

**CHARLOTTE PUBLIC SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required and additional  
supplementary information)**  
**YEAR ENDED JUNE 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Charlotte Public Schools

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Charlotte Public Schools' basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Charlotte Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Charlotte Public Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Charlotte Public Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Charlotte Public Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charlotte Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2023 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Charlotte Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charlotte Public Schools' internal control over financial reporting and compliance.

*Manes Costeiran PC*

October 9, 2023

## **CHARLOTTE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS**

As management of the Charlotte Public Schools (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

The management's discussion and analysis are provided at the beginning of the annual financial report to provide in layman's terms the past and current position of the District's financial condition. This summary should not be taken as a replacement for the annual financial report which consists of the financial statements, other supplementary and additional information that presents all the District's revenue and expenditures by program.

### **FINANCIAL HIGHLIGHTS**

#### **Reporting the School District as a Whole - District-wide Financial Statements**

One of the most important questions asked about the District is, "As a whole, what is the District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the District's financial statements, report information about the District as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the District's net position. In order to measure the District's financial health or financial position, we examine the difference between assets, deferred outflow of resources, liabilities, and deferred inflow of resources, as reported in the statement of net position. Over time, increases or decreases in the District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results.

It is important to remember that the District's goal is to provide the best educational opportunities and services possible to Charlotte Public Schools students and not to generate profits as commercial entities do. In keeping, the District must account for the long-term stability and continuation of the District by weighing expenditures against the ability to continue existence. The District must keep in check significant decreases in net position over time.

The statement of net position and statement of activities report the governmental activities for the District, which encompass all of the District's services, including instruction, support services, community services, athletics, student/school activities, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**CHARLOTTE PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

Our financial statements provide insights into the results of this year's operations.

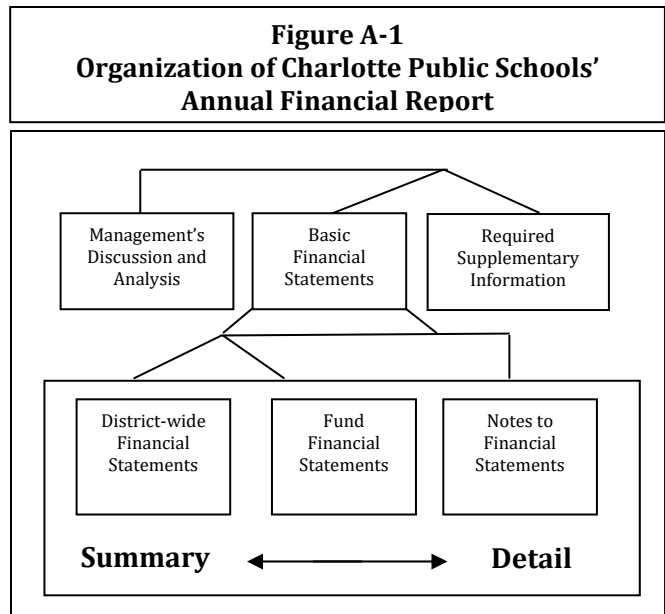
- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$42,763,096 (*net deficit*). The primary reasons for this are that the District owes more money than the carrying value of assets and deferred outflows of resources in which the debt was issued, and the District is required to recognize their share of the net unfunded pension liability and the net unfunded OPEB liability.
- The District's total general operating fund total fund balance increased by \$1,053,497. This increase was primarily due to one-time revenue sources related to federal ESSER grants and a reduction in expenditures due to supply chain delays.
- At the end of the current fiscal year, the fund balance for the District's operating fund (general fund) was \$6,901,669 or 20.85% of the total expenditures of this operating fund.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide notes to financial statements.
- The *governmental funds* statements tell how basic services like instruction and support services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year and required supplementary pension information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.





**CHARLOTTE PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

<b>Figure A-2 Major Features of District-wide and Fund Financial Statements</b>			
Category	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Fund
Scope	* Entire district	* The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	* The activities of the District that are proprietary in nature such as the internal service fund
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net position * Statement of activities * Statement of cash flows
Accounting basis and measurement focus	* Accrual accounting and economic resources focus	* Modified accrual accounting and current financial resources focus	* Accrual accounting and economic resources focus
Type of asset/liability information	* All assets and liabilities, both financial and capital, short-term and long-term	* Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	* All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	* All revenues and expenses during year, regardless of when cash is received or paid	* Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	* All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**DISTRICT-WIDE STATEMENTS**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include all of the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

## **CHARLOTTE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS**

The two District-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- **Governmental Activities** - Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying debt, and its capital projects fund) or to show that it is properly using certain revenues (like school lunch and student/school activities).

The District has two kinds of funds:

- **Governmental Funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary Funds** - Proprietary funds provide the same type of information as the governmental-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the internal service fund. The *Internal Service Fund* accounts for risk management services to include dental, vision, health, and prescription insurance claim obligations proved to other departments of the District on a cost reimbursement basis.

**CHARLOTTE PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net Position - Restricted net position represents legal constraints from debt covenants and legislation that limit the District's ability to use the net position for day-to-day operations. The following is a summary of the District's net position at June 30, 2023 and 2022.

<b>Table A-3 Charlotte Public Schools' Net Position</b>		
	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current and other assets	\$ 40,310,922	\$ 48,767,933
Capital assets, net of depreciation	<u>70,408,849</u>	<u>53,745,593</u>
TOTAL ASSETS	<u>110,719,771</u>	<u>102,513,526</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>18,635,869</u>	<u>10,015,893</u>
<b>LIABILITIES</b>		
Current liabilities	8,867,663	4,733,542
Noncurrent liabilities	<u>151,178,204</u>	<u>134,779,097</u>
TOTAL LIABILITIES	<u>160,045,867</u>	<u>139,512,639</u>
DEFERRED INFLOWS OF RESOURCES	<u>12,072,869</u>	<u>21,127,469</u>
<b>NET POSITION</b>		
Net investment in capital assets	(18,575,355)	(19,114,211)
Restricted	9,665,086	7,634,142
Unrestricted (deficit)	<u>(33,852,827)</u>	<u>(36,630,620)</u>
TOTAL NET POSITION	<u>\$ (42,763,096)</u>	<u>\$ (48,110,689)</u>

**CHARLOTTE PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

<b>Table A-4 Changes in Charlotte Public Schools' Net Position</b>		
	2023	2022
<b>REVENUES</b>		
Program revenues		
Charges for services	\$ 2,082,527	\$ 1,846,233
Operating grants and contributions	7,494,750	7,793,063
General revenues		
Property taxes	8,122,748	7,747,548
State aid - unrestricted	21,821,843	18,637,652
Other	3,564,020	1,592,960
<b>TOTAL REVENUES</b>	<b>43,085,888</b>	<b>37,617,456</b>
<b>EXPENSES</b>		
Instruction	15,328,102	14,150,371
Support services	11,897,893	9,710,359
Community services	1,794,386	1,570,501
Intergovernmental	3,671	2,893
Food services	1,345,708	1,115,080
Student/school activities	244,099	212,723
Interest on long-term debt	3,920,887	4,100,622
Unallocated depreciation	3,203,549	3,046,584
<b>TOTAL EXPENSES</b>	<b>37,738,295</b>	<b>33,909,133</b>
Change in net position	<b>\$ 5,347,593</b>	<b>\$ 3,708,323</b>

**District Governmental Activities**

The District's financial condition has come about through a number of areas.

- The State Foundation Allowance was \$9,150 per student in 2023.
- Student count within the District increased from 2,357 in 2022 to 2,370 in 2023. Attracting and maintaining students has, and will be, a top priority for the District.
- The District's payment into Michigan Public School Employees' Retirement System (MPERS) continues to increase.
- The District is in the middle of a \$36 million bond project that the community approved during November 2020 bond election. At the end of 2023 there was \$11,580,422 remaining.

**CHARLOTTE PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The District as a whole has a combined fund balance of \$30,988,718 compared to \$44,513,492 the prior year. The fund balance decreased by \$13,524,774 during the year. There are debt service funds with a combined net fund balance of \$10,233,003, 2021 capital projects fund with a fund balance of \$11,580,422, special revenue funds with a combined net fund balance of \$1,674,963, and nonmajor capital projects funds with a combined net fund balance of \$598,661. The general fund increased its fund balance by \$1,053,497, 2021 capital projects fund decreased fund balance by \$16,751,763, 2011 debt service fund increased its fund balance by \$1,906,710, and the nonmajor funds increased their combined fund balance by \$266,782 (food service, student/school activities, community service, nonmajor capital project and nonmajor debt service funds).

