center revenues included an operational transfer from the Recreation and Playground Fund in the amount of \$233,992 and General Fund in the amount of \$45,205.

The Playground and Recreation Fund is funded by a tax levy of 0.5000 mills with an expiration date in 2022. The playground and recreation fund activities primarily consisted of tax collection of \$280,704, of which \$ 251,719 were transferred out of the fund, primarily to the Aquatic Center Fund. This fund ended the year with a fund balance of \$210,584. The intent of this fund is to support the operations of the Charlotte Aquatic Center, provide for greater access to school facilities, and support youth recreation opportunities. The fund balance will be used for long term maintenance and repairs at the Aquatic Center.

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Net Investment in Capital Assets

The District's net investment in capital assets increased by \$133,244 during the fiscal year. This can be summarized as follows:

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

	Balance June 30, 2017	Balance June 30, 2016	Change
Capital assets net of accumulated depreciation	\$ 57,338,698	\$ 59,347,381	\$ (2,008,683)
Less: related debt and other	(66,198,827)	(68,340,754)	2,141,927
Net investment in capital assets	\$ (8,860,129)	\$ (8,993,373)	\$ 133,244

IMPORTANT ECONOMIC FACTORS

State of Michigan Unrestricted Aid (Net State Foundation Grant)

In 2017-2018 State of Michigan aid, unrestricted, is determined with the following variables:

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

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Charlotte Public Schools foundation allowance was \$7,511 per student for the 2016-2017 school year, which is an increase of \$120 from Charlotte Public Schools 2015-2016 foundation allowance of \$7,391.

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Student Enrollment

The District's State Aid Membership for 2016-2017 was 2,425 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:

	Student FTE	FTE Change Ffrom Prior Year
2016 - 2017	2,425	(38)
2015 - 2016	2,463	(87)
2014 - 2015	2,550	(57)
2013 - 2014	2,607	(73)
2012 - 2013	2,680	(40)

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

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

Debt Fund and Other Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations (7.59 mills) and aquatics/recreation operations (0.50 mills) levy, is based on the taxable valuation of all properties: homestead and non-homestead. For 2016-2017 the District's debt and other millage levy totaled 8.09 mills, which generated revenue of approximately \$4,300,000.

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

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

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual and Original Budget	Actual and Final Budget
2016 - 2017	\$ 24,496,105	\$ 25,506,759	\$ 25,281,792	3.2%	-0.9%
2015 - 2016	23,249,263	23,884,144	23,735,425	2.1%	-0.6%

General Fund Revenues and Other Sources, Budget vs. Actual

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual and Original Budget	Actual and Final Budget
2016 - 2017	\$ 24,187,954	\$ 24,580,111	\$ 24,579,747	1.6%	0.0%
2015 - 2016	22,662,973	23,241,449	23,198,557	2.4%	-0.2%

Original vs. Final Budget:

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

**Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

General Fund Expenditures:

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

		<u>Percent</u>
Total Expenditures Original Budget	\$ 24,496,105	100%
Total Expenditures Final Budget	<u>25,506,759</u>	<u>103%</u>
Increase in Budget Expenditures	<u>\$ 1,010,654</u>	<u>4%</u>

The District's actual expenditures were less than the final budget by \$224,967 or approximately 0.9 percent.

Revenue Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$ 24,187,954	100%
Total Revenues Final Budget	<u>24,580,111</u>	<u>103%</u>
Increase in Budget Revenues	<u>\$ 392,157</u>	<u>2%</u>

The District's final actual general fund revenues were less than the final budget by \$354, a variance of 0 percent from the final budget. The Board of Education has committed \$ 2,111,277 of District fund balance for facility repairs, program enhancements, technology, and bus replacement.

Additional Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2018 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

Charlotte Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

foundation allowance per pupil. The 2018 fiscal year budget was adopted in June 2017, based on an estimate of students that will be enrolled in October 2017. 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 2017-2018 school year, we anticipate that the fall student count will be more than the estimates used in creating the 2018 fiscal year budget, and higher than Fall 2016 enrollment. This will be the first time in ten years that the district has experienced year over year student growth. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

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

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

Charlotte Public Schools
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash	\$ 4,952,309
Investments	9
Taxes receivable	26,380
Accounts receivable	88,157
Lease receivable	245,012
Due from other governmental units	3,649,402
Inventory	52,739
Prepaid items	299,890
Capital assets not being depreciated	220,496
Capital assets - net of accumulated depreciation	<u>57,118,202</u>
 Total assets	 <u>66,652,596</u>
 Deferred Outflows of Resources	
Deferred amount related to the net pension liability	4,129,331
Deferred changes on debt refundings	<u>857,594</u>
 Total deferred outflows of resources	 <u>4,986,925</u>
 Total assets and deferred outflows of resources	 <u>71,639,521</u>

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Statement of Net Position
June 30, 2017

	Governmental Activities
Liabilities	
Accounts payable	571,743
Due to other governmental units	257,718
Accrued expenditures	2,352,247
Accrued salaries, benefits and payroll taxes payable	1,369,589
Unearned revenue	37,353
Noncurrent liabilities	
Net pension liability	33,309,840
Debt due within one year	4,065,601
Debt due in more than one year	65,307,277
Total liabilities	107,271,368
Deferred Inflows of Resources	
Deferred amount related to the net pension liability	2,466,435
Noncancellable lease	234,189
Total deferred inflows of resources	2,700,624
Total liabilities and deferred inflows of resources	109,971,992
Net Position	
Net deficit capital assets	(8,092,150)
Restricted for	
Playground and recreation	210,584
Unrestricted (deficit)	(30,450,905)
Total net position	\$ (38,332,471)

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Statement of Activities
For the Year Ended June 30, 2017

	Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	\$ 14,580,188	\$ 3,812	\$ 4,573,618	\$ (10,002,758)
Supporting services	9,916,353	182,458	1,426,957	(8,306,938)
Food services	1,092,930	440,334	738,733	86,137
Community services	737,807	353,550	25,000	(359,257)
Childcare	798,639	817,461	93,456	112,278
Playground and recreation	6,240	-	-	(6,240)
Intergovernmental payments	2,365	-	-	(2,365)
Interest and fees on long-term debt	3,190,906	-	1,017,876	(2,173,030)
Unallocated depreciation	2,882,827	-	-	(2,882,827)
Total governmental activities	\$ 33,208,255	\$ 1,797,615	\$ 7,875,640	(23,535,000)
General revenues				
				2,471,587
				4,141,007
				282,175
				15,362,582
				14,191
				2,520
				127,041
				422,328
				22,823,431
				(711,569)
				(37,620,902)
				\$ (38,332,471)

