

**Charlotte Public Schools
Charlotte, Michigan**

FINANCIAL STATEMENTS

June 30, 2012

Charlotte Public Schools

Charlotte, Michigan

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June 30, 2012

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Charlotte Public Schools

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Principals

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



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Charlotte Public Schools
Charlotte, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charlotte Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012, on our consideration of Charlotte Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the administration's discussion and analysis and budgetary comparison information, 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 have 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining nonmajor fund financial statements and the other financial information are presented for purposes of additional analysis and are not required part of the financial statements. The combining nonmajor fund financial statements and the other financial information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 3, 2012

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, 2012. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Charlotte Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2012.

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 funds - the General Fund, 2010 School Bonds Series A Capital Projects, and 2011 School Bonds Series B Capital Projects individually, and the Special Revenue Funds, the Debt Service Funds, and the remaining Capital Project Fund, collectively as other nonmajor governmental funds. The *Proprietary Fund Financial Statements* present information about the District's internal service fund. The remaining statements, the statement of fiduciary net assets, and the statement of changes in fiduciary net assets, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The 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, and Childcare.

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 replacement.
- Utilization of a total cost compensation approach for the negotiation of employee contracts with the District’s eight employee groups.
- Utilization of modern business management techniques such as the use of business plans and monthly monitoring of operational systems and financial reporting for district support functions.
- Due to ongoing efficiency innovations, the District has ranked in the top two percent of the state’s school districts for low spending on business and administration as reported by the Michigan Department of Education Bulletin 1014 for several years in a row. This has allowed the District to direct the use of revenue to the classroom and direct instruction of students.

Summary of Net Assets:

The following summarizes the net assets as of June 30, 2012.

Condensed Statement of Net Assets
as of June 30, 2012 and 2011

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
Assets		
Current and other assets	\$ 29,770,963	\$ 34,656,523
Capital Assets	<u>54,322,046</u>	<u>51,190,258</u>
Total Assets	84,093,009	85,846,781

Summary of Net Assets - continued:

	Governmental Activities 2012	Governmental Activities 2011
Liabilities		
Current Liabilities	\$ 9,139,486	\$ 9,153,419
Noncurrent Liabilities	73,677,004	76,597,660
Total Liabilities	82,816,490	85,751,079
Net Assets		
Invested in capital assets, net of related debt	(3,262,239)	(4,136,002)
Restricted for food and nutrition	157,049	136,441
Unrestricted	4,381,709	4,095,263
Total Net Assets	\$ 1,276,519	\$ 95,702

Analysis of Financial Position:

As detailed above, the District shows a total net asset value of \$1,276,519 for the fiscal year ended June 30, 2012. This statement has been affected by the following:

- Bonded debt totaling \$86.4 million was incurred by the District in 1999, 2002, 2010, and 2011 to finance the facility modification projects.

Results of Operations:

For the fiscal year ended June 30, 2012 and 2011, the district-wide results of operations were:

Condensed Statement of Activities
Years Ended June 30, 2012 and 2011

	Governmental Activities 2012	Governmental Activities 2011
Revenues:		
Program Revenues		
Charges for services	\$ 1,850,680	\$ 2,031,822
Operating and Capital Grants	5,627,139	4,510,344
General Revenues		
Property Taxes	6,683,186	6,536,731
State School Aid-unrestricted	15,610,966	17,928,184
ARRA Stabilization funds	-	359,391
Education Jobs fund	534,976	151,317
Other	571,921	531,959
Total Revenue	30,878,868	32,049,748

Results of Operations - continued:

	Governmental Activities 2012	Governmental Activities 2011
Functions/Program Expenses:		
Instruction	\$ 14,217,949	\$ 15,885,426
Supporting services	8,364,863	8,798,024
Community services	668,245	331,256
Food service	1,103,948	1,143,289
Childcare	491,757	537,671
Interest and fees on long-term debt	2,528,319	3,504,723
Unallocated depreciation	2,322,970	2,297,174
Total Expenses	29,698,051	32,497,563
Change in Net Assets	\$ 1,180,817	\$ (447,815)

Analysis of Results of Operations:

During the fiscal year ended June 30, 2012, the District’s net assets increased by \$1,180,817. Several factors which helped cause the decrease are discussed in the following sections.

A. Governmental Fund Operating Results

The District’s expenditures and other financing uses from governmental fund operations exceeded revenues and other financing sources for governmental fund operations by \$4,840,962 for the fiscal year ended June 30, 2012 but there were net changes in capital assets, debt, and various other adjustments that resulted in \$6,021,779 in net reconciling items as presented in the statements that caused the change in net assets at the government-wide level to be a positive \$1,180,817. Further discussion of the District’s operating results is available in the section entitled “Results of 2011-2012 Operations” located on the following pages.

Results of 2011-2012 Operations

A. General Fund Operations

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

The District’s actual revenues and other financing sources from General Fund operations exceeded expenditures and other financing uses by \$168,075 for the fiscal year ended June 30, 2012. The General Fund as of June 30, 2012, had a fund balance of \$3,693,945 or 16% of expenditures for the 2011-2012 fiscal year. The School District made approximately \$908,752 in budget increases for expenditures in the 2011-2012 fiscal year budget.

B. Debt Service Fund Operations

The Debt Service Funds consist of eight separate debt funds as follows: 2002 Debt, 2005 Debt, 2006 Debt, 2010 Debt, 2011 Debt, 2010A Debt, 2012 Debt, and Durant Resolution Bonds. The Debt Service Funds (2002 Debt, 2005 Debt, 2006 Debt, 2010 Debt, 2011 Debt, 2010A Debt, and 2012 Debt) are set up to collect taxes and pay annual debt payments. At June 30, 2012, the Debt Service Funds had \$605,134 in fund equity available for future bond payments.

The School District levies taxes to make debt payment obligations. If taxes levied were not sufficient the School District would borrow funds from the Michigan School Bond Loan Fund. All previous funds borrowed from the Michigan School Bond Loan Fund were paid off with the 2010 Refunding Bond and during the current year the District borrowed \$1,014,246 from the Michigan School Bond Loan Fund. The District also had Durant resolution bonds and compensated absences outstanding at June 30, 2012, which totaled \$66,873. The District paid principal of \$700,000 on the 2002 School Building and Site General Obligation bonds and refunded the remaining bonds by issuing 2012 Refunding Bonds in the amount of \$9,005,000. The District also paid \$1,175,000 on the 2005 bonds to leave outstanding balances at year-end on this bond of \$30,040,000. There was also \$7,500,000, \$6,725,000, \$8,600,000, and \$15,000,000 outstanding on the 2006 and 2010 Refunding Bonds, and the 2010 Series A and 2011 Series B School Building and Site General Obligation Bonds, respectively. A detailed presentation of the District’s long-term debt is presented in Note G of the notes to the financial statements.

C. School Service Funds

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

The Food Service Fund is a fund that reports the food service program activities. In 2011-2012 the Food Service Fund had revenues of \$1,158,718 and expenditures and other financing uses of \$1,134,253. The Food Service Fund transferred \$30,305 to the General Fund to reimburse overhead costs. The Food Service Fund is self-supporting and reimburses the General Fund for all identified overhead costs associated with its operation. The Food Service Fund had a fund balance of \$173,864.

The Performing Arts Fund is a fund that reports activities of the professional performances at the Charlotte Performing Arts Center, including facility rentals. In 2011-2012 the Performing Arts Fund generated revenues of \$220,716 and had expenditures and other financing uses of \$202,673. At the conclusion of its eighth year of operation in 2011-2012, the Performing Arts Center had a fund balance of \$158,340.

The Childcare Fund is a fund that reports the activities of the District’s childcare program. In 2011-2012 the Childcare Fund generated revenues and other financing sources of \$490,254. Expenditures and other financing uses for the fund totaled \$500,309. The fund received net transfers to/from the General Fund totaling \$(1,452) as included in the above amounts, to end the year with a fund balance of \$-0-.