**General Fund and Budget Highlights**

During the 2023 fiscal year, the original District budget was amended twice to reflect changes which affected the District.

The initial amendment took place in December, once the student count and staff changes had been determined.

A final amendment took place in June to more accurately reflect payouts, made to District employees leaving the district, as well as adjusting for utilities and other expenditure accounts. The final amended budget was to have revenues and transfers in less than expenditures and transfers out by \$147,343.

The final results showed that net revenues came in higher than the final anticipated, by \$11,928, due primarily to conservative budgeting efforts. The expenditures came in less than anticipated by \$1,186,732 due to tight budget controls at the end of the school year, delays in supply chain shipments, and final invoices being less than expected.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District's capital assets are as follows:

<b>Table A-5 Charlotte Public Schools' Capital Assets</b>				
	2023			2022
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 220,496	\$ -	\$ 220,496	\$ 220,496
Construction in process	19,135,158	-	19,135,158	3,429,364
Buildings and additions	89,917,450	44,002,599	45,914,851	47,231,897
Equipment and furniture	8,075,355	4,989,492	3,085,863	1,918,359
Vehicles	2,267,803	1,382,047	885,756	786,381
Other capital equipment	2,168,344	1,001,619	1,166,725	159,096
Total	<b>\$ 121,784,606</b>	<b>\$ 51,375,757</b>	<b>\$ 70,408,849</b>	<b>\$ 53,745,593</b>

The change in the net book value is due to current year depreciation as well as capital asset acquisitions.

**CHARLOTTE PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS**

**LONG-TERM DEBT**

At year end the District had \$101,259,329 long-term debt outstanding as shown in Table A-6. More detailed information is available in the notes of the financial statements.

<b>Table A-6 Charlotte Public Schools' Outstanding Long-Term Obligations</b>		
	2023	2022
Long-term debt obligations		
Bonded debt	\$ 90,837,988	\$ 94,935,290
Direct borrowing and direct placement	10,394,154	7,012,802
Compensated absences and termination benefits	27,187	25,634
Total	\$ 101,259,329	\$ 101,973,726

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of six existing circumstances that could significantly affect its financial health in the future:

- The 2023-2024 foundation allowance is anticipated to increase per student. The foundation allowance represents approximately 80% of total District revenue.
- The District is expecting additional costs to be incurred due to the expansion of employee benefits to all full-time staff.
- The District is still monitoring the risk of incurring additional costs due to ongoing COVID-19 concerns including long term learning and social emotional needs of our students.
- The District is expecting to finish spending federal ESSER II and ESSER III funds in summer 2023. Associated ongoing expenditures will need to be budgeted for after these one-time federal funds are eliminated however the District has been very cautious about limiting the use of grant funds to one-time projects as much as possible.
- Students count is projected to remain flat for 2023-2024 and slowly returning to pre-pandemic levels over the next several years.
- Retirement contributions made to the retirement system are anticipated to continue to increase.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Charlotte Public Schools, 378 State Street, Charlotte, MI 48813.

## **BASIC FINANCIAL STATEMENTS**

**CHARLOTTE PUBLIC SCHOOLS  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 22,683,016
Investments	9,679,014
Receivables	
Accounts receivable	89,118
Lease	742,110
Property tax receivables	2,509
Due from other governmental units	6,754,936
Inventories	60,108
Prepays	300,111
Capital assets, not being depreciated	19,355,654
Capital assets, net of accumulated depreciation	51,053,195
<b>TOTAL ASSETS</b>	<b>110,719,771</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refundings, net of amortization	667,516
Related to pension	14,358,133
Related to other postemployment benefit	3,610,220
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>18,635,869</b>
<b>LIABILITIES</b>	
Accounts payable	5,101,117
Due to other governmental units	352
Accrued salaries and related items	1,405,602
Accrued retirement	943,875
Other accrued expenses	17,830
Accrued interest	567,917
Unearned revenue	460,910
Incurred but not yet reported	370,060
Noncurrent liabilities:	
Due within one year	3,733,786
Due in more than one year	97,525,543
Due in more than one year - interest	517,094
Net pension liability	46,728,664
Net other postemployment benefit liability	2,673,117
<b>TOTAL LIABILITIES</b>	<b>160,045,867</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	1,926,358
Related to other postemployment benefit	5,976,132
Related to state aid funding for pension	3,446,174
Related to unavailable revenue - lease	724,205
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>12,072,869</b>
<b>NET POSITION</b>	
Net investment in capital assets	(18,575,355)
Restricted for debt service	9,665,086
Unrestricted	(33,852,827)
<b>TOTAL NET POSITION</b>	<b>\$ (42,763,096)</b>

See notes to financial statements.



**CHARLOTTE PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 15,328,102	\$ 7,694	\$ 1,897,055	\$ (13,423,353)
Support services	11,897,893	682,274	2,962,374	(8,253,245)
Community services	1,794,386	1,228,954	303,458	(261,974)
Intergovernmental payments	3,671	-	-	(3,671)
Food services	1,345,708	163,605	1,310,912	128,809
Student/school activities	244,099	-	260,419	16,320
Interest on long-term debt	3,920,887	-	760,532	(3,160,355)
Unallocated depreciation	3,203,549	-	-	(3,203,549)
Total governmental activities	<u>\$ 37,738,295</u>	<u>\$ 2,082,527</u>	<u>\$ 7,494,750</u>	<u>(28,161,018)</u>
General revenues				
Property taxes, levied for general purposes				2,941,887
Property taxes, levied for debt service				4,863,591
Property taxes, levied for community service fund				317,270
State sources - unrestricted				21,821,843
Intermediate sources				2,412,467
Investment earnings				934,027
Other				217,526
Total general revenues				<u>33,508,611</u>
CHANGE IN NET POSITION				5,347,593
NET POSITION, beginning of year				<u>(48,110,689)</u>
NET POSITION, end of year				<u>\$ (42,763,096)</u>

See notes to financial statements.

**CHARLOTTE PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	General Fund	2021 Capital Projects Fund	2011 Debt Service	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 4,954,285	\$ 15,008,702	\$ 351,615	\$ 2,295,809	\$ 22,610,411
Investments	-	-	9,604,152	74,862	9,679,014
Receivables					
Accounts receivable	71,242	-	-	17,876	89,118
Lease	-	-	-	742,110	742,110
Property tax receivables	1,051	-	587	871	2,509
Due from other governmental units	6,719,686	-	-	35,250	6,754,936
Due from other funds	59,667	390,219	92,506	366,225	908,617
Inventories	27,599	-	-	32,509	60,108
Prepays	232,650	-	-	4,233	236,883
<b>TOTAL ASSETS</b>	<b>\$ 12,066,180</b>	<b>\$ 15,398,921</b>	<b>\$ 10,048,860</b>	<b>\$ 3,569,745</b>	<b>\$ 41,083,706</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 983,364	\$ 3,818,499	\$ -	\$ 236,928	\$ 5,038,791
Due to other funds	1,427,552	-	4,143	71,728	1,503,423
Due to other governmental units	-	-	-	352	352
Accrued salaries and related items	1,383,826	-	-	21,776	1,405,602
Accrued retirement	943,875	-	-	-	943,875
Other accrued expenses	133	-	-	17,697	17,830
Unearned revenue	425,761	-	8,468	26,681	460,910
<b>TOTAL LIABILITIES</b>	<b>5,164,511</b>	<b>3,818,499</b>	<b>12,611</b>	<b>375,162</b>	<b>9,370,783</b>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Unavailable revenue - lease	-	-	-	724,205	724,205
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Inventories	27,599	-	-	32,509	60,108
Prepays	232,650	-	-	4,233	236,883
<b>Restricted for:</b>					
Capital projects	-	11,580,422	-	-	11,580,422
Food service	-	-	-	551,724	551,724
Debt service	-	-	10,036,249	196,754	10,233,003
<b>Committed for:</b>					
Capital projects	-	-	-	598,661	598,661
Student/school activities	-	-	-	269,690	269,690
Community services	-	-	-	816,807	816,807
Bus replacement	106,785	-	-	-	106,785
Technology replacement	564,640	-	-	-	564,640
Assigned for subsequent years	409,745	-	-	-	409,745
Unassigned	5,560,250	-	-	-	5,560,250
<b>TOTAL FUND BALANCES</b>	<b>6,901,669</b>	<b>11,580,422</b>	<b>10,036,249</b>	<b>2,470,378</b>	<b>30,988,718</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 12,066,180</b>	<b>\$ 15,398,921</b>	<b>\$ 10,048,860</b>	<b>\$ 3,569,745</b>	<b>\$ 41,083,706</b>

See notes to financial statements.