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 3,776,815	\$ 1,125,494	\$ 4,902,309
Investments	-	9	9
Taxes receivable	7,081	19,299	26,380
Accounts receivable	45,383	42,774	88,157
Lease receivable	-	245,012	245,012
Due from other funds	748,465	2,457,127	3,205,592
Due from other governmental units	3,458,545	8,807	3,467,352
Inventory	41,960	10,779	52,739
Prepaid items	249,464	12,226	261,690
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 8,327,713</u>	<u>\$ 3,921,527</u>	<u>\$ 12,249,240</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 389,956	\$ 139,482	\$ 529,438
Due to other funds	1,119,554	2,045,887	3,165,441
Due to other governmental units	257,718	-	257,718
Accrued expenditures	1,069,451	9,411	1,078,862
Accrued salaries and benefits payable	1,351,167	18,422	1,369,589
Unearned revenue	15,138	22,215	37,353
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,202,984</u>	<u>2,235,417</u>	<u>6,438,401</u>

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources			
Unavailable revenue			
Property taxes	7,081	19,289	26,370
Noncancellable lease	-	234,189	234,189
	<u>7,081</u>	<u>253,478</u>	<u>260,559</u>
Fund Balance			
Non-spendable			
Inventory	41,960	10,779	52,739
Prepaid items	249,464	12,226	261,690
Restricted for			
Food service	-	264,597	264,597
Debt service	-	341,634	341,634
Playground and recreation	-	210,584	210,584
Committed for			
Technology	700,000	-	700,000
Bus replacement	65,750	-	65,750
Facility repairs	45,720	-	45,720
Program enhancements	17,784	-	17,784
Assigned for			
Childcare	-	205,030	205,030
Performing arts	-	1	1
Capital projects	-	387,781	387,781
Unassigned	<u>2,996,970</u>	<u>-</u>	<u>2,996,970</u>
	<u>4,117,648</u>	<u>1,432,632</u>	<u>5,550,280</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,327,713</u>	<u>\$ 3,921,527</u>	<u>\$ 12,249,240</u>

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances for governmental funds	\$ 5,550,280
Total net position for governmental activities in the statement of net position is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Property taxes	26,370
Interest credit subsidy receivable from the Federal Subsidy Program	182,050
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	220,496
Capital assets - net of accumulated depreciation	57,118,202
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	857,594
Deferred outflow of resources from subsequent pension expense from measurement date	4,129,331
Deferred inflows of resources resulting from net pension liability	(2,466,435)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest on long-term debt, net of long-term receivable for the Federal Subsidy Program	(1,273,385)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(44,684)
Bonds payable	(61,392,919)
School bond loan payable	(7,935,275)
Net pension liability	(33,309,840)
Internal service fund assets and liabilities are included in the governmental activities in the statement of net position	5,744
Net position of governmental activities	\$ (38,332,471)

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 3,000,755	\$ 6,177,235	\$ 9,177,990
State sources	18,415,516	42,393	18,457,909
Federal sources	408,046	1,803,225	2,211,271
Interdistrict sources	2,620,626	-	2,620,626
	<u>24,444,943</u>	<u>8,022,853</u>	<u>32,467,796</u>
Total revenues			
Expenditures			
Current			
Education			
Instruction	14,471,416	-	14,471,416
Supporting services	9,899,413	-	9,899,413
Food services	-	1,092,245	1,092,245
Community services	109,625	-	109,625
Performing arts	-	183,519	183,519
Childcare	-	798,138	798,138
Aquatic center	-	444,200	444,200
Playground and recreation	-	6,236	6,236
Intergovernmental payments	2,365	-	2,365
Capital outlay	701,107	257,046	958,153
Debt service			
Principal	-	3,550,000	3,550,000
Interest and other expenditures	-	3,317,074	3,317,074
	<u>25,183,926</u>	<u>9,648,458</u>	<u>34,832,384</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(738,983)</u>	<u>(1,625,605)</u>	<u>(2,364,588)</u>

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)			
Proceeds from school bond loan fund	-	908,920	908,920
Proceeds from sale of capital assets	2,520	-	2,520
Transfers in	132,284	331,858	464,142
Transfers out	<u>(97,866)</u>	<u>(366,276)</u>	<u>(464,142)</u>
Total other financing sources (uses)	<u>36,938</u>	<u>874,502</u>	<u>911,440</u>
Net change in fund balance	(702,045)	(751,103)	(1,453,148)
Fund balance - beginning	<u>4,819,693</u>	<u>2,183,735</u>	<u>7,003,428</u>
Fund balance - ending	<u>\$ 4,117,648</u>	<u>\$ 1,432,632</u>	<u>\$ 5,550,280</u>

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - Total governmental funds	\$ (1,453,148)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	26,370
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,882,827)
Capital outlay	874,144
Expenses are recorded when incurred in the statement of activities.	
Interest	(142,658)
Termination benefit	(14,145)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in pension liability	414,268
Net change in the deferred amount of resources related to the net pension liability	(533,609)
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	102,396
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(908,920)
Repayments of long-term debt	3,550,000
Amortization of bond premium	468,432
Amortization of deferred amount on debt refunding	(73,739)
Amortization of bond discount	(125,867)
Internal service fund revenues and expenses are included in governmental activities in the statement of activities	<u>(12,266)</u>
Change in net position of governmental activities	<u>\$ (711,569)</u>

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Proprietary Fund
Internal Service Fund -Self Funded Insurance
Statement of Net Position
June 30, 2017

Assets

Cash	\$ 50,000
Due from other funds	5,377
Prepaid expenses	<u>38,200</u>
 Total assets	 <u>93,577</u>

Liabilities

Accounts payable	42,305
Due to other funds	<u>45,528</u>
 Total liabilities	 <u>87,833</u>

Net Position

Unrestricted	<u><u>\$ 5,744</u></u>
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See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Proprietary Fund
Internal Service Fund - Self Funded Insurance
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

Operating Revenues

Charges to other funds \$ 200,587

Operating Expenses

Claims 201,543

Administrative fees 11,310

Total operating expenditures 212,853

Change in net position (12,266)

Net position - beginning of the year 18,010

Net position - end of year \$ 5,744

Charlotte Public Schools
Proprietary Fund
Internal Service Fund - Self Funded Insurance
Statement of Cash Flows
For the Year Ended June 30, 2017

Cash Flows from operating activities

Receipts from other funds	\$ 236,079
Claims and administrative fees paid	<u>(186,079)</u>

Net change in cash and cash equivalents	50,000
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Cash and cash equivalents - beginning of the year	<u>-</u>
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Cash and cash equivalents - end of year	<u>\$ 50,000</u>
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Reconciliation of operating income to net cash from operating activities

Operating income	\$ (12,266)
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Adjustments to reconcile operating income to net cash from operating activities - changes in assets and liabilities	
Due from other funds	(4,200)
Accounts payable	26,774
Due to other funds	<u>39,692</u>

Net cash and cash equivalents provided by operating activities	<u>\$ 50,000</u>
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Charlotte Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ -	\$ 78,197
Due from other funds	10,918	-
Investments	<u>31,000</u>	<u>43,000</u>
Total assets	<u>41,918</u>	<u>\$ 121,197</u>
Liabilities		
Due to other funds	-	10,918
Due to:		
High school student activities	-	79,510
Middle school student activities	-	17,388
Parkview elementary student activities	-	3,917
Upper elementary student activities	-	8,344
Washington elementary student activities	<u>-</u>	<u>1,120</u>
Total liabilities	<u>-</u>	<u>\$ 121,197</u>
Net Position		
Assets held in trust for scholarship awards and loans	<u>\$ 41,918</u>	

See Accompanying Notes to the Financial Statements

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

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

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2017

under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The School District reports the following major governmental fund:

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

Additionally, the School District reports the following fund types:

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

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

Capital Projects Fund – The Capital Projects Fund is used to record disbursements specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs funded with proceeds from the broadband lease, 2010 Series A school bonds

and 2011 Series B school bonds. The funds are kept open until the purposes for which the funds were created have been accomplished.