D. Net Investment in Capital Assets

The District’s net investment in capital assets increased by \$3,131,788 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.

	<u>Balance June 30, 2011</u>	<u>Net Change</u>	<u>Balance June 30, 2012</u>
Capital Assets	\$ 80,932,035	\$ 4,788,372	\$ 85,720,407
Less: Accumulated depreciation	<u>(29,741,777)</u>	<u>(1,656,584)</u>	<u>(31,398,361)</u>
Net investment in capital outlay	<u>\$ 51,190,258</u>	<u>\$ 3,131,788</u>	<u>\$ 54,322,046</u>

IMPORTANT ECONOMIC FACTORS

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

The State of Michigan aid, unrestricted, is determined with the following variables:

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

B. Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Charlotte Public Schools foundation allowance was \$6,846 per student for the 2011-2012 school year, which is a decrease of \$470 from Charlotte Public Schools 2010-2011 foundation allowance of \$7,316.

C. Student Enrollment

The District’s State Aid Membership for 2011-2012 was 2,720 students. The District’s enrollment decreased from the prior school year’s Fall student count.

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

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2011-2012	2,720	(247)
2010-2011	2,967	(127)
2009-2010	3,094	(100)
2008-2009	3,194	(125)
2007-2008	3,319	29

D. Property Taxes levied for General Operations (General Fund Nonhomestead Taxes)

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on most non-primary residency exempt property and \$6.00 per \$1,000 of taxable value on commercial personal property for operations (General Fund). Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year’s CPI increase or five (5) percent, whichever is less. At the time of sale, a property’s taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District’s nonhomestead property tax revenue for 2011-2012 fiscal year was \$2,534,673. The nonhomestead tax revenue increased by 4.4% over the prior year.

In June 2003, the District was successful in passing a Headlee Ballot Proposal which will have the effect of allowing the District to levy during the succeeding five years the full 18 mill nonhomestead millage for operations as originally approved by voters in 1996. The 18 mill levy was renewed in May of 2006 for a period of ten years.

E. Debt Fund Property Taxes

The District’s debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and nonhomestead. For 2011-2012 the District’s debt millage levy was 7.59 mills, which generated revenue of \$4,092,495.

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 & Original Budget	Actual & Final Budget
2011-2012	\$ 22,787,886	\$ 23,696,638	\$ 23,429,368	-2.8%	1.1%
2010-2011	\$ 24,224,964	\$ 24,991,038	\$ 24,992,347	-3.2%	0.0%

General Fund Revenues and Other Sources, Budget vs. Actual

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual & Original Budget	Actual & Final Budget
2011-2012	\$ 22,622,749	\$ 23,635,805	\$ 23,597,443	4.3%	-0.2%
2010-2011	\$ 24,038,391	\$ 25,126,460	\$ 25,528,382	6.2%	1.6%

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year.

As a matter of practice, Charlotte Public Schools amends its budget periodically during the school year.

General Fund Expenditures:

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

		Percent
Total Expenditures Original Budget	\$ 22,787,886	100%
Total Expenditures Final Budget	<u>23,696,638</u>	<u>104%</u>
Increase in Budget Expenditures	<u>\$ 908,752</u>	<u>4%</u>

The District’s actual expenditures were less than the final budget by \$267,270 or 1.13 percent.

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

- Basic program costs were decreased by \$398,163.
- Total added needs costs were increased by \$217,864.
- Student services costs were increased by \$148,812.
- Instructional staff costs were decreased by \$122,077.
- Total business costs were increased by \$80,127.
- Transportation costs were increased by \$755,728.
- Total other supporting services costs were increased by \$88,575.

Revenue Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$ 22,622,749	100%
Total Revenues Final Budget	<u>23,635,805</u>	<u>104%</u>
Increase in Budget Revenues	<u>\$ 1,013,056</u>	<u>4%</u>

The District's final actual general fund revenues differed from the final budget by (\$38,362), a variance of (.16%) from the final budget.

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

- State revenue was decreased by \$262,600.
- Federal funding for grants was increased by \$527,087.

Additional Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2012 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2013 fiscal year is 10 percent and 90 percent of the February 2012 and September 2012 student counts, respectively. The 2013 fiscal year budget was adopted in June 2012, based on an estimate of students that will be enrolled in September 2012. 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 2012-2013 school year, we anticipate that the fall student count will be more than the estimates used in creating the 2013 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State Funding and the status of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

Charlotte Public Schools
STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 3,787,532
Cash - restricted	9,870,355
Cash on hand with paying agent	862,257
Investments - restricted	9,830,000
Receivables	258,959
Due from other governmental units	4,089,771
Inventories	115,954
Prepays	172,000
Current portion of lease receivable	<u>93,360</u>
Total current assets	29,080,188
Noncurrent assets	
Deferred charges, net of amortization	690,775
Capital assets not being depreciated	5,442,099
Capital assets, net of accumulated depreciation	<u>48,879,947</u>
Total noncurrent assets	<u>55,012,821</u>
TOTAL ASSETS	84,093,009
LIABILITIES	
Current liabilities	
Accounts payable	1,516,770
Accrued payroll	1,999,252
Other accrued liabilities	401,140
Due to other governmental units	846,436
Accrued interest payable	696,040
Unearned revenue	243,659
Short-term notes payable	1,005,133
Current portion of compensated absences	17,823
Current portion of long-term debt	<u>2,413,233</u>
Total current liabilities	9,139,486
Noncurrent liabilities	
Noncurrent portion of compensated absences	17,823
Noncurrent portion of long-term debt	<u>73,659,181</u>
Total noncurrent liabilities	<u>73,677,004</u>
TOTAL LIABILITIES	<u>82,816,490</u>
NET ASSETS	
Invested in capital assets, net of related debt	(3,262,239)
Restricted for food and nutrition	157,049
Unrestricted	<u>4,381,709</u>
TOTAL NET ASSETS	<u>\$ 1,276,519</u>

See accompanying notes to financial statements.

Charlotte Public Schools
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 14,217,949	\$ 6,219	\$ 2,720,320	\$ 3,532	\$ (11,487,878)
Supporting services	8,364,863	643,972	702,095	234,394	(6,784,402)
Community services	668,245	289,933	98,291	17,205	(262,816)
Food service	1,103,948	444,273	710,567	-	50,892
Childcare	491,757	466,283	15,205	-	(10,269)
Interest and fees on long-term debt	2,528,319	-	-	1,125,530	(1,402,789)
Unallocated depreciation	2,322,970	-	-	-	(2,322,970)
	<u>\$ 29,698,051</u>	<u>\$ 1,850,680</u>	<u>\$ 4,246,478</u>	<u>\$ 1,380,661</u>	<u>(22,220,232)</u>
		General Revenues			
					6,683,186
					15,610,966
					534,976
					112,784
					379,334
					79,803
			TOTAL GENERAL REVENUES		23,401,049
			CHANGE IN NET ASSETS		1,180,817
			Net assets, beginning of year		95,702
			Net assets, end of year		\$ 1,276,519

See accompanying notes to financial statements.