**CHARLOTTE PUBLIC SCHOOLS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023**

<b>Total Governmental Fund Balances</b>		<b>\$ 30,988,718</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - deferred charge on refunding		667,516
Deferred outflows of resources - related to pension	\$ 14,358,133	
Deferred inflows of resources - related to pension	(1,926,358)	
Deferred outflows of resources - related to other postemployment benefit	3,610,220	
Deferred inflows of resources - related to other postemployment benefit	(5,976,132)	
Deferred inflows of resources - state aid funding for pension	<u>(3,446,174)</u>	
		6,619,689
An internal service fund is used by management to charge the costs of certain activities such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities.		
		298,253
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	121,784,606	
Accumulated depreciation is	<u>(51,375,757)</u>	
		70,408,849
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(90,837,988)
Direct borrowing and direct placement		(10,394,154)
Compensated absences and termination benefits		(27,187)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(1,085,011)
Net pension liability		(46,728,664)
Net other postemployment benefit liability		<u>(2,673,117)</u>
<b>Net Position of Governmental Activities</b>		<b><u>\$ (42,763,096)</u></b>

**CHARLOTTE PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	General Fund	2021 Capital Projects Fund	2011 Debt Service	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local sources	\$ 3,426,637	\$ 855,984	\$ 2,007,497	\$ 4,970,699	\$ 11,260,817
State sources	24,854,069	-	67,039	151,253	25,072,361
Federal sources	3,088,252	-	760,532	1,554,900	5,403,684
Intermediate district and other	2,868,487	-	-	-	2,868,487
<b>TOTAL REVENUES</b>	<b>34,237,445</b>	<b>855,984</b>	<b>2,835,068</b>	<b>6,676,852</b>	<b>44,605,349</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
Instruction	17,477,014	-	-	-	17,477,014
Supporting services	14,357,450	-	-	-	14,357,450
Food service activities	-	-	-	1,395,012	1,395,012
Student/school activities	-	-	-	244,099	244,099
Community service activities	267,682	-	-	1,588,634	1,856,316
Intergovernmental payments	3,671	-	-	-	3,671
Facilities acquisition	1,001,447	1,480,612	-	-	2,482,059
Capital outlay	-	16,127,135	-	459,797	16,586,932
<b>Debt service</b>					
Principal repayment	-	-	-	3,535,000	3,535,000
Interest	-	-	916,500	2,646,928	3,563,428
Other	-	-	11,858	3,481	15,339
<b>TOTAL EXPENDITURES</b>	<b>33,107,264</b>	<b>17,607,747</b>	<b>928,358</b>	<b>9,872,951</b>	<b>61,516,320</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,130,181</b>	<b>(16,751,763)</b>	<b>1,906,710</b>	<b>(3,196,099)</b>	<b>(16,910,971)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	4,845	-	-	-	4,845
School loan revolving fund issuance	-	-	-	3,381,352	3,381,352
Transfers in	160,469	-	-	241,998	402,467
Transfers out	(241,998)	-	-	(160,469)	(402,467)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(76,684)</b>	<b>-</b>	<b>-</b>	<b>3,462,881</b>	<b>3,386,197</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,053,497</b>	<b>(16,751,763)</b>	<b>1,906,710</b>	<b>266,782</b>	<b>(13,524,774)</b>
<b>FUND BALANCES</b>					
Beginning of year	5,848,172	28,332,185	8,129,539	2,203,596	44,513,492
End of year	<u>\$ 6,901,669</u>	<u>\$ 11,580,422</u>	<u>\$ 10,036,249</u>	<u>\$ 2,470,378</u>	<u>\$ 30,988,718</u>

See notes to financial statements.

**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, 2023**

**Net Change in Fund Balances Total Governmental Funds** \$ (13,524,774)

Amounts reported for governmental activities in the statement of activities are different because:  
 Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(3,203,549)
Capital outlay	19,879,826
Loss on disposal of fixed assets	(13,021)

Internal service funds are used by management to charge the costs of certain personnel costs to individual funds. The net decrease in the net position of the internal service funds are reported with governmental activities. 296,372

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	593,905
Accrued interest payable, end of the year	(567,917)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts, when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:

Payments on general obligation bonds	3,535,000
School loan revolving fund issuance	(3,381,352)
Accrued interest on school loan revolving fund	(291,794)
Amortization of bond discount	(3,065)
Amortization of deferred charge on refunding	(88,586)
Amortization of bond premiums	565,367

Compensated absences and termination benefits are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and termination benefits, beginning of the year	25,634
Accrued compensated absences and termination benefits, end of the year	(27,187)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	900,961
Other postemployment benefit related items	2,180,581

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions made subsequent to the measurement period:

Beginning balance for state aid funding for pension	1,917,366
Ending balance for state aid funding for pension	(3,446,174)

**Change in Net Position of Governmental Activities** \$ 5,347,593

**CHARLOTTE PUBLIC SCHOOLS  
 PROPRIETARY FUND  
 INTERNAL SERVICE FUND - SELF FUNDED INSURANCE  
 STATEMENT OF NET POSITION  
 JUNE 30, 2023**

	Internal Service Fund
<b>ASSETS</b>	
Cash	\$ 72,605
Due from other funds	594,806
Prepays	63,228
<b>TOTAL ASSETS</b>	<b>730,639</b>
<b>LIABILITIES</b>	
Accounts payable	62,326
Incurred but not yet reported liability	370,060
<b>TOTAL LIABILITIES</b>	<b>432,386</b>
<b>NET POSITION</b>	
Unrestricted	<b>\$ 298,253</b>

See notes to financial statements.

**CHARLOTTE PUBLIC SCHOOLS  
 PROPRIETARY FUND  
 INTERNAL SERVICE FUND - SELF FUNDED INSURANCE  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 YEAR ENDED JUNE 30, 2023**

	<u>Internal Service Fund</u>
OPERATING REVENUE	
Charges for services	<u>\$ 2,677,147</u>
OPERATING EXPENSES	
Cost of insurance claims	1,862,086
Administrative costs	<u>523,061</u>
TOTAL OPERATING EXPENSES	<u>2,385,147</u>
Operating income	<u>292,000</u>
NON OPERATING INCOME	
Interest income	<u>4,372</u>
Change in net position	296,372
Net position, beginning of year	<u>1,881</u>
Net position, end of year	<u><u>\$ 298,253</u></u>

**CHARLOTTE PUBLIC SCHOOLS  
 PROPRIETARY FUND  
 INTERNAL SERVICE FUND - SELF FUNDED INSURANCE  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2023**

	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Charges for services	\$ 2,324,470
Claims paid	(1,759,330)
Administrative fees paid	(523,061)
Net cash provided by operating activities	42,079
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned	4,372
Net increase in cash	46,451
Cash, beginning of year	26,154
Cash, end of year	\$ 72,605

See notes to financial statements.



**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities, if any, are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

Reporting Entity

The Charlotte Public Schools (the “District”) is governed by the Charlotte Public Schools Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District’s funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds*:

The *General Fund* is the District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2021 Capital Projects Fund* accounts for the receipt of debt proceeds and the acquisition of capital assets or construction of major capital projects. The *2021 Capital Projects Fund* includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the Revised School Code.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation - Fund Financial Statements (continued)

*Major Governmental Funds (continued):*

The following is a summary of the cumulative revenue, other financing sources (uses), and expenditures for the 2021 capital projects fund activity:

	2021 Bonds
Revenues and other financing sources	\$ 36,801,386
Expenditures and other financing sources	\$ 25,220,964

The above revenue and other financing sources figure does include the total 2021 bond proceeds and premium of \$36,109,550.