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

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

Assets, Liabilities and Net Position or Equity

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

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

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2017, the rates are as follows per \$1,000 of assessed value.

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2017

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

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 40% of the School District's tax roll lies within the City of Charlotte.

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

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

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

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

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial

individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

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

Compensated Absences – The School District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2017

related payroll taxes as a long-term liability in the district-wide financial statements.

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

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

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

Deferred inflows of resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Contract amounts relating to the noncancellable broadband lease are deferred over the life of the contract. For District-wide financial statements, the District reports deferred inflows of resources as a

result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

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

Assigned – amounts intended to be used for specific purposes, as determined by the finance committee, or the Superintendent. The Board of Education has granted the finance committee and Superintendent the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

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

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2017

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Upcoming Accounting and Reporting Changes

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

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

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

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds,

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(3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

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

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

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

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget

in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

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

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

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 10,658,904	\$ 10,686,444	\$ 27,540
Added needs	3,744,561	3,784,972	40,411
Business	532,357	554,346	21,989
Central	582,733	595,192	12,459

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$ 30,450,905 as of June 30, 2017 primarily attributed to the net pension liability and the District's outstanding debt balances exceeding its investment in capital assets. There are no governmental funds with a deficit.

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Note 3 - Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 4,952,309	\$ 78,197	\$ 5,030,506
Investments	9	74,000	74,009
Total	\$ 4,952,318	\$ 152,197	\$ 5,104,515

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

Deposits (checking, savings accounts, and money markets)	\$ 5,030,359
Investments in certificates of deposit	74,000
Other investments	9
Petty cash and cash on hand	147
Total	\$ 5,104,515

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.

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

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, the District's bank balance (certificates of deposit, checking and savings accounts) of \$5,522,051 had \$5,018,253 exposed to custodial credit risk because it was uninsured or uncollateralized.

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

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Note 4 – Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 220,496	\$ -	\$ -	\$ 220,496
Capital assets being depreciated				
Buildings and additions	85,037,162	109,069	-	85,146,231
Equipment and furniture	4,807,124	589,996	-	5,397,120
Vehicles - Other than buses	195,139	41,579	-	236,718
Vehicles - Buses	1,991,605	133,500	508,603	1,616,502
Other capital equipment	977,472	-	-	977,472
Total capital assets being depreciated	93,008,502	874,144	508,603	93,374,043
Less accumulated depreciation for				
Buildings and additions	28,490,844	2,294,419	-	30,785,263
Equipment and furniture	3,228,655	386,188	-	3,614,843
Vehicles - Other than buses	152,484	19,470	-	171,954
Vehicles - Buses	1,378,955	125,200	508,603	995,552
Other capital equipment	630,679	57,550	-	688,229
Total accumulated depreciation	33,881,617	2,882,827	508,603	36,255,841
Net capital assets being depreciated	59,126,885	(2,008,683)	-	57,118,202
Net capital assets	\$ 59,347,381	\$ (2,008,683)	\$ -	\$ 57,338,698

Depreciation for the fiscal year ended June 30, 2017, amounted to \$2,882,827. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Note 5 – Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Nonmajor governmental funds	General fund	\$ 702,937
Nonmajor governmental funds	Nonmajor governmental funds	1,337,573
General fund	Nonmajor governmental funds	1,119,554
Nonmajor governmental funds	Internal service fund	5,377
Internal service fund	General fund	45,528
		<u>\$ 3,210,969</u>

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

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
Transfers in			
General Fund	\$ -	\$ 132,284	\$ 132,284
Nonmajor governmental funds	94,769	233,992	328,761
	<u>\$ 94,769</u>	<u>\$ 366,276</u>	<u>\$ 461,045</u>

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

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Note 6 - Unearned Revenue

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

Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 15,138
Student food service meal balances	4,707
Childcare fees received in advance	15,633
Performing Arts sponsorship and summer camp	1,875
Total	<u>\$ 37,353</u>

Note 7 – Leases

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

The effective date of the lease was December 17, 2007 with an initial term of five (5) years and automatic renewal terms up to twenty-five (25) years. At the end of each five (5) year time period either party can terminate the lease. Therefore, the noncancellable period is recorded as a receivable and deferred inflow at June 30, 2017. In addition, the June 2017 payment of \$10,508 was not received as of year-end, so that payment is included in the receivable at June 30, 2017. The lease payments are paid to the School District monthly and range from \$10,823 to \$ 11,148 during the current five (5) year period under lease. Because the amounts are not earned as revenue until the end of each month, the amounts not earned are recorded as deferred inflows of resources at the fund level and district-wide level.

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

Year ending June 30,	
2018	\$ 141,674
2019	<u>103,338</u>
Total	<u>\$ 245,012</u>

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include termination benefits which are primarily liquidated by the general fund.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government bonds	\$ 61,760,000	\$ -	\$ 3,550,000	\$ 58,210,000	\$ 3,710,000
School Bond Loan	7,026,355	908,920	-	7,935,275	-
Compensated absences	30,539	14,145	-	44,684	-
Premium on bonds	3,990,107	-	468,432	3,521,675	465,617
Discount on bonds	<u>(464,623)</u>	<u>-</u>	<u>(125,867)</u>	<u>(338,756)</u>	<u>(110,016)</u>
Total	<u>\$ 72,342,378</u>	<u>\$ 923,065</u>	<u>\$ 3,892,565</u>	<u>\$ 69,372,878</u>	<u>\$ 4,065,601</u>

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

\$ 6,875,000 serial bond due in annual installments of \$ 960,000 to \$ 1,615,000 through May 1, 2027 interest ranging from 2.25% to 4.00%	\$ 6,875,000
\$ 23,605,000 serial bond due in annual installments of \$ 1,050,000 to \$ 1,955,000 through May 1, 2029 interest ranging from 4.00% to 5.00%	21,180,000
\$ 7,060,000 serial bond due in an annual installment of \$ 1,415,000 through May 1, 2018, interest at 5.00%	1,415,000
\$ 8,600,000 serial bond due in annual installments of \$ 780,000 to \$ 785,000 from May 2030 to May 1, 2040, interest at 6.80% to 7.00%	8,600,000
\$ 15,000,000 serial bond due in two annual installments of \$ 6,000,000 on May 1, 2025 and \$ 9,000,000 on May 1, 2026, interest at 6.05% to 6.15%	15,000,000
\$ 9,005,000 serial bond due in annual installments of \$ 250,000 to \$ 1,115,000 through May 1, 2023, interest at 2.75% to 5.00%	<u>5,140,000</u>
Total general obligation bonded debt	<u>\$ 58,210,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2018	\$ 3,710,000	\$ 3,099,826	\$ 6,809,826
2019	2,425,000	2,995,276	6,885,224
2020	2,555,000	2,886,376	7,405,317
2021	2,685,000	2,761,876	7,383,524
2022	2,825,000	2,630,626	7,346,131
2023 - 2027	31,500,000	9,960,690	41,617,184
2028 - 2032	6,260,000	3,205,360	22,136,246
2033 - 2037	3,910,000	1,638,356	5,935,004
2038 - 2040	<u>2,340,000</u>	<u>327,600</u>	<u>3,764,280</u>
Total	<u>\$ 58,210,000</u>	<u>\$ 29,505,986</u>	<u>\$ 109,282,736</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$356,058 to pay this debt. Future debt and interest will be payable from future tax levies.