Charlotte Public Schools

Governmental Funds

BALANCE SHEET

June 30, 2012

	<u>General</u>	<u>2010 School Bonds Series A Capital Projects</u>	<u>2011 School Bonds Series B Capital Projects</u>
ASSETS			
Cash	\$ 2,415,494	\$ -	\$ -
Cash - restricted	-	4,279,603	5,590,752
Cash on hand with paying agent	862,257	-	-
Investments - restricted	-	3,000,000	6,830,000
Accounts receivable	10,995	-	-
Interest receivable	852	-	-
Lease receivable	-	-	-
Taxes receivable	27,162	-	-
Due from other funds	599,187	-	49,275
Due from other governmental units	4,064,139	-	-
Inventories	105,181	-	-
Prepays	162,518	-	-
	<u>\$ 8,247,785</u>	<u>\$ 7,279,603</u>	<u>\$ 12,470,027</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 202,128	\$ 366,636	\$ 933,610
Accrued payroll	1,959,500	-	-
Other accrued liabilities	394,406	-	-
Due to other funds	9,336	244,231	282,595
Due to other governmental units	845,457	-	-
Deferred revenue	137,880	-	-
Short-term notes payable	1,005,133	-	-
	<u>4,553,840</u>	<u>610,867</u>	<u>1,216,205</u>
TOTAL LIABILITIES			
FUND BALANCES			
Nonspendable			
Inventories and prepaids	267,699	-	-
Restricted			
Food and nutrition	-	-	-
Debt service	-	-	-
Capital projects	-	6,668,736	11,253,822
Committed			
Technology	600,000	-	-
Performing arts	-	-	-
Assigned			
Capital projects	-	-	-
Unassigned	2,826,246	-	-
	<u>3,693,945</u>	<u>6,668,736</u>	<u>11,253,822</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$ 8,247,785</u>	<u>\$ 7,279,603</u>	<u>\$ 12,470,027</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,372,038	\$ 3,787,532
-	9,870,355
-	862,257
-	9,830,000
19,054	30,049
-	852
93,360	93,360
18,846	46,008
12,864	661,326
25,632	4,089,771
10,773	115,954
9,482	172,000
<u>\$ 1,562,049</u>	<u>\$ 29,559,464</u>
\$ 14,396	\$ 1,516,770
39,752	1,999,252
6,734	401,140
125,164	661,326
979	846,436
105,779	243,659
-	1,005,133
<u>292,804</u>	<u>6,673,716</u>
20,255	287,954
157,049	157,049
605,134	605,134
-	17,922,558
-	600,000
154,900	154,900
331,907	331,907
-	2,826,246
<u>1,269,245</u>	<u>22,885,748</u>
<u>\$ 1,562,049</u>	<u>\$ 29,559,464</u>

Charlotte Public Schools

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

June 30, 2012

Total fund balances - governmental funds \$ 22,885,748

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

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

The cost of capital assets is	\$ 85,720,407	
Accumulated depreciation is	<u>(31,398,361)</u>	
	54,322,046	
Deferred charges, net of amortization	<u>690,775</u>	
		55,012,821

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

Long-term liabilities at year-end consist of:

Deferred amounts on refunding	1,854,449	
Bonds payable	(77,926,863)	
Accrued interest payable on long-term debt, net of long-term receivable for the Federal subsidy program	(513,990)	
Compensated absences	<u>(35,646)</u>	
		<u>(76,622,050)</u>

Net assets of governmental activities \$ 1,276,519

Charlotte Public Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2012

	<u>General</u>	<u>2010 School Bonds Series A Capital Projects</u>	<u>2011 School Bonds Series B Capital Projects</u>
REVENUES			
Local sources	\$ 3,132,348	\$ 31,456	\$ 60,812
State sources	17,425,395	-	-
Federal sources	1,855,841	-	-
TOTAL REVENUES	22,413,584	31,456	60,812
EXPENDITURES			
Current			
Instruction	14,299,650	-	-
Supporting services	8,412,935	-	-
Community services	478,034	-	-
Food service	-	-	-
Performing arts	-	-	-
Childcare	-	-	-
Debt service			
Principal retirement	-	-	-
Interest, fiscal, and other charges	-	-	-
Capital outlay	41,732	1,627,132	3,391,456
TOTAL EXPENDITURES	23,232,351	1,627,132	3,391,456
EXCESS OF REVENUES (UNDER) EXPENDITURES	(818,767)	(1,595,676)	(3,330,644)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	48,589	-	-
Debt proceeds	-	-	-
Bond premium	-	-	-
County special education allocation	379,334	-	-
Payments from other governments	711,126	-	-
Other financing sources	44,810	-	-
Transfers to other funds	(7,100)	-	-
Bond issuance costs	-	-	-
Underwriter discount	-	-	-
Transfer to escrow agent	-	-	-
Other financing uses	(189,917)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	986,842	-0-	-0-
NET CHANGE IN FUND BALANCES	168,075	(1,595,676)	(3,330,644)
Fund balances, beginning of year	3,525,870	8,264,412	14,584,466
Fund balances, end of year	<u>\$ 3,693,945</u>	<u>\$ 6,668,736</u>	<u>\$ 11,253,822</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,386,445	\$ 8,611,061
76,622	17,502,017
<u>2,046,864</u>	<u>3,902,705</u>
7,509,931	30,015,783
-	14,299,650
-	8,412,935
-	478,034
1,103,948	1,103,948
192,941	192,941
491,757	491,757
2,239,808	2,239,808
4,473,365	4,473,365
<u>66,164</u>	<u>5,126,484</u>
<u>8,567,983</u>	<u>36,818,922</u>
(1,058,052)	(6,803,139)
7,100	55,689
10,019,246	10,019,246
982,894	982,894
-	379,334
-	711,126
-	44,810
(48,589)	(55,689)
(71,981)	(71,981)
(45,025)	(45,025)
(9,868,310)	(9,868,310)
<u>-</u>	<u>(189,917)</u>
<u>975,335</u>	<u>1,962,177</u>
(82,717)	(4,840,962)
<u>1,351,962</u>	<u>27,726,710</u>
<u>\$ 1,269,245</u>	<u>\$ 22,885,748</u>

Charlotte Public Schools

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Net change in fund balances - total governmental funds **\$ (4,840,962)**

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

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

Capital outlay	\$ 5,454,758	
Depreciation expense	<u>(2,322,970)</u>	
Excess of capital outlay over depreciation expense		3,131,788

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

Net effect of amortization on deferred costs and other deferred amounts	911,390	
Bond principal retirement	11,879,809	
Bond and loan proceeds (including SBLF interest)	<u>(10,030,636)</u>	
Excess of bond principal retirement over bond proceeds		2,760,563

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

Decrease in accrued interest payable	407,467	
(Decrease) in due from other governmental units- Federal Subsidy	(272,185)	
(Increase) in accrued compensated absences	<u>(5,854)</u>	
		<u>129,428</u>

Change in net assets of governmental activities **\$ 1,180,817**

Charlotte Public Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	Private Purpose Trust Fund <u>Scholarships</u>	Agency Fund <u>Fund</u>
ASSETS		
Current assets		
Cash	\$ 10,553	\$ 73,436
Investments	<u>31,000</u>	<u>43,000</u>
 TOTAL ASSETS	 41,553	 <u>\$ 116,436</u>
LIABILITIES		
Due to individuals		
High School	-	\$ 64,714
Middle School	-	42,157
Parkview Elementary	-	3,716
Upper Elementary	-	3,040
Washington Elementary	<u>-</u>	<u>2,809</u>
 TOTAL LIABILITIES	 <u>-0-</u>	 <u>\$ 116,436</u>
NET ASSETS		
Held in trust for private purposes	<u>\$ 41,553</u>	

See accompanying notes to financial statements.

Charlotte Public Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2012

	<u>Private Purpose Trust Fund Scholarships</u>
ADDITIONS	
Investment earnings	
Interest	\$ 169
DEDUCTIONS	
Other supporting services	<u>-</u>
CHANGE IN NET ASSETS	169
Net assets - beginning of year	<u>41,384</u>
Net assets - end of year	<u><u>\$ 41,553</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, these financial statements present the financial activities of Charlotte Public Schools. The District has no activities that would be classified as component units.

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

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the district-wide financial statements.

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

The District presents the following major governmental funds:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.
- b. 2010 School Bonds Series A Capital Projects - The 2010 School Bonds Series A capital projects fund is used to account for capital projects related to the 2010 Series A School Building and Site General Obligation Bonds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- c. 2011 School Bonds Series B Capital Projects - The 2011 School Bonds Series B capital projects fund is used to account for capital projects related to the 2011 Series B School Building and Site General Obligation Bonds.