The *2011 Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following *Other Nonmajor Funds*:

The *Special Revenue Funds* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, community services (which is comprised of childcare and playground, and aquatic center activities), and student/school activities in the special revenue funds.

The *Capital Projects Funds* accounts for the broadband lease and public infrastructure. The funds are used to record disbursements specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs funded with proceeds from the broadband lease and general operations.

The *Debt Service Funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Internal Service Fund* accounts for risk management services to include dental, vision, health, and prescription insurance claim obligations proved to other departments of the District on a cost reimbursement basis.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, deferred inflows/outflows of resources, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements, as well as the propriety fund statements, are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. 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 current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting (continued)

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

*Budgetary Basis of Accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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 of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- 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 (1968 PA 2). 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 be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended twice during the year. The final budget was approved prior to the June 30, 2023 year-end with more than originally expected revenues and appropriations due to previous uncertainty in state and federal funding when the original budget was adopted. Although the district does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

**CHARLOTTE PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

*Cash and Cash Equivalents*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*Investments*

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

*Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Capital Assets*

Capital assets, which include land, construction in progress, building and additions, land improvements, computer and office equipment, outdoor equipment, and transportation equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress, if any, are not depreciated. The other capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and additions	15 - 20 years
Equipment and furniture	10 - 20 years
Vehicles	8 years
Other capital equipment	7 - 25 years

*Defined Benefit Plans*

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

*Deferred Outflows*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Deferred Inflows*

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. The District also reports unavailable revenues from one source: leases. These amounts are long-term leases entered into by the District in which the District is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

*Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

*Fund balance Flow Assumptions*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Fund Balance Policies (continued)*

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In the general fund, the goal of the District shall be to maintain a minimum fund balance of no less than 15% of the preceding year's operating expenditures. If the fund balance declines below 12%, it shall be recovered at a rate of 1%, minimally, each year.

*Leases*

Lessor: The District is a lessor for a noncancelable lease of broadband. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the District determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Revenues and Expenditures/Expenses

*Program Revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.



**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenues and Expenditures/Expenses (continued)

*Property Taxes*

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2023, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service funds	
PRE, Non-PRE, Commercial Personal Property	7.59
Community service fund	
PRE, Non-PRE, Commercial Personal Property	0.49

*Compensated Absences and Termination Benefits*

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee leaves, resignations, or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

*Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2023 the District had deposits and investments subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2023, \$7,494,484 of the District’s bank balance of \$8,146,269 was exposed to custodial credit risk because it was uninsured and uncollateralized. The District had \$274 cash on hand. The carrying value on the books for deposits at the end of the year was \$8,007,023.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District 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 allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business.

Interest Rate Risk

In accordance with its investment policy, 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.

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury Notes & Strips	\$ 9,346,031	1.9377
MILAF External Investment Pool - CMC	3,978,068	N/A
MILAF External Investment Pool - Max	11,030,634	N/A
Total Fair Value	\$ 24,354,733	
Portfolio weighted average maturity		0.8578

One day maturity equals approximately 0.0027 years.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS 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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	\$ 3,978,068	AAAm	Standard & Poor's
MILAF External Investment Pool - Max	<u>11,030,634</u>	AAAm	Standard & Poor's
	<u>\$ 15,008,702</u>		

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance at June 30, 2023</u>
Investments by fair value level				
U.S. Treasury Notes & Strips	<u>\$ -</u>	<u>\$ 9,346,031</u>	<u>\$ -</u>	<u>\$ 9,346,031</u>

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Fair Value Measurement (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	<u>Amortized Cost</u>
MILAF External Investment Pool - CMC	\$ 3,978,068
MILAF External Investment Pool - Max	11,030,634
	\$ 15,008,702

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2023:

	<u>Primary Government</u>
Cash and cash equivalents	\$ 22,683,016
Investments	9,679,014
	\$ 32,362,030

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2023 consist of the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
State aid	\$ 4,811,365	\$ 15,173	\$ 4,826,538
Federal revenue	1,908,321	20,077	1,928,398
	\$ 6,719,686	\$ 35,250	\$ 6,754,936

No allowance for doubtful accounts is considered necessary based on previous experience.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2022	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 220,496	\$ -	\$ -	\$ 220,496
Construction in process	3,429,364	16,384,140	(678,346)	19,135,158
Total capital assets not being depreciated	<u>3,649,860</u>	<u>16,384,140</u>	<u>(678,346)</u>	<u>19,355,654</u>
Capital assets being depreciated				
Buildings and additions	89,174,882	1,118,746	(376,178)	89,917,450
Equipment and furniture	7,157,371	1,691,457	(773,473)	8,075,355
Vehicles	2,299,525	305,535	(337,257)	2,267,803
Other capital equipment	1,110,050	1,058,294	-	2,168,344
Total capital assets being depreciated	<u>99,741,828</u>	<u>4,174,032</u>	<u>(1,486,908)</u>	<u>102,428,952</u>
Accumulated depreciation				
Buildings and additions	41,942,985	2,422,771	(363,157)	44,002,599
Equipment and furniture	5,239,012	523,953	(773,473)	4,989,492
Vehicles	1,513,144	206,160	(337,257)	1,382,047
Other capital equipment	950,954	50,665	-	1,001,619
Total accumulated depreciation	<u>49,646,095</u>	<u>3,203,549</u>	<u>(1,473,887)</u>	<u>51,375,757</u>
Net capital assets being depreciated	<u>50,095,733</u>	<u>970,483</u>	<u>(13,021)</u>	<u>51,053,195</u>
Net governmental capital assets	<u>\$ 53,745,593</u>	<u>\$ 17,354,623</u>	<u>\$ (691,367)</u>	<u>\$ 70,408,849</u>

Depreciation for the fiscal year ended June 30, 2023 amounted to \$3,203,549. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligations for the District for the year ended June 30, 2023:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Accrued Compensated Absences and Termination Benefits	Total
Balance July 1, 2022	\$ 94,935,290	\$ 7,012,802	\$ 25,634	\$ 101,973,726
Additions	-	3,381,352	1,553	3,382,905
Deletions	<u>(4,097,302)</u>	<u>-</u>	<u>-</u>	<u>(4,097,302)</u>
Balance June 30, 2023	90,837,988	10,394,154	27,187	101,259,329
Due within one year	<u>(3,720,000)</u>	<u>-</u>	<u>(13,786)</u>	<u>(3,733,786)</u>
Due in more than one year	<u>\$ 87,117,988</u>	<u>\$ 10,394,154</u>	<u>\$ 13,401</u>	<u>\$ 97,525,543</u>

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

Long-term obligations at June 30, 2023 are comprised of the following issues:

General Obligation Bonds

2011 Bonds due in annual installments of \$6,000,000 to \$9,000,000 through May 1, 2026, with interest from 6.05% to 6.15%.	\$ 15,000,000
2015 Refunding Bonds due in annual installments of \$1,825,000 to \$1,955,000 through May 1, 2029, with interest at 5.00%.	11,520,000
2016 Refunding Bonds due in annual installments of \$1,320,000 to \$1,615,000 through May 1, 2027, with interest from 2.25% to 4.00%.	5,915,000
2019 Refunding Bonds due in annual installments of \$800,000 to \$4,170,000 through May 1, 2030, with interest from 2.10% to 2.45%.	13,220,000
2020 Refunding Bonds due in annual installments of \$765,000 to \$780,000 through May 1, 2040, with interest from 2.00% to 4.00%.	8,485,000
2021 Bonds due in annual installments of \$575,000 to \$1,450,000 through May 1, 2050, with interest at 4.00%.	<u>29,300,000</u>
	83,440,000
Plus premium on bonds	7,419,448
Less discount on bonds	<u>(21,460)</u>
Total general obligation bonds	<u>90,837,988</u>

Notes from Direct Borrowings and Direct Placements

Borrowings from the State of Michigan under the School Loan Revolving Fund Program, excluding interest. Interest at June 30, 2023 was 4.11%.	<u>10,394,154</u>
Total general obligation bonds and notes from direct borrowings and direct placements	101,232,142
Accrued compensated absences and termination benefits	<u>27,187</u>
Total long-term debt obligations	<u><u>\$ 101,259,329</u></u>