The 2010 School Building and Site Bonds (Series A) and 2011 School Building and Site Bonds (Series B) gross interest payments due are reflected as part of the above annual requirements for the general obligation bonds. These bonds were issued under the Federal government's "Build America Bonds" program. It is the expectation of the District that through this program they will receive an interest subsidy credit from the Federal government each time interest payments are made on these bonds. In relation to the 2010 Series A Bonds, there is a cumulative gross amount of interest due of \$13,105,865. Of this amount, there is an expected interest subsidy to be received over the life of the bonds in the cumulative amount of \$5,897,639 for net interest owed by the District over the life of the bonds of \$7,208,226. In relation to the 2011 Series B Bonds, there is a cumulative gross amount of interest due of \$11,551,500. Of this amount, there is an expected interest subsidy to be received over the life of the bonds in the cumulative amount of \$10,395,264 for a net interest owed by the District over the life of the bonds of \$1,156,236.

Interest expenditures for the fiscal year in the Debt Service Funds were \$3,317,029.

State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's various bond issues. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7.59 mills, but instead the election permitted the School District to extend this levy through the year 2040. Since the monies generated by the 7.59 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for

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the School District to borrow a total of \$908,920 during the year to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Bond Loan Fund. The School District had an outstanding principal balance at year-end of \$7,935,275 and accrued interest of \$767,979, from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

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

The School District has elected to implement the “vesting” method of calculating the termination benefit 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, 2017 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.

A summary of the calculated amounts of accrued termination benefits and related payroll taxes as of June 30, 2017, which has been recorded in the District-wide financial statements, is as follows:

	Vested Employees	Nonvested Employees	Total
Termination benefits	\$ 28,786	\$ 12,723	\$ 41,509
Payroll taxes	2,332	843	3,175
	\$ 31,118	\$ 13,566	\$ 44,684

Note 10 – Risk Management

The School District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler and machinery, property, fleet, liability, in-land marine, crime, employee dishonesty, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The School District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event 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.

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

Note 11 – Pension Plans and Post Employment Benefits

Plan Description

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

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

The System's financial statements are available at www.michigan.gov/mpers-cafr.

Benefits Provided

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

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

Contributions and Funding Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20 year

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period for the plan's 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0%	18.95%
Pension Plus	3.0 - 6.4%	17.73%
Defined Contribution	0.0%	14.56%

Required contributions to the pension plan from the School District were \$2,998,053 for the year ending September 30, 2016.

Net Pension Liability

At June 30, 2017, the School District reported a liability of \$33,309,840 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2016, the School District's proportionate share percent was 0.1335 percent, which was a decrease of 0.0046 percent since the prior measurement date.

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

For the year ended June 30, 2017, the School District recognized total pension expense of \$2,748,132. The School District's actual contributions for the years ended June 30, 2017, 2016, and 2015 were approximately \$2,099,862, \$2,110,748, and \$2,205,350, respectively.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 415,129	\$ 78,945
Changes in assumptions	520,773	-
Net difference between projected and actual earnings on pension plan investments	553,609	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,375,329
Employer contributions subsequent to the measurement date	<u>2,639,820</u>	<u>1,012,161</u>
	<u>\$ 4,129,331</u>	<u>\$ 2,466,435</u>

\$2,639,820 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. \$1,012,161 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2018 when the related payments reduce the net pension liability.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount:
2017	\$ (164,399)
2018	(207,935)
2019	428,287
2020	(20,716)
Total	<u>\$ 35,237</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2015
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%

- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

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Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
	<u>100.0%</u>	

*Long term rate of return does not include 2.1% inflation

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the

difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 42,894,689	\$ 33,309,840	\$ 25,228,890

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

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2016 MPSERS CAFR (www.michigan.gov/mpsers-cafr).

Charlotte Public Schools
Notes to the Financial Statements
June 30, 2017

Payables to the Pension Plan

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

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 were approximately \$727,309, \$736,716, and \$770,081, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2017, the School District had contributions in the amount of \$1,388,805 to the MPERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017.

Note 12 – Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2017.

Note 13 – Tax Abatements

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Charlotte Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 2,779,711	\$ 2,965,987	\$ 3,000,755	\$ 34,768
State sources	17,968,052	18,392,760	18,415,516	22,756
Federal sources	386,526	504,914	408,046	(96,868)
Interdistrict sources	<u>2,944,615</u>	<u>2,583,535</u>	<u>2,620,626</u>	<u>37,091</u>
Total revenues	<u>24,078,904</u>	<u>24,447,196</u>	<u>24,444,943</u>	<u>(2,253)</u>
Expenditures				
Instruction				
Basic programs	10,117,820	10,658,904	10,686,444	27,540
Added needs	5,112,205	3,744,561	3,784,972	40,411
Supporting services				
Pupil	535,499	1,295,554	1,291,517	(4,037)
Instructional staff	749,625	856,319	712,971	(143,348)
General administration	423,965	429,321	400,600	(28,721)
School administration	1,477,367	1,475,809	1,473,851	(1,958)
Business	424,424	532,357	554,346	21,989
Operations and maintenance	2,353,542	2,682,311	2,603,257	(79,054)
Pupil transportation services	1,791,236	1,752,129	1,738,349	(13,780)
Central	613,873	582,733	595,192	12,459
Athletic activities	550,265	563,206	529,330	(33,876)
Community services	127,079	115,380	109,625	(5,755)
Intergovernmental payments	8,250	2,365	2,365	-
Capital outlay	<u>165,000</u>	<u>724,890</u>	<u>701,107</u>	<u>(23,783)</u>
Total expenditures	<u>24,454,030</u>	<u>25,419,719</u>	<u>25,183,926</u>	<u>(235,793)</u>