3. Measurement Focus

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

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

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

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

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

Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

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

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

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted to the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the Board of Education.
- f. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- g. The budget, as presented, has been amended in a legally permissible manner. Supplemental amendments were made during the year with the final amendments being approved June 11, 2012.

6. Cash and Investments

Cash consists of checking and savings accounts and imprest cash.

Investments consist of U.S. government securities and certificates of deposit with original maturities of greater than 90 days. Investments are recorded at cost which substantially reflects market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Restricted cash and investments relate to unspent bond proceeds that are restricted to be spent on bond related activities.

7. Short-term Interfund Receivables/Payables

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Inventories

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

9. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2012 to be paid in July and August 2012. Of the total amount of \$4,089,771 due from other governmental units, \$3,160,100 consists of State Aid and the remaining \$929,671 from other governmental grants.

10. Capital Assets

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

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

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

11. Deferred/Unearned Revenue

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

12. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Accrued Interest Payable

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

14. Long-term Obligations

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

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

15. Property Taxes

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

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on most non-primary residency exempt property and \$6.00 per \$1,000 of taxable value on commercial personal property for general governmental services. The District levies \$7.59 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. These levies generated \$2,534,673 and \$4,092,495 in property tax revenue for the General Fund and Debt Service Funds, respectively.

16. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2012, the foundation allowance was based on the average of pupil membership counts taken in September 2011 and February 2011. The average calculation was weighted 90% for the September 2011 count and 10% for the February 2011 count.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. State Categorical Revenue

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

18. County Special Education Revenue Allocation

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

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

19. Interfund Transactions

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

20. Federal Programs

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

21. Comparative Data

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

NOTE B: CASH AND INVESTMENTS

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

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or National bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B: CASH AND INVESTMENTS - CONTINUED

3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or Federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

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

Deposits

There is a custodial risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2012, the carrying amount of the District's deposits was \$22,815,086 and the bank balance was \$23,159,570, of which \$13,500,512 was covered by federal depository insurance. The balance of \$9,659,058 was uninsured and uncollateralized. The District had \$790 cash on hand at year end. The District also had \$862,257 on deposit with the State of Michigan at the Michigan Finance Authority in relation to the set aside payments to repay the State Aid Anticipation Notes Series 2011C-1 that is due and payable August 20, 2012.

Investments

As of June 30, 2012, the carrying amounts and market values (which are substantially the same) for the investments are as follows:

INVESTMENT TYPE	Carrying Amount	Market Value	Weighted Average Maturity	Rating
Fannie Mae	\$ 830,000	\$ 830,679	< 1 year	AA+/negative

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2012, the District investment in the U.S. Agency obligation investments were rated by Standard and Poor's as noted above.

Interest rate risk

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

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B: CASH AND INVESTMENTS - CONTINUED

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

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

As of June 30, 2012, the cash and investments referred to above have been reported in either the cash or investments captions in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash	\$ 3,787,532	\$ 83,989	\$ 3,871,521
Cash - restricted	9,870,355	-	9,870,355
Cash on hand with paying agent	862,257	-	862,257
Investments	-	74,000	74,000
Investments - restricted	9,830,000	-	9,830,000
	<u>\$ 24,350,144</u>	<u>\$ 157,989</u>	<u>\$ 24,508,133</u>

The restricted cash and investment amounts are bond proceeds that were unspent at year-end and were restricted for bond related activities.

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash and investments were substantially higher at these peak periods than at year-end.

NOTE C: INTERFUND TRANSFERS

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

Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 48,589</u>
Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 7,100</u>

The transfers from nonmajor governmental funds to the General Fund were to offset a portion of costs of the District operations related to those funds that were recognized in the General Fund. The transfer from the General Fund to the nonmajor governmental (Childcare) fund was to cover operational costs related to the childcare program.

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2012 are as follows:

Due to General Fund from:	
2010 School Bonds Series A Capital Projects Fund	\$ 194,956
2011 School Bonds Series B Capital Projects Fund	282,595
Nonmajor governmental funds	<u>121,636</u>
	<u>\$ 599,187</u>
Due to 2011 School Bonds Series B Capital Projects Fund from:	
2010 School Bonds Series A Capital Projects Fund	\$ 49,275
Due to nonmajor governmental funds from:	
General Fund	9,336
Nonmajor governmental funds	<u>3,528</u>
	<u>\$ 12,864</u>

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

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated				
Land	\$ 220,496	\$ -	\$ -	\$ 220,496
Construction in progress	<u>542,714</u>	<u>4,678,889</u>	<u>-</u>	<u>5,221,603</u>
Subtotal	763,210	4,678,889	-0-	5,442,099
Capital Assets being depreciated				
Buildings and additions	67,939,858	35,400	(53,215)	67,922,043
Equipment and furniture	7,780,613	224,719	(535,379)	7,469,953
Vehicles	1,530,219	515,750	(77,792)	1,968,177
Other capital equipment	<u>2,918,135</u>	<u>-</u>	<u>-</u>	<u>2,918,135</u>
Subtotal	80,168,825	775,869	(666,386)	80,278,308
Less accumulated depreciation for:				
Buildings and additions	(20,287,936)	(1,702,745)	41,709	(21,948,972)
Equipment and furniture	(6,036,809)	(330,389)	502,805	(5,864,393)
Vehicles	(970,902)	(188,103)	71,730	(1,087,275)
Other capital equipment	<u>(2,446,130)</u>	<u>(51,591)</u>	<u>-</u>	<u>(2,497,721)</u>
Subtotal	<u>(29,741,777)</u>	<u>(2,272,828)</u>	<u>616,244</u>	<u>(31,398,361)</u>
Net capital assets being depreciated	<u>50,427,048</u>	<u>(1,496,959)</u>	<u>(50,142)</u>	<u>48,879,947</u>
Net capital assets	<u>\$ 51,190,258</u>	<u>\$ 3,181,930</u>	<u>\$ (50,142)</u>	<u>\$ 54,322,046</u>

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E: CAPITAL ASSETS - CONTINUED

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated". The current year depreciation expense of \$2,272,828 has been adjusted by \$50,142 for deletions of capital assets that occurred during the year in accordance with GASB Statement No. 34 implementation guide, which states that certain losses may be handled as an adjustment to the current period's depreciation expense.

NOTE F: SHORT-TERM NOTES

On August 22, 2011, the District issued a short-term State School Aid Anticipation Note in the amount of \$1,000,000 for the purpose of funding operating expenditures until the 2012 State Aid payments resumed. This short-term note, which has a net outstanding balance of \$1,005,133 (principal and accrued interest payable) at June 30, 2012, is reported in the General Fund and in the government-wide financial statements under the caption short-term notes payable. There was \$862,257 of cash on deposit with the paying agent at June 30, 2012 to pay for a portion of the notes outstanding. The remaining funds to make the balance of the payment due will come from State Aid received in August 2012. The outstanding balance was paid in August 2012.