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

Borrowing from the State of Michigan - The school loan revolving fund payable represents a note payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rate of 4.11% has been assessed for the year ended June 30, 2023. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.59 mills. The school district is required to levy 7.59 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 7.59 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

The annual requirements to amortize long-term obligations outstanding, exclusive of compensated absences payments as of June 30, 2023, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences and Termination Benefits	Total
	Principal	Interest	Principal	Interest		
2024	\$ 3,720,000	\$ 3,407,504	\$ -	\$ -	\$ -	\$ 7,127,504
2025	9,950,000	3,240,454	-	-	-	13,190,454
2026	13,965,000	2,725,666	-	-	-	16,690,666
2027	5,865,000	1,969,316	-	-	-	7,834,316
2028	6,080,000	1,742,666	-	-	-	7,822,666
2029 - 2033	17,395,000	6,101,182	-	-	-	23,496,182
2034 - 2038	9,200,000	4,206,544	-	-	-	13,406,544
2039 - 2043	7,615,000	2,723,014	-	-	-	10,338,014
2044 - 2048	6,750,000	1,400,000	-	-	-	8,150,000
2049 - 2050	2,900,000	174,000	-	-	-	3,074,000
	<u>83,440,000</u>	<u>27,690,346</u>	-	-	-	<u>111,130,346</u>
Premiums on bonds	7,419,448	-	-	-	-	7,419,448
Discount on bonds	(21,460)	-	-	-	-	(21,460)
School loan revolving fund	-	-	10,394,154	517,094	-	10,911,248
Accrued compensated absences and termination benefits	-	-	-	-	27,187	27,187
	<u>\$ 90,837,988</u>	<u>\$ 27,690,346</u>	<u>\$ 10,394,154</u>	<u>\$ 517,094</u>	<u>\$ 27,187</u>	<u>\$ 129,466,769</u>

Interest expense (all funds) for the year ended June 30, 2023 was approximately \$3,921,000, of which the Districted received \$760,532 in federal tax credits.

The District anticipates receiving \$1,633,748 in federal tax credit payments to offset interest payments on the Qualified School Construction Bonds.

The general obligation bonds are payable from the debt service funds. As of year-end, the District had approximately \$10,200,000 to pay this debt. Future debt and interest will be payable from future tax levies.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2023 are as follows:

	Due From Other Funds					Total
	General Fund	2021 Capital Projects Fund	2011 Debt Service Fund	Internal Service Fund	Nonmajor Governmental Funds	
Due to other funds						
General Fund	\$ -	\$ 390,219	\$ 92,506	\$ 588,278	\$ 356,549	\$ 1,427,552
2011 Debt Service Fund	-	-	-	-	4,143	4,143
Nonmajor Governmental Funds	59,667	-	-	6,528	5,533	71,728
<b>Total</b>	<b>\$ 59,667</b>	<b>\$ 390,219</b>	<b>\$ 92,506</b>	<b>\$ 594,806</b>	<b>\$ 366,225</b>	

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 7 - INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2023 are as follows:

	Transfers In		
	General Fund	Nonmajor Governmental Funds	Total
Transfers out			
General Fund	\$ -	\$ 241,998	\$ 241,998
Nonmajor Governmental Funds	160,469	-	160,469
<b>Total</b>	<b>\$ 160,469</b>	<b>\$ 241,998</b>	

During the year, transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Further, during the year ended June 30, 2023, Charlotte Public Schools made the following one-time transfers:

- A transfer of \$200,00 from the general fund to the public infrastructure fund for future capital needs.
- A transfer of \$41,998 from the general fund to the community service fund, and a transfer of \$56,433 from the community service fund to the general fund, for cost reimbursement.
- A transfer of \$104,036 from the food service fund to the general fund for indirect cost reimbursement.



**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available the Annual Comprehensive Financial Report that can be obtained at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

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

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2012 (continued)

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution Plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus Plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 Plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 Plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 Plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Retiree Healthcare Reform of 2012

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Employer Contributions (continued)

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$6,095,000. Of the total pension contributions approximately \$5,867,000 was contributed to fund the Defined Benefit Plan and approximately \$228,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$1,188,000. Of the total OPEB contributions approximately \$1,072,000 was contributed to fund the Defined Benefit Plan and approximately \$116,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

*Pension Liabilities*

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<i>MPSERS (Plan) Non-university Employers</i>	September 30, 2022	September 30, 2021
Total pension liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan fiduciary net position	\$ 58,268,076,344	\$ 62,717,060,920
Net pension liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate share	0.12425%	0.12942%
Net pension liability for the District	\$ 46,728,664	\$ 30,641,081

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

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

For the year ended June 30, 2023, the District recognized pension expense of \$4,965,588.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 207,409	\$ (1,821,878)
Changes of assumptions	8,029,659	-
Difference between expected and actual experience	467,450	(104,480)
Net difference between projected and actual plan investments earnings	109,579	-
Reporting Unit's contributions subsequent to the measurement date	5,544,036	-
	\$ 14,358,133	\$ (1,926,358)

\$5,544,036, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending September 30,	Amount
2023	\$ 1,774,453
2024	1,372,562
2025	1,203,199
2026	2,537,525

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

*OPEB Liabilities*

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total OPEB liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan fiduciary net position	\$ 10,404,650,683	\$ 10,520,015,621
Net OPEB liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate share	0.12621%	0.12703%
Net OPEB liability for the District	\$ 2,673,117	\$ 1,938,990

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2023, the District recognized OPEB benefit of \$1,108,141.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 80,197	\$ (546,511)
Changes of assumptions	2,382,635	(194,008)
Difference between expected and actual experience	-	(5,235,613)
Net difference between projected and actual plan investments earnings	208,925	-
Reporting Unit's contributions subsequent to the measurement date	938,463	-
	<u>\$ 3,610,220</u>	<u>\$ (5,976,132)</u>

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)*

\$938,463, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Amount
2023	\$ (1,154,936)
2024	(988,712)
2025	(909,897)
2026	(171,778)
2027	(76,094)
2028	(2,958)

Actuarial Assumptions

**Investment Rate of Return for Pension** - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 groups.

**Investment Rate of Return for OPEB** - 6.00% a year, compounded annually net of investment and administrative expenses.

**Salary Increases** - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

**Inflation** - 3.0%.

**Mortality Assumptions -**

*Retirees:* RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

*Active:* RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

*Disabled Retirees:* RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.



**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**Experience Study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

**The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments** - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Cost of Living Pension Adjustments** - 3.0% annual non-compounded for MIP members.

**Healthcare Cost Trend Rate for Other Postemployment Benefit** - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**Additional Assumptions for Other Postemployment Benefit Only** - Applies to Individuals Hired Before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.1%
International Equity Pools	15.0%	6.7%
Private Equity Pools	16.0%	8.7%
Fixed Income Pools	13.0%	-0.2%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short Term Investment Pools	2.0%	-0.5%
	<u>100.0%</u>	

\* Long term rate of return are net of administrative expenses and 2.2% inflation.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**Rate of Return** - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Pension Discount Rate** - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**OPEB Discount Rate** - A single discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 61,664,477	\$ 46,728,664	\$ 34,420,882

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 4,483,897	\$ 2,673,117	\$ 1,148,216

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
		Current	
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 1,119,374	\$ 2,673,117	\$ 4,417,225

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2022 Annual Comprehensive Financial Report.

**Payable to the Pension and OPEB Plan** - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total 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 workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance.

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

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - RISK MANAGEMENT (continued)**

The District is self-insured for health and prescription benefits paid on behalf of the District employees that are eligible to receive these various benefits. Payments are made to the claims administrator each month based on actual claims paid out and associated administration fees. The health plan provides a stop loss provision of \$80,000 specific to excess coverage per covered person and \$1,315,656 aggregate. The prescription plan provides a stop loss provision of \$75,000 specific to excess coverage per covered person and \$350,000 aggregate. For governmental activities, the liability of the health benefits is primarily liquidated by the general fund.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2023 or any of the prior three years.

**NOTE 10 - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**NOTE 11 - COMMITMENTS**

The District has active capital projects outstanding at June 30, 2023. Approximately \$13,000,000 is restricted and recorded as fund balance in the 2021 capital projects fund.