Charlotte Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Deficiency of revenues over expenditures	<u>(375,126)</u>	<u>(972,523)</u>	<u>(738,983)</u>	<u>233,540</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	2,500	2,500	2,520	(20)
Transfers in	106,550	130,415	132,284	(1,869)
Transfers out	<u>(42,075)</u>	<u>(87,040)</u>	<u>(97,866)</u>	<u>10,826</u>
Total other financing sources (uses)	<u>66,975</u>	<u>45,875</u>	<u>36,938</u>	<u>8,937</u>
Net change in fund balance	(308,151)	(926,648)	(702,045)	242,477
Fund balance - beginning	<u>4,819,693</u>	<u>4,819,693</u>	<u>4,819,693</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,511,542</u>	<u>\$ 3,893,045</u>	<u>\$ 4,117,648</u>	<u>\$ 242,477</u>

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

	September 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. Reporting unit's proportion of net pension liability (%)	0.13350%	0.13810%	0.14181%							
B. Reporting unit's proportionate share of net pension liability	\$33,309,840	\$33,724,108	\$31,235,156							
C. Reporting unit's covered-employee payroll	\$11,043,846	\$12,514,564	\$12,059,674							
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	301.61%	269.48%	259.00%							
E. Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%							

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

		For the Years Ended June 30,									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A.	Statutorily required contributions	\$ 2,099,862	\$ 2,110,748	\$ 2,202,350							
B.	Contributions in relation to statutorily required contributions	<u>2,099,862</u>	<u>2,110,748</u>	<u>2,202,350</u>							
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D.	Reporting unit's covered-employee payroll	\$ 11,367,790	\$ 11,029,336	\$ 11,693,036							
E.	Contributions as a percentage of covered-employee payroll	18.47%	19.14%	18.83%							

Note:

Benefit Changes - There were no changes of benefit terms in 2017.

Changes in Assumptions - There were no changes of benefit assumptions in 2017.

OTHER SUPPLEMENTARY INFORMATION

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds					Debt Service Funds	
	Food Service	Performing Arts	Childcare	Aquatic Center	Playground and Recreation	2012 Debt	2010A Debt
Assets							
Cash	\$ 196,063	\$ 109,308	\$ 233,639	\$ 59,992	\$ 75,757	\$ 1,682	\$ -
Investments	-	-	-	-	-	-	-
Accounts receivable	8,140	19,089	15,545	-	-	-	-
Lease receivable	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	1,768	1,629	502
Due from other funds	365,799	1,501	-	104,325	257,275	270,562	216,292
Due from other governmental units	1,713	-	7,094	-	-	-	-
Inventory	10,779	-	-	-	-	-	-
Prepaid items	-	-	12,226	-	-	-	-
Total assets	<u>\$ 582,494</u>	<u>\$ 129,898</u>	<u>\$ 268,504</u>	<u>\$ 164,317</u>	<u>\$ 334,800</u>	<u>\$ 273,873</u>	<u>\$ 216,794</u>
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$ 67,541	\$ -	\$ 31,542	\$ 11,288	\$ -	\$ -	\$ -
Due to other funds	218,475	126,931	4,073	142,682	122,448	272,244	142,883
Accrued expenditures	6,341	561	-	2,509	-	-	-
Accrued salaries payable	10,054	530	-	7,838	-	-	-
Unearned revenue	4,707	1,875	15,633	-	-	-	-
Total liabilities	<u>307,118</u>	<u>129,897</u>	<u>51,248</u>	<u>164,317</u>	<u>122,448</u>	<u>272,244</u>	<u>142,883</u>

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds					Debt Service Funds	
	Food Service	Performing Arts	Childcare	Aquatic Center	Playground and Recreation	2012 Debt	2010A Debt
Deferred Inflows of Resources							
Property taxes	-	-	-	-	1,768	1,629	502
Noncancellable lease	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	1,768	1,629	502
Fund Balance							
Non-spendable							
Inventory	10,779	-	-	-	-	-	-
Prepaid items	-	-	12,226	-	-	-	-
Restricted for							
Food service	264,597	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	73,409
Playground and recreation	-	-	-	-	210,584	-	-
Assigned	-	1	205,030	-	-	-	-
Total fund balance	275,376	1	217,256	-	210,584	-	73,409
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 582,494</u>	<u>\$ 129,898</u>	<u>\$ 268,504</u>	<u>\$ 164,317</u>	<u>\$ 334,800</u>	<u>\$ 273,873</u>	<u>\$ 216,794</u>

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Debt Service Funds				Capital Projects Funds	Total Nonmajor
	2011 Debt	2010 Debt	2005 and 2015 Debt	2006 and 2016 Debt	Broadband Lease	Governmental Funds
Assets						
Cash	\$ 34,808	\$ 341	\$ 478	\$ 3,912	\$ 409,514	\$ 1,125,494
Investments	-	-	-	9	-	9
Accounts receivable	-	-	-	-	-	42,774
Lease receivable	-	-	-	-	245,012	245,012
Taxes receivable	48	1,824	8,023	5,505	-	19,299
Due from other funds	39,714	549,868	558,516	93,275	-	2,457,127
Due from other governmental units	-	-	-	-	-	8,807
Inventory	-	-	-	-	-	10,779
Prepaid items	-	-	-	-	-	12,226
Total assets	<u>\$ 74,570</u>	<u>\$ 552,033</u>	<u>\$ 567,017</u>	<u>\$ 102,701</u>	<u>\$ 654,526</u>	<u>\$ 3,921,527</u>
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 29,111	\$ 139,482
Due to other funds	52,417	346,462	516,631	97,196	3,445	2,045,887
Accrued expenditures	-	-	-	-	-	9,411
Accrued salaries payable	-	-	-	-	-	18,422
Unearned revenue	-	-	-	-	-	22,215
Total liabilities	<u>52,417</u>	<u>346,462</u>	<u>516,631</u>	<u>97,196</u>	<u>32,556</u>	<u>2,235,417</u>

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Debt Service Funds				Capital Projects Funds	Total Nonmajor Governmental Funds
	2011 Debt	2010 Debt	2005 and 2015 Debt	2006 and 2016 Debt	Broadband Lease	
Deferred Inflows of Resources						
Property taxes	45	1,817	8,023	5,505	-	19,289
Noncancellable lease	-	-	-	-	234,189	234,189
Total deferred inflows of resources	<u>45</u>	<u>1,817</u>	<u>8,023</u>	<u>5,505</u>	<u>234,189</u>	<u>253,478</u>
Fund Balance						
Non-spendable						
Inventory	-	-	-	-	-	10,779
Prepaid items	-	-	-	-	-	12,226
Restricted for						
Food service	-	-	-	-	-	264,597
Debt service	22,108	203,754	42,363	-	-	341,634
Playground and recreation	-	-	-	-	-	210,584
Assigned	-	-	-	-	387,781	592,812
Total fund balance	<u>22,108</u>	<u>203,754</u>	<u>42,363</u>	<u>-</u>	<u>387,781</u>	<u>1,432,632</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 74,570</u>	<u>\$ 552,033</u>	<u>\$ 567,017</u>	<u>\$ 102,701</u>	<u>\$ 654,526</u>	<u>\$ 3,921,527</u>