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
2005 Refunding Bonds	\$ 31,215,000	\$ -	\$ 1,175,000	\$ 30,040,000	\$ 1,215,000
2002 School Building and Site General Obligation Bonds	10,340,000	-	10,340,000	-0-	-
2006 Refunding Bonds	7,500,000	-	-	7,500,000	-
2010 Refunding Bonds	7,060,000	-	335,000	6,725,000	600,000
1998 Durant Resolution Bonds	61,036	-	29,809	31,227	31,227
2010 School Building and Site General Obligation Bonds	8,600,000	-	-	8,600,000	-
2011 School Building and Site General Obligation Bonds	15,000,000	-	-	15,000,000	-
2012 Refunding Bonds	-	9,005,000	-	9,005,000	705,000
Michigan School Bond Loans Principal and interest	-	1,025,636	-	1,025,636	-
Compensated Absences	29,792	5,854	-	35,646	17,823
	<u>79,805,828</u>	<u>10,036,490</u>	<u>11,879,809</u>	<u>77,962,509</u>	<u>2,569,050</u>
Less deferred amounts on refunding	<u>(1,009,549)</u>	<u>(982,894)</u>	<u>(137,994)</u>	<u>(1,854,449)</u>	<u>(137,994)</u>
Total	<u>\$ 78,796,279</u>	<u>\$ 9,053,596</u>	<u>\$ 11,741,815</u>	<u>\$ 76,108,060</u>	<u>\$ 2,431,056</u>

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE G: LONG-TERM DEBT - CONTINUED

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

General Obligation Bonds

\$33,705,000 Refunding Bonds dated May 4, 2005, due in annual installments ranging from \$1,215,000 to \$2,185,000 through May 1, 2029, with interest ranging from 4.25 to 5.00 percent, payable semi-annually.	\$ 30,040,000
\$7,500,000 Refunding Bonds dated March 1, 2006, due in annual installments ranging from \$50,000 to \$1,660,000 through May 1, 2027, with interest ranging from 4.00 to 4.25 percent, payable semi-annually.	7,500,000
\$7,060,000 Refunding Bonds dated January 13, 2010, due in annual installments ranging from \$600,000 to \$1,415,000 through May 1, 2018, with interest ranging from 3.05 to 5.00 percent, payable semi-annually.	6,725,000
\$8,600,000 School Building and Site General Obligation Bonds dated December 16, 2010, due in annual installments ranging from \$780,000 to \$785,000 through May 1, 2040 with interest ranging from 6.80 to 7.00 percent, payable semi-annually.	8,600,000
\$15,000,000 School Building and Site General Obligation Bonds dated February 16, 2011, due in annual installments ranging from \$6,000,000 to \$9,000,000 through May 1, 2026 with interest ranging from 6.05 to 6.15 percent, payable semi-annually	15,000,000
\$9,005,000 Refunding Bonds dated March 14, 2012, due in annual installments ranging from \$250,000 to \$1,115,000 through May 1, 2023 with interest ranging from 2.75 to 5.00 percent, payable semi-annually	<u>9,005,000</u>
	<u>\$ 76,870,000</u>

Resolution Bonds

\$465,889 1998 Durant Resolution Bonds dated November 15, 1998, due in an annual installment of \$31,227, with interest of 4.761353 percent, payable annually. The annual debt service payments related to these bonds is paid through an annual appropriation from the State of Michigan.	<u>\$ 31,227</u>
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Michigan School Bond Loans

The School District has borrowed on various occasions from the Michigan School Loan Revolving Fund. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate was 3.00 percent.

The School District borrowed \$1,014,246 in principal during this fiscal year. The balances at June 30, 2012 are as follows:

Principal balance	\$ 1,014,246
Interest balance	<u>11,390</u>
	<u>\$ 1,025,636</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE G: LONG-TERM DEBT - CONTINUED

Advance Refunding - Current

On March 14, 2012 the District defeased the portion of the 2002 School Building and Site Bonds, which are due and payable May 1, 2013 through May 1, 2023. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet applicable principal and interest obligations. The District issued General Obligation 2012 Refunding Bonds in the amount of \$9,005,000 to provide resources to fund escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2012, bonds due and payable May 1, 2013 through May 1, 2023 for the 2002 School Building and Site Bonds in the amount of \$9,640,000 are considered defeased. The amount transferred to the escrow agent exceeded the amount defeased by \$982,894. This amount is being netted against the new debt and amortized over the life of the new debt.

As a result of the advance refunding, the District decreased its total debt service requirements by \$1,596,905, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,449,777.

Advance Refunding - Prior

On March 1, 2006 the District defeased the portion of the 2002 School Building and Site Bonds which are due and payable May 1, 2024 through May 1, 2027. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2006 Refunding Bonds in the amount of \$7,500,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2012, bonds due and payable May 1, 2024 through May 1, 2027 for the 2002 School Building and Site Bonds in the amount of \$7,010,000 are considered defeased.

On May 4, 2005 the District defeased the portion of the 1999 School Building and Site Bonds which are due and payable May 1, 2010 through May 1, 2029. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2005 Refunding Bonds in the amount of \$33,705,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2012, bonds due and payable May 1, 2013 through May 1, 2029 for the 1999 School Building and Site Bonds in the amount of \$30,175,000 are considered defeased.

Compensated Absences

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

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2012 for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE G: LONG-TERM DEBT - CONTINUED

Compensated Absences - continued

A summary of the calculated amounts of accrued severance pay and related payroll taxes as of June 30, 2012, which has been recorded in the District-wide financial statements, is as follows:

	<u>Vested Employees</u>	<u>Nonvested Employees</u>	<u>Total</u>
Severance Pay	\$ 13,875	\$ 19,238	\$ 33,113
Payroll taxes	1,061	1,472	2,533
	<u>\$ 14,936</u>	<u>\$ 20,710</u>	<u>\$ 35,646</u>

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

<u>Year Ending June 30,</u>	<u>Durant Resolution Bonds</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 31,227	\$ 1,487	\$ 2,520,000	\$ 3,963,707
2014	-	-	2,890,000	3,829,152
2015	-	-	3,280,000	3,719,027
2016	-	-	3,565,000	3,587,747
2017	-	-	3,715,000	3,433,457
2018-2022	-	-	15,210,000	14,773,310
2023-2027	-	-	32,735,000	9,898,952
2028-2032	-	-	6,705,000	3,141,610
2033-2037	-	-	3,910,000	1,634,355
2038-2040	-	-	2,340,000	327,600
	<u>\$ 31,227</u>	<u>\$ 1,487</u>	<u>\$ 76,870,000</u>	<u>\$ 48,308,917</u>

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

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 the above schedule, in relation to the 2010 Series A Bonds, there is a cumulative gross amount of interest due of \$13,700,815. Of this amount, there is an expected interest subsidy to be received over the life of the bonds in the cumulative amount of \$6,165,367 for net interest owed by the District over the life of the bonds of \$7,535,448. In relation to the 2011 Series B Bonds, there is a cumulative gross amount of interest due of \$12,468,000. Of this amount, there is an expected interest subsidy to be received over the life of the bonds in the cumulative amount of \$11,220,264 for a net interest owed by the District over the life of the bonds of \$1,247,736.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE H: EMPLOYEE RETIREMENT SYSTEM

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2011, the last year available, may be obtained by contacting the State of Michigan Department of Management and Budget.

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

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten (10) years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

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

Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990 through June 30, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 4.3% of all wages over \$15,000. Employees first hired on or after July 1, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 6.4% of all wages over \$15,000. In addition, employees first hired on or after July 1, 2010, are required to contribute 3% of all wages to a retiree health care fund and 2% to a hybrid defined contribution pension plan.

Pension Benefits

Employer contributions to the pension system result from implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. For the period of July 1, 2011 to September 30, 2011, the District was required by State statute to contribute 19.41% for employees who first worked before July 1, 2010 and, if the employee first worked on or after July 1, 2010, the contribution was 17.91% of covered compensation for all wages to the Plan. For the period of October 1, 2011 to June 30, 2012, the District was required by State statute to contribute 24.46% for employees who first worked before July 1, 2010 and, if the employee first worked on or after July 1, 2010, the contribution was 23.23% of covered compensation for all wages to the Plan. All employees are required to contribute 3% of gross pay towards retirement health care costs. The District's required and actual contributions to the plan for the years ended June 30, 2012, 2011, and 2010 were \$2,980,901, \$2,748,530, and \$2,470,986, respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Other Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. A component of the employer contribution rate for the pension plan factors into amounts for other postemployment benefits and this amount is paid by the District. The employer contribution rate was 8.5 percent for the period from July 1, 2011 through June 30, 2012. The District's required and actual contributions to the plan for retiree healthcare benefits are included in the contributions shown for pension benefits above.

NOTE I: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, Charlotte Public Schools' highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through a formal action and approval by the Board of Education and committed fund balances do not lapse at year end.