**NOTE 12 - LEASE RECEIVABLE**

On December 17, 2007, the District entered into a lease agreement with American Telecasting of Lansing, Inc. for the channels for Educational Broadband Service within the District. The effective date of the lease was December 17, 2007 with an initial term of 5 years and automatic renewal terms up to 25 years. At the end of each 5 year time period either party can terminate the lease. Therefore, the noncancelable period is recorded as a receivable and deferred inflow at June 30, 2023. The lease calls for monthly payments ranging from \$12,923 to \$14,545 through March 2028. The District recognized \$151,692 in lease revenue and \$6,193 in interest revenue during the current fiscal year related to this lease. As of June 30, 2023, the District's receivable for lease payments was \$742,110, the June payment of \$12,923 was not received until after year end. Also, the District has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$724,205.

**CHARLOTTE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

**NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

**Summary:**

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the District's financial statement after the adoption of GASB Statement No. 96.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CHARLOTTE PUBLIC SCHOOLS  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local sources	\$ 3,033,174	\$ 3,357,309	\$ 3,426,637	\$ 69,328
State sources	22,756,462	24,793,469	24,854,069	60,600
Federal sources	3,179,385	3,236,096	3,088,252	(147,844)
Incoming transfers and other	2,343,381	2,838,643	2,868,487	29,844
<b>TOTAL REVENUES</b>	<b>31,312,402</b>	<b>34,225,517</b>	<b>34,237,445</b>	<b>11,928</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic programs	13,064,732	13,887,820	13,612,477	275,343
Added needs	3,872,101	4,043,274	3,864,537	178,737
<b>Total instruction</b>	<b>16,936,833</b>	<b>17,931,094</b>	<b>17,477,014</b>	<b>454,080</b>
Supporting services				
Pupil	1,987,859	2,107,124	1,888,426	218,698
Instructional staff	921,908	884,967	791,928	93,039
General administration	497,664	480,125	469,248	10,877
School administration	2,032,886	2,069,281	2,035,016	34,265
Business	543,391	619,858	604,835	15,023
Operation/maintenance	2,955,574	3,487,304	3,360,879	126,425
Pupil transportation	2,000,520	2,238,183	2,197,497	40,686
Central	2,144,170	2,413,986	2,342,922	71,064
Athletics	659,819	674,553	666,699	7,854
<b>Total supporting services</b>	<b>13,743,791</b>	<b>14,975,381</b>	<b>14,357,450</b>	<b>617,931</b>
Community services	177,881	292,828	267,682	25,146
Outgoing transfers and other transactions	446,088	92,693	3,671	89,022
Facilities acquisition	500,000	1,002,000	1,001,447	553
<b>TOTAL EXPENDITURES</b>	<b>31,804,593</b>	<b>34,293,996</b>	<b>33,107,264</b>	<b>1,186,732</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(492,191)</b>	<b>(68,479)</b>	<b>1,130,181</b>	<b>1,198,660</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	10,000	5,000	4,845	(155)
Transfers in	150,679	160,000	160,469	469
Transfers out	(32,757)	(243,864)	(241,998)	1,866
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>127,922</b>	<b>(78,864)</b>	<b>(76,684)</b>	<b>2,180</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (364,269)</b>	<b>\$ (147,343)</b>	<b>1,053,497</b>	<b>\$ 1,200,840</b>
<b>FUND BALANCE</b>				
Beginning of year			5,848,172	
End of year			<u>\$ 6,901,669</u>	

**CHARLOTTE PUBLIC SCHOOLS**  
**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN**  
**LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.12425%	0.12942%	0.12816%	0.13190%	0.13450%	0.13710%	0.13350%	0.13810%	0.14180%
Reporting Unit's proportionate share of net pension liability	\$ 46,728,664	\$ 30,641,081	\$ 44,024,546	\$ 43,687,204	\$ 40,430,934	\$ 35,521,296	\$ 33,309,840	\$ 33,724,108	\$ 31,235,156
Reporting Unit's covered-employee payroll	\$ 12,331,180	\$ 11,570,234	\$ 11,381,322	\$ 11,924,173	\$ 11,175,911	\$ 11,700,211	\$ 11,043,846	\$ 12,514,564	\$ 12,059,674
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	378.95%	264.83%	386.81%	366.38%	361.77%	303.60%	301.61%	269.48%	259.00%
Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.



**CHARLOTTE PUBLIC SCHOOLS  
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST TEN FISCAL YEARS (DETERMINED OF THE YEAR ENDED JUNE 30)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 5,866,549	\$ 4,185,182	\$ 3,906,240	\$ 3,518,814	\$ 3,515,903	\$ 3,666,946	\$ 2,099,862	\$ 2,110,748	\$ 2,202,350
Contributions in relation to statutorily required contributions	<u>5,866,549</u>	<u>4,185,182</u>	<u>3,906,240</u>	<u>3,518,814</u>	<u>3,515,903</u>	<u>3,666,946</u>	<u>2,099,862</u>	<u>2,110,748</u>	<u>2,202,350</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 12,860,365	\$ 12,207,373	\$ 11,895,579	\$ 11,651,915	\$ 11,597,795	\$ 11,389,697	\$ 11,367,790	\$ 11,029,336	\$ 11,693,036
Contributions as a percentage of covered-employee payroll	45.62%	34.28%	32.84%	30.20%	30.32%	32.20%	18.47%	19.14%	18.83%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**CHARLOTTE PUBLIC SCHOOLS  
SCHEDULE OF THE REPORTING UNIT'S  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefit liability (%)	0.12621%	0.12703%	0.13360%	0.13280%	0.13100%	0.13650%
Reporting Unit's proportionate share of net other postemployment benefit liability	\$ 2,673,117	\$ 1,938,990	\$ 7,155,867	\$ 9,535,042	\$ 10,411,430	\$ 12,085,652
Reporting Unit's covered-employee payroll	\$ 12,331,180	\$ 11,570,234	\$ 11,381,322	\$ 11,924,173	\$ 11,175,911	\$ 11,700,211
Reporting Unit's proportionate share of net other post-employment benefit liability as a percentage of its covered-employee payroll	21.68%	16.76%	62.87%	79.96%	93.16%	103.29%
Plan fiduciary net position as a percentage of total other postemployment benefit liability (Non-university employers)	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**CHARLOTTE PUBLIC SCHOOLS  
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST TEN FISCAL YEARS (DETERMINED OF THE YEAR ENDED JUNE 30)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required other postemployment benefit contributions	\$ 1,072,440	\$ 1,008,697	\$ 946,965	\$ 942,348	\$ 912,424	\$ 898,416
Other postemployment benefit contributions in relation to statutorily required contributions	<u>1,072,440</u>	<u>1,008,697</u>	<u>946,965</u>	<u>942,348</u>	<u>912,424</u>	<u>898,416</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 12,860,365	\$ 12,207,373	\$ 11,895,579	\$ 11,651,915	\$ 11,597,795	\$ 11,389,697
Other postemployment benefit contributions as a percentage of covered-employee payroll	8.34%	8.26%	7.96%	8.09%	7.87%	7.89%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**CHARLOTTE PUBLIC SCHOOLS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 1 - PENSION INFORMATION**

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were;

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%

**NOTE 2 - OPEB INFORMATION**

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate decreased to 6.00% from 6.95%.