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue Funds					Debt Service Funds	
	Food Service	Performing Arts	Childcare	Aquatic Center	Playground and Recreation	2012 Debt	2010A Debt
Revenues							
Local sources	\$ 440,334	\$ 160,347	\$ 823,797	\$ 191,336	\$ 280,704	\$ 801,511	\$ 248,475
State sources	42,393	-	-	-	-	-	-
Federal sources	696,340	-	89,009	-	-	-	249,388
Total revenues	<u>1,179,067</u>	<u>160,347</u>	<u>912,806</u>	<u>191,336</u>	<u>280,704</u>	<u>801,511</u>	<u>497,863</u>
Expenditures							
Current							
Education							
Food services	1,092,245	-	-	-	-	-	-
Performing arts	-	183,519	-	-	-	-	-
Childcare	-	-	798,138	-	-	-	-
Aquatic center	-	-	-	444,200	-	-	-
Playground and recreation	-	-	-	-	6,236	-	-
Capital outlay	84,317	-	-	-	19,141	-	-
Debt service							
Principal	-	-	-	-	-	825,000	-
Interest and other expenditures	-	-	-	-	-	244,584	596,839
Total expenditures	<u>1,176,562</u>	<u>183,519</u>	<u>798,138</u>	<u>444,200</u>	<u>25,377</u>	<u>1,069,584</u>	<u>596,839</u>
Excess (deficiency) of revenues over expenditures	<u>2,505</u>	<u>(23,172)</u>	<u>114,668</u>	<u>(252,864)</u>	<u>255,327</u>	<u>(268,073)</u>	<u>(98,976)</u>

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue Funds					Debt Service Funds	
	Food Service	Performing Arts	Childcare	Aquatic Center	Playground and Recreation	2012 Debt	2010A Debt
Other Financing Sources (Uses)							
Proceeds from school bond loan fund	-	-	-	-	-	75,099	123,716
Transfers in	-	7,509	-	279,530	-	43,351	-
Transfers out	(60,856)	(11,056)	(15,979)	(26,666)	(251,719)	-	-
Total other financing sources (uses)	(60,856)	(3,547)	(15,979)	252,864	(251,719)	118,450	123,716
Net change in fund balance	(58,351)	(26,719)	98,689	-	3,608	(149,623)	24,740
Fund balance - beginning	333,727	26,720	118,567	-	206,976	149,623	48,669
Fund balance - ending	<u>\$ 275,376</u>	<u>\$ 1</u>	<u>\$ 217,256</u>	<u>\$ -</u>	<u>\$ 210,584</u>	<u>\$ -</u>	<u>\$ 73,409</u>

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Debt Service Funds			Capital Project Fund	Total Nonmajor Governmental Funds	
	2011 Debt	2010 Debt	2005 and 2015 Debt	2006 and 2016 Debt Fund		Broadband Lease
Revenues						
Local sources	\$ 274	\$ 1,113,946	\$ 1,864,451	\$ 123,953	\$ 128,107	\$ 6,177,235
State sources	-	-	-	-	-	42,393
Federal sources	768,488	-	-	-	-	1,803,225
Total revenues	<u>768,762</u>	<u>1,113,946</u>	<u>1,864,451</u>	<u>123,953</u>	<u>128,107</u>	<u>8,022,853</u>
Expenditures						
Current						
Education						
Food services	-	-	-	-	-	1,092,245
Performing arts	-	-	-	-	-	183,519
Childcare	-	-	-	-	-	798,138
Aquatic center	-	-	-	-	-	444,200
Playground and recreation	-	-	-	-	-	6,236
Capital outlay	-	-	-	-	153,588	257,046
Debt service						
Principal	-	1,350,000	1,375,000	-	-	3,550,000
Interest and other expenditures	917,462	134,875	1,120,188	303,126	-	3,317,074
Total expenditures	<u>917,462</u>	<u>1,484,875</u>	<u>2,495,188</u>	<u>303,126</u>	<u>153,588</u>	<u>9,648,458</u>
Deficiency of revenues over expenditures	<u>(148,700)</u>	<u>(370,929)</u>	<u>(630,737)</u>	<u>(179,173)</u>	<u>(25,481)</u>	<u>(1,625,605)</u>

Charlotte Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Debt Service Funds				Capital Project Fund	Total Nonmajor Governmental Funds
	2011 Debt	2010 Debt	2005 and 2015 Debt	2006 and 2016 Debt Fund	Broadband Lease	
Other Financing Sources (Uses)						
Proceeds from school bond loan fund	-	350,559	348,632	10,914	-	908,920
Transfers in	-	-	-	1,468	-	331,858
Transfers out	-	-	-	-	-	(366,276)
Total other financing sources (uses)	-	350,559	348,632	12,382	-	874,502
Net change in fund balance	(148,700)	(20,370)	(282,105)	(166,791)	(25,481)	(751,103)
Fund balance - beginning	170,808	224,124	324,468	166,791	413,262	2,183,735
Fund balance - ending	<u>\$ 22,108</u>	<u>\$ 203,754</u>	<u>\$ 42,363</u>	<u>\$ -</u>	<u>\$ 387,781</u>	<u>\$ 1,432,632</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue from local sources				
Property tax levy	\$ 2,499,211	\$ 2,468,782	\$ 2,464,506	\$ (4,276)
Tuition	3,500	3,500	3,812	312
Transportation fees	15,000	10,000	17,137	7,137
Earnings on investments	5,000	5,000	9,676	4,676
Student activities	159,000	147,520	165,321	17,801
Community service activities	12,000	41,759	16,867	(24,892)
Other local revenues	<u>86,000</u>	<u>289,426</u>	<u>323,436</u>	<u>34,010</u>
Total revenues from local sources	<u>2,779,711</u>	<u>2,965,987</u>	<u>3,000,755</u>	<u>34,768</u>
Revenues from state sources				
Grants - unrestricted	14,953,970	15,357,212	15,362,762	5,550
Grants - restricted	<u>3,014,082</u>	<u>3,035,548</u>	<u>3,052,754</u>	<u>17,206</u>
Total revenues from state sources	<u>17,968,052</u>	<u>18,392,760</u>	<u>18,415,516</u>	<u>22,756</u>
Revenues from federal sources				
Grants	<u>386,526</u>	<u>504,914</u>	<u>408,046</u>	<u>(96,868)</u>
Interdistrict sources				
Tuition	5,000	-	-	-
Transportation	150,000	155,000	162,151	7,151
Other	<u>2,789,615</u>	<u>2,428,535</u>	<u>2,458,475</u>	<u>29,940</u>
Total interdistrict sources	<u>2,944,615</u>	<u>2,583,535</u>	<u>2,620,626</u>	<u>37,091</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Other financing sources				
Proceeds from sale of capital assets	2,500	2,500	2,520	20
Transfers in	<u>106,550</u>	<u>130,415</u>	<u>132,284</u>	<u>1,869</u>
Total other financing sources	<u>109,050</u>	<u>132,915</u>	<u>134,804</u>	<u>1,889</u>
Total revenue and other financing sources	<u>\$ 24,187,954</u>	<u>\$ 24,580,111</u>	<u>\$ 24,579,747</u>	<u>\$ (364)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Basic program - elementary				
Salaries	\$ 3,109,592	\$ 3,126,376	\$ 3,105,238	\$ (21,138)
Employee benefits	2,053,051	2,033,410	2,099,693	66,283
Purchased services	21,400	39,366	34,214	(5,152)
Supplies and materials	144,317	303,637	275,024	(28,613)
Other	33,535	86,210	76,622	(9,588)
	<u>5,361,895</u>	<u>5,588,999</u>	<u>5,590,791</u>	<u>1,792</u>
Total elementary				
Basic program - middle school				
Salaries	813,586	871,381	875,153	3,772
Employee benefits	514,407	572,676	593,340	20,664
Purchased services	9,950	11,198	10,231	(967)
Supplies and materials	41,200	70,565	52,424	(18,141)
Other	13,750	15,810	16,619	809
	<u>1,392,893</u>	<u>1,541,630</u>	<u>1,547,767</u>	<u>6,137</u>
Total middle school				
Basic program - high school				
Salaries	1,868,832	1,804,027	1,807,075	3,048
Employee benefits	1,292,264	1,301,082	1,319,131	18,049
Purchased services	108,800	131,370	132,874	1,504
Supplies and materials	69,275	209,923	206,845	(3,078)
Other	21,700	69,712	70,845	1,133
	<u>3,360,871</u>	<u>3,516,114</u>	<u>3,536,770</u>	<u>20,656</u>
Total high school				