For assigned fund balance, the School Board is authorized to assign amounts to a specific purpose.

For the classification of fund balances, Charlotte Public Schools considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Charlotte Public Schools considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE J: FLEXIBLE BENEFITS PLAN

In February 1996, the District approved by Board action to implement a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The Plan, available to all employees, who are salaried or hourly and scheduled to twenty (20) hours or more each week, permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments, medical expense reimbursement benefits, or dependent care benefits.

A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The Plan is administered by Charlotte Public Schools.

NOTE K: RISK MANAGEMENT

The 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 District has not been informed of any special assessments being required.

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

NOTE L: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE M: BONDED CONSTRUCTION FUNDS

Two of the Capital Project Funds of the District include the capital projects activities funded in part by the 2010 Building and Site General Obligation Bonds and the 2011 Building and Site General Obligation Bonds. The remaining funding for the activities recorded within the applicable Capital Project Funds is funded by local appropriations from the General Fund and other local dollars (i.e., interest, etc.). For these projects recorded within the Capital Project Funds, the District has complied with the applicable provisions of Section 1351 (1) of the Revised School Code in prior and current years.

NOTE N: SUBSEQUENT EVENT

On August 20, 2012, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan in the amount of \$1,400,000 was for the purpose of funding operating expenditures until the fiscal year 2013 State Aid payments resume. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE O: CONTRACT COMMITMENTS

The District has entered into contracts related to the acquisition, construction, and remodeling of various school building projects that were not completed at June 30, 2012. The total contractual commitments outstanding at June 30, 2012 totaled \$15,195,975. The District's remaining bond proceeds (i.e., fund balance) along with future anticipated investment earnings are expected to be sufficient to cover these commitments.

NOTE P: CONTINGENT LIABILITIES

The District participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the programs have not yet been completed or final resolution has not been received. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

There are certain legal actions pending against the District. Due to the inconclusive nature of many of the actions, it is not possible for legal counsel to determine the probable outcome or a reasonable estimate of the District's potential liability, if any. Those actions for which a reasonable estimate can be determined of the District's potential liability and that would not be covered by insurance and reserves, if any, could be material to the District.

NOTE Q: LEASE AGREEMENT

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

The effective date of the lease was December 17, 2007 with an initial term of five (5) years and automatic renewal terms up to twenty-five (25) years. At the end of each five (5) year time period either party can terminate the lease. Therefore, the noncancellable period is booked as a receivable/deferral at the fund level at June 30, 2012. In addition, the June 2012 payment of \$9,336 was not received as of year-end, so that payment is included in the receivable at June 30, 2012. The lease payments are paid to the District monthly and range from \$9,064 to \$9,336 during the current five (5) year period under lease. Because the amounts are not earned as revenue until the end of each month the amounts not earned are recorded as deferred revenue at the fund level and unearned revenue at the District-wide level.

Charlotte Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE Q: LEASE AGREEMENT - CONTINUED

At June 30, 2012, the minimum lease payment for the succeeding fiscal year is as follows:

<u>Year Ended June 30,</u>	
2013	<u>\$ 84,024</u>

NOTE R: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the District's 2013 fiscal year. The statement incorporates deferred outflows of resources and the deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

REQUIRED SUPPLEMENTARY INFORMATION

Charlotte Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 2,924,195	\$ 3,133,021	\$ 3,132,348	\$ (673)
State sources	17,734,336	17,471,736	17,425,395	(46,341)
Federal sources	1,449,928	1,977,015	1,855,841	(121,174)
TOTAL REVENUES	22,108,459	22,581,772	22,413,584	(168,188)
EXPENDITURES				
INSTRUCTION				
Basic programs				
Preschool - GSRP	105,456	100,030	98,148	1,882
Elementary	4,537,339	4,774,280	4,772,694	1,586
Middle school	2,830,867	2,496,979	2,506,429	(9,450)
High School	2,883,877	2,667,601	2,682,062	(14,461)
Youth facility/Day treatments	268,559	188,056	182,701	5,355
Other basic programs	43,986	44,975	44,655	320
Total basic programs	10,670,084	10,271,921	10,286,689	(14,768)
Added needs				
Special education	2,731,088	2,645,688	2,650,084	(4,396)
Compensatory education	761,138	941,385	849,114	92,271
Vocational education	404,156	527,173	513,763	13,410
Total added needs	3,896,382	4,114,246	4,012,961	101,285
TOTAL INSTRUCTION	14,566,466	14,386,167	14,299,650	86,517
SUPPORTING SERVICES				
Student services				
Guidance services	523,016	493,231	486,411	6,820
Health services	20,460	11,000	13,357	(2,357)
Speech pathology and audiology services	-	144,042	129,319	14,723
Teacher consultants	45,209	62,852	63,003	(151)
Other pupil services	53,987	80,359	75,820	4,539
Total student services	642,672	791,484	767,910	23,574

Charlotte Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
SUPPORTING SERVICES - CONTINUED				
Instructional staff				
Improvement of instruction	\$ 191,266	\$ 238,341	\$ 203,157	\$ 35,184
Media services	165,904	149,435	149,751	(316)
Technology assisted instruction	509,781	363,147	372,241	(9,094)
Supervision and direction of instruction staff	177,167	176,611	176,745	(134)
Director of Special Education	146,389	146,802	133,763	13,039
Other instructional staff	10,011	4,105	4,104	1
Total instructional staff	1,200,518	1,078,441	1,039,761	38,680
General administration				
Board of education	171,500	161,410	165,393	(3,983)
Executive administration	242,405	242,883	235,009	7,874
Total general administration	413,905	404,293	400,402	3,891
School administration	1,271,434	1,257,656	1,247,230	10,426
Business				
Fiscal services	232,796	231,224	227,991	3,233
Other business services	69,700	151,399	128,597	22,802
Total business	302,496	382,623	356,588	26,035
Operations and maintenance	2,251,733	2,298,846	2,202,462	96,384
Transportation	1,022,195	1,777,923	1,750,496	27,427
Other supporting services				
Athletics	486,876	507,258	496,312	10,946
Communication services	45,767	53,767	54,670	(903)
Personnel services	50,000	110,193	97,104	13,089
Total other supporting services	582,643	671,218	648,086	23,132
TOTAL SUPPORTING SERVICES	7,687,596	8,662,484	8,412,935	249,549

Charlotte Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
COMMUNITY SERVICES				
Community services	\$ 318,830	\$ 347,598	\$ 350,059	\$ (2,461)
Nonpublic school services	5,449	5,286	2,313	2,973
Performing arts center	131,731	131,689	125,662	6,027
TOTAL COMMUNITY SERVICES	456,010	484,573	478,034	6,539
CAPITAL OUTLAY	-	46,500	41,732	4,768
TOTAL EXPENDITURES	22,710,072	23,579,724	23,232,351	347,373
EXCESS OF REVENUES (UNDER) EXPENDITURES	(601,613)	(997,952)	(818,767)	179,185
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	50,537	50,537	48,589	(1,948)
County special education allocation	376,080	379,333	379,334	1
Payments from other governments	87,673	591,963	711,126	119,163
Other financing sources	-	32,200	44,810	12,610
Transfers to other funds	(7,100)	(7,100)	(7,100)	-0-
Other financing uses	(70,714)	(109,814)	(189,917)	(80,103)
TOTAL OTHER FINANCING SOURCES (USES)	436,476	937,119	986,842	49,723
NET CHANGE IN FUND BALANCE	(165,137)	(60,833)	168,075	228,908
Fund balance, beginning of year	3,525,870	3,525,870	3,525,870	-0-
Fund balance, end of year	\$ 3,360,733	\$ 3,465,037	\$ 3,693,945	\$ 228,908

Charlotte Public Schools

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2012

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

During the year ended June 30, 2012, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Instruction			
Basic programs	\$ 10,271,921	\$ 10,286,689	\$ 14,768
Other financing uses			
Other financing uses	109,814	189,917	80,103
Special Revenue Funds			
Performing Arts	200,037	202,673	2,636
Childcare	493,450	500,309	6,859