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**CHARLOTTE PUBLIC SCHOOLS  
NONMAJOR GOVERNMENTAL FUND TYPES  
COMBINING BALANCE SHEET  
JUNE 30, 2023**

	Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
	Community Services	Food Service	Student/ School Activities	Public Infrastructure	Broadband Lease	Debt Service	
ASSETS							
Cash	\$ 916,715	\$ 574,638	\$ 195,690	\$ 100,911	\$ 424,058	\$ 83,797	\$ 2,295,809
Investments	-	-	74,000	-	-	862	74,862
Receivables							
Accounts receivable	6,047	11,829	-	-	-	-	17,876
Lease	-	-	-	-	742,110	-	742,110
Property tax receivable	128	-	-	-	-	743	871
Due from other governmental units	2,233	33,017	-	-	-	-	35,250
Due from other funds	15,398	-	-	200,000	22,637	128,190	366,225
Inventories	-	32,509	-	-	-	-	32,509
Prepays	4,233	-	-	-	-	-	4,233
<b>TOTAL ASSETS</b>	<b>\$ 944,754</b>	<b>\$ 651,993</b>	<b>\$ 269,690</b>	<b>\$ 300,911</b>	<b>\$ 1,188,805</b>	<b>\$ 213,592</b>	<b>\$ 3,569,745</b>

**CHARLOTTE PUBLIC SCHOOLS  
NONMAJOR GOVERNMENTAL FUND TYPES  
COMBINING BALANCE SHEET  
JUNE 30, 2023**

	Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
	Community Services	Food Service	Student/ School Activities	Public Infrastructure	Broadband Lease	Debt Service	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 70,013	\$ 65	\$ -	\$ -	\$ 166,850	\$ -	\$ 236,928
Due to other funds	20,475	45,720	-	-	-	5,533	71,728
Due to other governmental units	352	-	-	-	-	-	352
Accrued salaries and related items	10,363	11,413	-	-	-	-	21,776
Other accrued expenses	2,442	3,950	-	-	-	11,305	17,697
Unearned revenue	20,069	6,612	-	-	-	-	26,681
<b>TOTAL LIABILITIES</b>	<b>123,714</b>	<b>67,760</b>	<b>-</b>	<b>-</b>	<b>166,850</b>	<b>16,838</b>	<b>375,162</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - lease	-	-	-	-	724,205	-	724,205
<b>FUND BALANCES</b>							
<b>Nonspendable</b>							
Inventories	-	32,509	-	-	-	-	32,509
Prepays	4,233	-	-	-	-	-	4,233
<b>Restricted for:</b>							
Food service	-	551,724	-	-	-	-	551,724
Debt service	-	-	-	-	-	196,754	196,754
<b>Committed for:</b>							
Capital projects	-	-	-	300,911	297,750	-	598,661
Student/school activities	-	-	269,690	-	-	-	269,690
Community services	816,807	-	-	-	-	-	816,807
<b>TOTAL FUND BALANCES</b>	<b>821,040</b>	<b>584,233</b>	<b>269,690</b>	<b>300,911</b>	<b>297,750</b>	<b>196,754</b>	<b>2,470,378</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 944,754</b>	<b>\$ 651,993</b>	<b>\$ 269,690</b>	<b>\$ 300,911</b>	<b>\$ 1,188,805</b>	<b>\$ 213,592</b>	<b>\$ 3,569,745</b>

**CHARLOTTE PUBLIC SCHOOLS  
NONMAJOR GOVERNMENTAL FUND TYPES  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2023**

	Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
	Community Service	Food Service	Student/ School Activities	Public Infrastructure	Broadband Lease	Debt Service	
<b>REVENUES</b>							
Local sources	\$ 1,564,111	169,615	\$ 260,419	\$ 908	\$ 162,867	\$ 2,812,779	\$ 4,970,699
State sources	9,676	52,053	-	-	-	89,524	151,253
Federal sources	296,041	1,258,859	-	-	-	-	1,554,900
<b>TOTAL REVENUES</b>	<b>1,869,828</b>	<b>1,480,527</b>	<b>260,419</b>	<b>908</b>	<b>162,867</b>	<b>2,902,303</b>	<b>6,676,852</b>
<b>EXPENDITURES</b>							
Current							
Community service							
Childcare	946,416	-	-	-	-	-	946,416
Aquatic center	641,446	-	-	-	-	-	641,446
Other	772	-	-	-	-	-	772
Food service	-	1,395,012	-	-	-	-	1,395,012
Student/school activities	-	-	244,099	-	-	-	244,099
Capital outlay	108,029	171,569	-	-	180,199	-	459,797
Debt service							
Principal repayment	-	-	-	-	-	3,535,000	3,535,000
Interest	-	-	-	-	-	2,646,928	2,646,928
Other	-	-	-	-	-	3,481	3,481
<b>TOTAL EXPENDITURES</b>	<b>1,696,663</b>	<b>1,566,581</b>	<b>244,099</b>	<b>-</b>	<b>180,199</b>	<b>6,185,409</b>	<b>9,872,951</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>173,165</b>	<b>(86,054)</b>	<b>16,320</b>	<b>908</b>	<b>(17,332)</b>	<b>(3,283,106)</b>	<b>(3,196,099)</b>



**CHARLOTTE PUBLIC SCHOOLS  
NONMAJOR GOVERNMENTAL FUND TYPES  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2023**

	Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
	Community Service	Food Service	Student/ School Activities	Public Infrastructure	Broadband Lease	Debt Service	
OTHER FINANCING SOURCES (USES)							
School loan revolving fund issuance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,381,352	\$ 3,381,352
Transfers in	41,998	-	-	200,000	-	-	241,998
Transfers out	(56,433)	(104,036)	-	-	-	-	(160,469)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(14,435)</b>	<b>(104,036)</b>	<b>-</b>	<b>200,000</b>	<b>-</b>	<b>3,381,352</b>	<b>3,462,881</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>158,730</b>	<b>(190,090)</b>	<b>16,320</b>	<b>200,908</b>	<b>(17,332)</b>	<b>98,246</b>	<b>266,782</b>
FUND BALANCES							
Beginning of year	662,310	774,323	253,370	100,003	315,082	98,508	2,203,596
End of year	<u>\$ 821,040</u>	<u>\$ 584,233</u>	<u>\$ 269,690</u>	<u>\$ 300,911</u>	<u>\$ 297,750</u>	<u>\$ 196,754</u>	<u>\$ 2,470,378</u>

**CHARLOTTE PUBLIC SCHOOLS  
DEBT SERVICE  
COMBINING BALANCE SHEET  
JUNE 30, 2023**

	Refunding 2012	Refunding 2015	Refunding 2016	Refunding 2019	Refunding 2020	Building and Site 2021	Total Debt Service
<b>ASSETS</b>							
Cash	\$ 3,834	\$ 35,391	\$ 12,842	\$ 5,072	\$ 3,536	\$ 23,122	\$ 83,797
Investments	862	-	-	-	-	-	862
Property tax receivable	88	428	34	44	30	119	743
Due from other funds	2,846	53,320	20,918	7,329	4,992	38,785	128,190
<b>TOTAL ASSETS</b>	<b>\$ 7,630</b>	<b>\$ 89,139</b>	<b>\$ 33,794</b>	<b>\$ 12,445</b>	<b>\$ 8,558</b>	<b>\$ 62,026</b>	<b>\$ 213,592</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Due to other funds	\$ 127	\$ 2,295	\$ 892	\$ 319	\$ 217	\$ 1,683	\$ 5,533
Other accrued expenses	260	4,687	1,825	652	443	3,438	11,305
<b>TOTAL LIABILITIES</b>	<b>387</b>	<b>6,982</b>	<b>2,717</b>	<b>971</b>	<b>660</b>	<b>5,121</b>	<b>16,838</b>
<b>FUND BALANCES</b>							
Restricted for debt service	7,243	82,157	31,077	11,474	7,898	56,905	196,754
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,630</b>	<b>\$ 89,139</b>	<b>\$ 33,794</b>	<b>\$ 12,445</b>	<b>\$ 8,558</b>	<b>\$ 62,026</b>	<b>\$ 213,592</b>

**CHARLOTTE PUBLIC SCHOOLS  
DEBT SERVICE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2023**

	Refunding 2012	Refunding 2015	Refunding 2016	Refunding 2019	Refunding 2020	Building and Site 2021	Total Debt Service
<b>REVENUES</b>							
Local sources	\$ 66,449	\$ 1,168,211	\$ 453,083	\$ 161,877	\$ 110,013	\$ 853,146	\$ 2,812,779
State sources	2,063	37,130	14,439	5,157	3,507	27,228	89,524
<b>TOTAL REVENUES</b>	<b>68,512</b>	<b>1,205,341</b>	<b>467,522</b>	<b>167,034</b>	<b>113,520</b>	<b>880,374</b>	<b>2,902,303</b>
<b>EXPENDITURES</b>							
Principal repayments	250,000	1,765,000	960,000	-	-	560,000	3,535,000
Interest	6,875	664,250	249,888	310,215	221,300	1,194,400	2,646,928
Other	165	1,166	554	562	541	493	3,481
<b>TOTAL EXPENDITURES</b>	<b>257,040</b>	<b>2,430,416</b>	<b>1,210,442</b>	<b>310,777</b>	<b>221,841</b>	<b>1,754,893</b>	<b>6,185,409</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(188,528)</b>	<b>(1,225,075)</b>	<b>(742,920)</b>	<b>(143,743)</b>	<b>(108,321)</b>	<b>(874,519)</b>	<b>(3,283,106)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
School loan revolving fund issuance	183,526	1,251,427	768,972	149,062	112,381	915,984	3,381,352
<b>NET CHANGE IN FUND BALANCES</b>	<b>(5,002)</b>	<b>26,352</b>	<b>26,052</b>	<b>5,319</b>	<b>4,060</b>	<b>41,465</b>	<b>98,246</b>
<b>FUND BALANCES</b>							
Beginning of year	12,245	55,805	5,025	6,155	3,838	15,440	98,508
End of year	\$ 7,243	\$ 82,157	\$ 31,077	\$ 11,474	\$ 7,898	\$ 56,905	\$ 196,754

**CHARLOTTE PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2023**

\$15,000,000 Building and Site bonds issued February 16, 2011.