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Basic program - pre-school				
Purchased services	-	10,000	9,688	(312)
Basic program - summer school				
Salaries	1,500	1,500	1,072	(428)
Employee benefits	661	661	356	(305)
Purchased services	-	-	-	-
Total summer school	<u>2,161</u>	<u>2,161</u>	<u>1,428</u>	<u>(733)</u>
Added needs - special education				
Salaries	1,349,194	1,275,166	1,264,267	(10,899)
Employee benefits	885,108	865,135	901,899	36,764
Purchased services	3,200	2,838	2,324	(514)
Supplies and materials	11,600	7,290	4,737	(2,553)
Other	1,537,266	395,869	396,614	745
Total special education	<u>3,786,368</u>	<u>2,546,298</u>	<u>2,569,841</u>	<u>23,543</u>
Added needs - compensatory education				
Salaries	587,632	516,209	531,841	15,632
Employee benefits	364,341	370,556	372,655	2,099
Purchased services	7,500	7,500	-	(7,500)
Supplies and materials	-	1,509	1,684	175
Total compensatory education	<u>959,473</u>	<u>895,774</u>	<u>906,180</u>	<u>10,406</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Added needs - career and technical education				
Salaries	202,564	154,915	157,233	2,318
Employee benefits	132,300	115,074	119,662	4,588
Purchased services	9,300	9,400	9,626	226
Supplies and materials	16,000	18,100	17,114	(986)
Other	6,200	5,000	5,316	316
	<u>366,364</u>	<u>302,489</u>	<u>308,951</u>	<u>6,462</u>
Total career and technical education				
Pupil - guidance services				
Salaries	147,496	152,231	155,214	2,983
Employee benefits	110,054	113,226	115,543	2,317
Purchased services	4,500	4,500	1,284	(3,216)
Supplies and materials	2,400	2,400	1,523	(877)
Other	800	1,300	789	(511)
	<u>265,250</u>	<u>273,657</u>	<u>274,353</u>	<u>696</u>
Total guidance services				

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Pupil - health services				
Salaries	-	13,436	13,437	1
Employee benefits	10,269	7,405	7,404	(1)
Purchased services	24,202	1,000	90	(910)
Other	-	123,082	123,082	-
	<u>34,471</u>	<u>144,923</u>	<u>144,013</u>	<u>(910)</u>
Pupil - psychological services				
Purchased services	-	163,666	163,666	-
Pupil - speech services				
Other	-	322,394	322,394	-
Pupil - social work services				
Salaries	86,654	91,899	92,199	300
Employee benefits	50,158	52,477	55,495	3,018
Supplies and materials	100	155,097	154,997	(100)
	<u>136,912</u>	<u>299,473</u>	<u>302,691</u>	<u>3,218</u>
Pupil - other support services				
Salaries	33,676	25,483	25,376	(107)
Employee benefits	15,128	15,896	16,076	180
Purchased services	50,062	50,062	42,948	(7,114)
	<u>98,866</u>	<u>91,441</u>	<u>84,400</u>	<u>(7,041)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - improvement of education				
Salaries	95,653	142,128	86,819	(55,309)
Employee benefits	44,672	66,921	36,403	(30,518)
Purchased services	44,990	72,942	33,541	(39,401)
Supplies and materials	7,544	7,358	4,406	(2,952)
Other	14,862	22,027	14,528	(7,499)
	<u>207,721</u>	<u>311,376</u>	<u>175,697</u>	<u>(135,679)</u>
Instructional staff - educational media services				
Salaries	29,286	31,574	29,506	(2,068)
Employee benefits	12,953	13,825	13,245	(580)
Purchased services	475	250	96	(154)
Supplies and materials	-	-	621	621
Other	9,308	10,008	8,699	(1,309)
	<u>52,022</u>	<u>55,657</u>	<u>52,167</u>	<u>(3,490)</u>
Instructional staff - technology assisted instruction				
Supplies and materials	50,000	55,000	57,175	2,175
Instructional staff - supervision and direction of instructional staff				
Salaries	266,626	267,833	266,990	(843)
Employee benefits	163,414	155,568	153,011	(2,557)
Purchased services	6,000	6,300	4,139	(2,161)
Supplies and materials	2,142	2,300	1,888	(412)
Other	1,500	2,085	1,904	(181)
	<u>439,682</u>	<u>434,086</u>	<u>427,932</u>	<u>(6,154)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
General administration - board of education				
Salaries	9,300	7,910	7,070	(840)
Employee benefits	3,640	2,083	2,022	(61)
Purchased services	79,700	79,280	54,559	(24,721)
Supplies and materials	5,000	5,000	5,199	199
Other	6,000	9,785	9,785	-
	<u>103,640</u>	<u>104,058</u>	<u>78,635</u>	<u>(25,423)</u>
General administration - executive administration				
Salaries	200,644	206,045	206,110	65
Employee benefits	109,781	109,518	106,204	(3,314)
Purchased services	5,400	5,700	5,240	(460)
Supplies and materials	2,500	2,500	1,791	(709)
Other	2,000	1,500	2,620	1,120
	<u>320,325</u>	<u>325,263</u>	<u>321,965</u>	<u>(3,298)</u>
School administration - office of the principal				
Salaries	880,420	889,652	890,558	906
Employee benefits	561,882	541,555	554,315	12,760
Purchased services	13,250	22,040	11,213	(10,827)
Supplies and materials	16,450	16,610	13,644	(2,966)
Other	5,365	5,952	4,121	(1,831)
	<u>1,477,367</u>	<u>1,475,809</u>	<u>1,473,851</u>	<u>(1,958)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Business - fiscal services				
Salaries	176,530	182,444	182,678	234
Employee benefits	105,241	103,018	101,933	(1,085)
Purchased services	47,715	39,921	39,168	(753)
Supplies and materials	2,000	2,000	1,915	(85)
Other	8,100	20,450	16,581	(3,869)
Total fiscal services	<u>339,586</u>	<u>347,833</u>	<u>342,275</u>	<u>(5,558)</u>
Business - internal services				
Purchased services	<u>30,900</u>	<u>28,247</u>	<u>26,900</u>	<u>(1,347)</u>
Business - other				
Purchased services	12,838	12,559	12,559	-
Other	<u>41,100</u>	<u>143,718</u>	<u>172,612</u>	<u>28,894</u>
Total other business	<u>53,938</u>	<u>156,277</u>	<u>185,171</u>	<u>28,894</u>
Operations and maintenance - operating building services				
Salaries	113,693	138,325	140,509	2,184
Employee benefits	70,621	91,946	95,076	3,130
Purchased services	1,195,662	1,270,423	1,217,930	(52,493)
Supplies and materials	973,066	1,181,467	1,149,111	(32,356)
Other	<u>500</u>	<u>150</u>	<u>50</u>	<u>(100)</u>
Total operating building services	<u>2,353,542</u>	<u>2,682,311</u>	<u>2,602,676</u>	<u>(79,635)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Pupil transportation services				
Salaries	635,726	589,262	587,076	(2,186)
Employee benefits	302,049	334,847	336,776	1,929
Purchased services	85,719	59,780	50,840	(8,940)
Supplies and materials	183,850	150,540	146,304	(4,236)
Other	583,892	617,700	617,353	(347)
Total transportation services	<u>1,791,236</u>	<u>1,752,129</u>	<u>1,738,349</u>	<u>(13,780)</u>
Central - communication services				
Purchased services	35,000	37,500	40,345	2,845
Supplies and materials	5,000	5,000	4,942	(58)
Total communication services	<u>40,000</u>	<u>42,500</u>	<u>45,287</u>	<u>2,787</u>
Central - staff/personnel services				
Salaries	88,612	88,612	93,181	4,569
Employee benefits	64,965	64,163	62,799	(1,364)
Purchased services	22,500	11,700	9,984	(1,716)
Supplies and materials	500	500	411	(89)
Other	500	500	-	(500)
Total staff/personnel services	<u>177,077</u>	<u>165,475</u>	<u>166,375</u>	<u>900</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Central - support services technology				
Salaries	130,125	134,581	133,748	(833)
Employee benefits	81,171	80,977	80,350	(627)
Other	<u>185,500</u>	<u>159,200</u>	<u>169,432</u>	<u>10,232</u>
Total support services technology	<u>396,796</u>	<u>374,758</u>	<u>383,530</u>	<u>8,772</u>
Athletic activities				
Salaries	235,824	252,627	253,837	1,210
Employee benefits	112,261	121,604	119,177	(2,427)
Purchased services	112,570	103,210	90,351	(12,859)
Supplies and materials	86,110	82,810	63,219	(19,591)
Other	<u>3,500</u>	<u>2,955</u>	<u>2,746</u>	<u>(209)</u>
Total athletic activities	<u>550,265</u>	<u>563,206</u>	<u>529,330</u>	<u>(33,876)</u>
Community services - parent involve				
Supplies and materials	<u>850</u>	<u>1,011</u>	<u>491</u>	<u>(520)</u>
Community services - non-public school pupils				
Purchased services	<u>8,281</u>	<u>4,999</u>	<u>3,899</u>	<u>(1,100)</u>