OTHER SUPPLEMENTARY INFORMATION

Charlotte Public Schools
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET

June 30, 2012

	Special Revenue Funds			Debt	
	Food Service	Performing Arts	Childcare	2012 Debt	2010A Debt
ASSETS					
Cash	\$ 186,689	\$ 212,864	\$ 66,377	\$ 2,378	\$ 196,259
Accounts receivable	9,270	1,007	8,777	-	-
Lease receivable	-	-	-	-	-
Taxes receivable	-	-	-	-	724
Due from other funds	3,528	-	-	-	-
Due from other governmental units	24,526	-	1,106	-	-
Inventories	10,773	-	-	-	-
Prepays	6,042	3,440	-	-	-
	<u>\$ 240,828</u>	<u>\$ 217,311</u>	<u>\$ 76,260</u>	<u>\$ 2,378</u>	<u>\$ 196,983</u>
TOTAL ASSETS					
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,407	\$ 2,637	\$ 4,152	\$ -	\$ -
Accrued payroll	11,534	13,934	14,284	-	-
Other accrued liabilities	6,467	267	-	-	-
Due to other funds	47,556	31,498	45,725	-	11
Due to other governmental units	-	-	979	-	-
Deferred revenue	-	10,635	11,120	-	-
	<u>66,964</u>	<u>58,971</u>	<u>76,260</u>	<u>-0-</u>	<u>11</u>
TOTAL LIABILITIES					
FUND BALANCES					
Nonspendable					
Inventories and prepaids	16,815	3,440	-	-	-
Restricted					
Food and nutrition	157,049	-	-	-	-
Debt service	-	-	-	2,378	196,972
Committed					
Performing arts	-	154,900	-	-	-
Assigned					
Capital projects	-	-	-	-	-
	<u>173,864</u>	<u>158,340</u>	<u>-0-</u>	<u>2,378</u>	<u>196,972</u>
TOTAL FUND BALANCES					
TOTAL LIABILITIES AND FUND BALANCES					
	<u>\$ 240,828</u>	<u>\$ 217,311</u>	<u>\$ 76,260</u>	<u>\$ 2,378</u>	<u>\$ 196,983</u>

Service Funds

2011 Debt	2010 Debt	2006 Debt	2005 Debt	2002 Debt	Durant Resolution Bonds	Capital Projects	Total
\$ 32,530	\$ 22,172	\$ 13,964	\$ 119,877	\$ 199,493	\$ -	\$ 319,435	\$ 1,372,038
-	-	-	-	-	-	-	19,054
-	-	-	-	-	-	93,360	93,360
659	600	1,873	9,069	5,921	-	-	18,846
-	-	-	-	-	-	9,336	12,864
-	-	-	-	-	-	-	25,632
-	-	-	-	-	-	-	10,773
-	-	-	-	-	-	-	9,482
<u>\$ 33,189</u>	<u>\$ 22,772</u>	<u>\$ 15,837</u>	<u>\$ 128,946</u>	<u>\$ 205,414</u>	<u>\$ -0-</u>	<u>\$ 422,131</u>	<u>\$ 1,562,049</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,200	\$ 14,396
-	-	-	-	-	-	-	39,752
-	-	-	-	-	-	-	6,734
3	42	27	217	85	-	-	125,164
-	-	-	-	-	-	-	979
-	-	-	-	-	-	84,024	105,779
3	42	27	217	85	-0-	90,224	292,804
-	-	-	-	-	-	-	20,255
-	-	-	-	-	-	-	157,049
33,186	22,730	15,810	128,729	205,329	-	-	605,134
-	-	-	-	-	-	-	154,900
-	-	-	-	-	-	331,907	331,907
<u>33,186</u>	<u>22,730</u>	<u>15,810</u>	<u>128,729</u>	<u>205,329</u>	<u>-0-</u>	<u>331,907</u>	<u>1,269,245</u>
<u>\$ 33,189</u>	<u>\$ 22,772</u>	<u>\$ 15,837</u>	<u>\$ 128,946</u>	<u>\$ 205,414</u>	<u>\$ -0-</u>	<u>\$ 422,131</u>	<u>\$ 1,562,049</u>

Charlotte Public Schools

Nonmajor Governmental Funds

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

Year Ended June 30, 2012

	Special Revenue Funds			Debt	
	Food Service	Performing Arts	Childcare	2012 Debt	2010A Debt
REVENUES					
Local sources	\$ 448,152	\$ 220,716	\$ 467,949	\$ -	446,364
State sources	43,907	-	-	-	-
Federal sources	666,659	-	15,205	-	368,125
TOTAL REVENUES	1,158,718	220,716	483,154	-0-	814,489
EXPENDITURES					
Current					
Food service	1,103,948	-	-	-	-
Performing arts	-	192,941	-	-	-
Childcare	-	-	491,757	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest, fiscal, and other charges	-	-	-	200	818,867
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	1,103,948	192,941	491,757	200	818,867
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	54,770	27,775	(8,603)	(200)	(4,378)
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	9,005,000	201,350
Bond premium	-	-	-	982,894	-
Bond issuance costs	-	-	-	(71,981)	-
Underwriter discount	-	-	-	(45,025)	-
Transfers from other funds	-	-	7,100	-	-
Transfer to escrow agent	-	-	-	(9,868,310)	-
Transfers to other funds	(30,305)	(9,732)	(8,552)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(30,305)	(9,732)	(1,452)	2,578	201,350
NET CHANGE IN FUND BALANCES	24,465	18,043	(10,055)	2,378	196,972
Fund balances, beginning of year	149,399	140,297	10,055	-	-
Fund balances, end of year	<u>\$ 173,864</u>	<u>\$ 158,340</u>	<u>\$ -0-</u>	<u>\$ 2,378</u>	<u>\$ 196,972</u>

Service Funds

2011 Debt	2010 Debt	2006 Debt	2005 Debt	2002 Debt	Durant Resolution Bonds	Capital Projects	Total
\$ 97,968	\$ 370,537	\$ 208,688	\$ 2,006,223	\$ 1,008,144	\$ -	\$ 111,704	\$ 5,386,445
-	-	-	-	-	32,715	-	76,622
996,875	-	-	-	-	-	-	2,046,864
1,094,843	370,537	208,688	2,006,223	1,008,144	32,715	111,704	7,509,931
-	-	-	-	-	-	-	1,103,948
-	-	-	-	-	-	-	192,941
-	-	-	-	-	-	-	491,757
-	335,000	-	1,175,000	700,000	29,808	-	2,239,808
1,108,007	303,828	316,583	1,621,319	301,654	2,907	-	4,473,365
-	-	-	-	-	-	66,164	66,164
1,108,007	638,828	316,583	2,796,319	1,001,654	32,715	66,164	8,567,983
(13,164)	(268,291)	(107,895)	(790,096)	6,490	-0-	45,540	(1,058,052)
46,350	194,864	58,500	513,182	-	-	-	10,019,246
-	-	-	-	-	-	-	982,894
-	-	-	-	-	-	-	(71,981)
-	-	-	-	-	-	-	(45,025)
-	-	-	-	-	-	-	7,100
-	-	-	-	-	-	-	(9,868,310)
-	-	-	-	-	-	-	(48,589)
46,350	194,864	58,500	513,182	-0-	-0-	-0-	975,335
33,186	(73,427)	(49,395)	(276,914)	6,490	-0-	45,540	(82,717)
-	96,157	65,205	405,643	198,839	-	286,367	1,351,962
<u>\$ 33,186</u>	<u>\$ 22,730</u>	<u>\$ 15,810</u>	<u>\$ 128,729</u>	<u>\$ 205,329</u>	<u>\$ -0-</u>	<u>\$ 331,907</u>	<u>\$ 1,269,245</u>

OTHER FINANCIAL INFORMATION

Charlotte Public Schools

SCHEDULE OF BONDED DEBT OUTSTANDING

June 30, 2012

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
GENERAL OBLIGATION BONDS					
2005 Refunding Bonds, dated May 4, 2005					
	May 1, 2013	4.25%	\$ 1,479,763	\$ 1,215,000	\$ 2,694,763
	May 1, 2014	4.50	1,428,125	1,280,000	2,708,125
	May 1, 2015	4.50	1,370,525	1,345,000	2,715,525
	May 1, 2016	5.00	1,310,000	1,415,000	2,725,000
	May 1, 2017	5.00	1,239,250	1,490,000	2,729,250
	May 1, 2018	5.00	1,164,750	1,585,000	2,749,750
	May 1, 2019	5.00	1,085,500	1,655,000	2,740,500
	May 1, 2020	5.00	1,002,750	1,725,000	2,727,750
	May 1, 2021	5.00	916,500	1,795,000	2,711,500
	May 1, 2022	5.00	826,750	1,870,000	2,696,750
	May 1, 2023	5.00	733,250	1,935,000	2,668,250
	May 1, 2024	5.00	636,500	2,005,000	2,641,500
	May 1, 2025	5.00	536,250	2,075,000	2,611,250
	May 1, 2026	5.00	432,500	2,140,000	2,572,500
	May 1, 2027	5.00	325,500	2,155,000	2,480,500
	May 1, 2028	5.00	217,750	2,170,000	2,387,750
	May 1, 2029	5.00	109,250	2,185,000	2,294,250
			<u>14,814,913</u>	<u>30,040,000</u>	<u>44,854,913</u>
2006 Refunding Bonds, dated March 1, 2006					
	May 1, 2013	4.000%	\$ 306,144	\$ -	\$ 306,144
	May 1, 2014	4.000	306,144	-	306,144
	May 1, 2015	4.000	306,144	-	306,144
	May 1, 2016	4.000	306,144	-	306,144
	May 1, 2017	4.000	306,144	50,000	356,144
	May 1, 2018	4.000	304,144	50,000	354,144
	May 1, 2019	4.000	302,144	55,000	357,144
	May 1, 2020	4.000	299,944	55,000	354,944
	May 1, 2021	4.000	297,744	55,000	352,744
	May 1, 2022	4.000	295,544	60,000	355,544
	May 1, 2023	4.000	293,144	990,000	1,283,144
	May 1, 2024	4.000	253,544	1,420,000	1,673,544
	May 1, 2025	4.000	196,744	1,510,000	1,706,744
	May 1, 2026	4.125	136,344	1,595,000	1,731,344
	May 1, 2027	4.250	70,550	1,660,000	1,730,550
			<u>3,980,566</u>	<u>7,500,000</u>	<u>11,480,566</u>

Charlotte Public Schools

SCHEDULE OF BONDED DEBT OUTSTANDING - CONTINUED

June 30, 2012

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
GENERAL OBLIGATION BONDS					
2010 Refunding Bonds, dated January 13, 2010					
	May 1, 2013	3.05%	\$ 289,945	\$ 600,000	\$ 889,945
	May 1, 2014	3.50	271,645	845,000	1,116,645
	May 1, 2015	4.10	242,070	1,155,000	1,397,070
	May 1, 2016	4.40	194,715	1,360,000	1,554,715
	May 1, 2017	4.75	134,875	1,350,000	1,484,875
	May 1, 2018	5.00	70,750	1,415,000	1,485,750
			<u>1,204,000</u>	<u>6,725,000</u>	<u>7,929,000</u>
2010 Building and Site Bonds, dated December 16, 2010					
	May 1, 2013	6.80%	\$ 594,950	\$ -	\$ 594,950
	May 1, 2014	6.80	594,950	-	594,950
	May 1, 2015	6.80	594,950	-	594,950
	May 1, 2016	6.80	594,950	-	594,950
	May 1, 2017	6.80	594,950	-	594,950
	May 1, 2018	6.80	594,950	-	594,950
	May 1, 2019	6.80	594,950	-	594,950
	May 1, 2020	6.80	594,950	-	594,950
	May 1, 2021	6.80	594,950	-	594,950
	May 1, 2022	6.80	594,950	-	594,950
	May 1, 2023	6.80	594,950	-	594,950
	May 1, 2024	6.80	594,950	-	594,950
	May 1, 2025	6.80	594,950	-	594,950
	May 1, 2026	6.80	594,950	-	594,950
	May 1, 2027	6.80	594,950	-	594,950
	May 1, 2028	6.80	594,950	-	594,950
	May 1, 2029	6.80	594,950	-	594,950
	May 1, 2030	6.80	594,950	785,000	1,379,950
	May 1, 2031	6.80	541,570	785,000	1,326,570
	May 1, 2032	6.80	488,190	780,000	1,268,190
	May 1, 2033	6.90	435,150	785,000	1,220,150
	May 1, 2034	6.90	380,985	785,000	1,165,985
	May 1, 2035	6.90	326,820	780,000	1,106,820
	May 1, 2036	7.00	273,000	780,000	1,053,000
	May 1, 2037	7.00	218,400	780,000	998,400
	May 1, 2038	7.00	163,800	780,000	943,800
	May 1, 2039	7.00	109,200	780,000	889,200
	May 1, 2040	7.00	54,600	780,000	834,600
			<u>13,700,815</u>	<u>8,600,000</u>	<u>22,300,815</u>

Charlotte Public Schools

SCHEDULE OF BONDED DEBT OUTSTANDING - CONTINUED

June 30, 2012

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
GENERAL OBLIGATION BONDS					
2011 Building and Site Bonds, dated February 16, 2011					
	May 1, 2013	6.05%	\$ 916,500	\$ -	\$ 916,500
	May 1, 2014	6.05	916,500	-	916,500
	May 1, 2015	6.05	916,500	-	916,500
	May 1, 2016	6.05	916,500	-	916,500
	May 1, 2017	6.05	916,500	-	916,500
	May 1, 2018	6.05	916,500	-	916,500
	May 1, 2019	6.05	916,500	-	916,500
	May 1, 2020	6.05	916,500	-	916,500
	May 1, 2021	6.05	916,500	-	916,500
	May 1, 2022	6.05	916,500	-	916,500
	May 1, 2023	6.05	916,500	-	916,500
	May 1, 2024	6.05	916,500	-	916,500
	May 1, 2025	6.05	916,500	6,000,000	6,916,500
	May 1, 2026	6.15	553,500	9,000,000	9,553,500
			<u>12,468,000</u>	<u>15,000,000</u>	<u>27,468,000</u>
	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2012 Refunding Bonds, dated March 14, 2012					
	May 1, 2013	3.00%	\$ 376,405	\$ 705,000	\$ 1,081,405
	May 1, 2014	3.00	311,788	765,000	1,076,788
	May 1, 2015	3.00	288,838	780,000	1,068,838
	May 1, 2016	3.00	265,438	790,000	1,055,438
	May 1, 2017	4.00	241,738	825,000	1,066,738
	May 1, 2018	4.00	208,738	845,000	1,053,738
	May 1, 2019	4.00	174,938	910,000	1,084,938
	May 1, 2020	5.00	138,538	975,000	1,113,538
	May 1, 2021	5.00	89,788	1,045,000	1,134,788
	May 1, 2022	2.75	37,538	1,115,000	1,152,538
	May 1, 2023	2.75	6,876	250,000	256,876
			<u>2,140,623</u>	<u>9,005,000</u>	<u>11,145,623</u>
RESOLUTION BONDS					
1998 Durant Resolution Bond, dated November 15, 1998					
	May 15, 2013	4.76%	\$ 1,487	\$ 31,227	\$ 32,714
TOTAL BONDED DEBT OUTSTANDING			<u><u>\$ 48,310,404</u></u>	<u><u>\$ 76,901,227</u></u>	<u><u>\$ 125,211,631</u></u>