Charlotte Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
CPAC				
Salaries	33,857	37,834	38,048	214
Employee benefits	20,988	21,112	20,697	(415)
Purchased services	4,957	3,306	2,863	(443)
Supplies and materials	<u>58,146</u>	<u>47,118</u>	<u>43,627</u>	<u>(3,491)</u>
Total other	<u>117,948</u>	<u>109,370</u>	<u>105,235</u>	<u>(4,135)</u>
Intergovernmental payments				
Payments to other public schools	<u>8,250</u>	<u>2,365</u>	<u>2,365</u>	<u>-</u>
Capital outlay				
Pupil transportation services	140,000	198,500	199,202	702
Athletic activities	-	135,000	132,517	(2,483)
Facilities acquisition	<u>25,000</u>	<u>391,390</u>	<u>369,388</u>	<u>(22,002)</u>
Total capital outlay	<u>165,000</u>	<u>724,890</u>	<u>701,107</u>	<u>(23,783)</u>
Other financing uses				
Transfers out	<u>42,075</u>	<u>87,040</u>	<u>97,866</u>	<u>10,826</u>
Total expenditures and other financing uses	<u>\$ 24,496,105</u>	<u>\$ 25,506,759</u>	<u>\$ 25,281,792</u>	<u>\$ (224,967)</u>

Charlotte Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2017

Year Ending June 30,	2016 Refunding Bonds	2015 Refunding Bonds	2012 Refunding Bonds	2011 School Building and Site Obligation Bonds	2010 School Building and Site Obligation Bonds	2010 Refunding Bonds	Total
2018	\$ -	\$ 1,450,000	\$ 845,000	\$ -	\$ -	\$ 1,415,000	\$ 3,710,000
2019	-	1,515,000	910,000	-	-	-	2,425,000
2020	-	1,580,000	975,000	-	-	-	2,555,000
2021	-	1,640,000	1,045,000	-	-	-	2,685,000
2022	-	1,710,000	1,115,000	-	-	-	2,825,000
2023	960,000	1,765,000	250,000	-	-	-	2,975,000
2024	1,320,000	1,825,000	-	-	-	-	3,145,000
2025	1,435,000	1,890,000	-	6,000,000	-	-	9,325,000
2026	1,545,000	1,945,000	-	9,000,000	-	-	12,490,000
2027	1,615,000	1,950,000	-	-	-	-	3,565,000
2028	-	1,955,000	-	-	-	-	1,955,000
2029	-	1,955,000	-	-	-	-	1,955,000
2030	-	-	-	-	785,000	-	785,000
2031	-	-	-	-	785,000	-	785,000
2032	-	-	-	-	3,910,000	-	3,910,000
2033 - 2037	-	-	-	-	3,120,000	-	3,120,000
Total	<u>\$ 6,875,000</u>	<u>\$ 21,180,000</u>	<u>\$ 5,140,000</u>	<u>\$ 15,000,000</u>	<u>\$ 8,600,000</u>	<u>\$ 1,415,000</u>	<u>\$ 58,210,000</u>
Principal payments due the first day of	May	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	
Interest rate	2.25% - 4.00%	4.00% - 5.00%	2.75% - 5.00%	6.05% - 6.15%	6.80% - 7.00%	3.50% - 5.00%	
Original issue	<u>\$ 6,875,000</u>	<u>\$ 23,605,000</u>	<u>\$ 9,005,000</u>	<u>\$ 15,000,000</u>	<u>\$ 8,600,000</u>	<u>\$ 7,060,000</u>	