Principal Due May 1,	Interest Due			Debt Service Requirement for Fiscal Year	
	November 1,	May1,	QSCB Credit	June 30,	Amount
\$ -	\$ 458,250	\$ 458,250	\$ (777,975)	2024	\$ 138,525
6,000,000	458,250	458,250	(622,380)	2025	6,294,120
9,000,000	276,750	276,750	(233,393)	2026	9,320,107
<u>\$ 15,000,000</u>	<u>\$ 1,193,250</u>	<u>\$ 1,193,250</u>	<u>\$ (1,633,748)</u>		<u>\$ 15,752,752</u>

The bonds were approved by the Board of Education at the November 2, 2010 meeting to be used for school building and site purposes. The bonds will carry interest rates ranging from 6.05% to 6.15% before interest tax credits.

The District designated the above bonds as “Qualified School Construction Bonds” as defined in Section 54F of the Internal Revenue Code of 1986, as amended, and will irrevocably elect under Section 6431(f)(2) of the code to receive direct payments from the United States Treasury equal to the lesser of the amount of interest payable on the bonds or the amount of interest which would have been payable on the bonds if interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the code. The District will deposit all such credits into the debt retirement fund pledged for the payment of the bonds. Starting May 1, 2019, and through May 1, 2025, the District will make mandatory deposits into a sinking fund for the repayment of the principal on May 1, 2025 and May 1, 2026.

**CHARLOTTE PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2023**

\$23,605,000 Refunding bonds issued February 4, 2015.

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	November 1,	May 1,	June 30,	Amount
\$ 1,825,000	\$ 288,000	\$ 288,000	2024	\$ 2,401,000
1,890,000	242,375	242,375	2025	2,374,750
1,945,000	195,125	195,125	2026	2,335,250
1,950,000	146,500	146,500	2027	2,243,000
1,955,000	97,750	97,750	2028	2,150,500
1,955,000	48,875	48,875	2029	2,052,750
<u>\$ 11,520,000</u>	<u>\$ 1,018,625</u>	<u>\$ 1,018,625</u>		<u>\$ 13,557,250</u>

The bonds were approved by the Board of Education at the September 8, 2014 meeting to refinance a portion of a certain prior bond issuance. The bonds will carry interest rates of 5.00%.

**CHARLOTTE PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2023**

\$6,875,000 Refunding bonds issued February 17, 2016.

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	November 1,	May 1,	June 30,	Amount
\$ 1,320,000	\$ 105,744	\$ 105,744	2024	\$ 1,531,488
1,435,000	79,344	79,344	2025	1,593,688
1,545,000	63,200	63,200	2026	1,671,400
<u>1,615,000</u>	<u>32,300</u>	<u>32,300</u>	2027	<u>1,679,600</u>
<u>\$ 5,915,000</u>	<u>\$ 280,588</u>	<u>\$ 280,588</u>		<u>\$ 6,476,176</u>

The bonds were approved by the Board of Education at the September 14, 2015 meeting to refinance a portion of a certain prior bond issuance. The bonds will carry interest rates from 2.25% to 4.00%.

**CHARLOTTE PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2023**

\$13,220,000 Refunding bonds issued October 1, 2019.

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	November 1,	May 1,	June 30,	Amount
\$ -	\$ 155,108	\$ 155,108	2024	\$ 310,216
-	155,108	155,108	2025	310,216
800,000	155,108	155,108	2026	1,110,216
1,500,000	146,708	146,708	2027	1,793,416
3,300,000	130,433	130,433	2028	3,560,866
3,450,000	92,483	92,483	2029	3,634,966
4,170,000	51,083	51,083	2030	4,272,166
<u>\$ 13,220,000</u>	<u>\$ 886,031</u>	<u>\$ 886,031</u>		<u>\$ 14,992,062</u>

The bonds were approved by the Board of Education at the August 12, 2019 meeting to refinance a portion of School Bond Qualification and Loan Program. The bonds will carry interest rates from 2.10% to 2.45%.

**CHARLOTTE PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2023**

\$8,485,000 Refunding bonds issued March 18, 2020.

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	November 1,	May 1,	June 30,	Amount
\$ -	\$ 110,650	\$ 110,650	2024	\$ 221,300
-	110,650	110,650	2025	221,300
-	110,650	110,650	2026	221,300
-	110,650	110,650	2027	221,300
-	110,650	110,650	2028	221,300
-	110,650	110,650	2029	221,300
780,000	110,650	110,650	2030	1,001,300
780,000	95,050	95,050	2031	970,100
780,000	79,450	79,450	2032	938,900
780,000	63,850	63,850	2033	907,700
765,000	56,050	56,050	2034	877,100
765,000	48,400	48,400	2035	861,800
765,000	40,750	40,750	2036	846,500
765,000	33,100	33,100	2037	831,200
765,000	24,972	24,972	2038	814,944
770,000	16,844	16,844	2039	803,688
770,000	8,663	8,663	2040	787,326
<u>\$ 8,485,000</u>	<u>\$ 1,241,679</u>	<u>\$ 1,241,679</u>		<u>\$ 10,968,358</u>

The bonds were approved by the Board of Education at the January 13, 2020 meeting to refinance a portion of a certain prior bond issuance. The bonds will carry interest rates from 2.00% to 4.00%.



**CHARLOTTE PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2023**

\$29,860,000 Building and Site bonds issued February 16, 2021.

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	November 1,	May 1,	June 30,	Amount
\$ 575,000	\$ 586,000	\$ 586,000	2024	\$ 1,747,000
625,000	574,500	574,500	2025	1,774,000
675,000	562,000	562,000	2026	1,799,000
800,000	548,500	548,500	2027	1,897,000
825,000	532,500	532,500	2028	1,890,000
875,000	516,000	516,000	2029	1,907,000
900,000	498,500	498,500	2030	1,897,000
950,000	480,500	480,500	2031	1,911,000
975,000	461,500	461,500	2032	1,898,000
1,000,000	442,000	442,000	2033	1,884,000
1,025,000	422,000	422,000	2034	1,869,000
1,050,000	401,500	401,500	2035	1,853,000
1,075,000	380,500	380,500	2036	1,836,000
1,100,000	359,000	359,000	2037	1,818,000
1,125,000	337,000	337,000	2038	1,799,000
1,150,000	314,500	314,500	2039	1,779,000
1,175,000	291,500	291,500	2040	1,758,000
1,225,000	268,000	268,000	2041	1,761,000
1,250,000	243,500	243,500	2042	1,737,000
1,275,000	218,500	218,500	2043	1,712,000
1,300,000	193,000	193,000	2044	1,686,000
1,325,000	167,000	167,000	2045	1,659,000
1,350,000	140,500	140,500	2046	1,631,000
1,375,000	113,500	113,500	2047	1,602,000
1,400,000	86,000	86,000	2048	1,572,000
1,450,000	58,000	58,000	2049	1,566,000
1,450,000	29,000	29,000	2050	1,508,000
<u>\$ 29,300,000</u>	<u>\$ 9,225,000</u>	<u>\$ 9,225,000</u>		<u>\$ 47,750,000</u>

The bonds were approved by the Board of Education at the November 3, 2020 meeting to be used for school building and site purposes. The bonds will carry interest rates of 4.00%.

**CHARLOTTE PUBLIC SCHOOLS  
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN  
SCHOOL LOAN REVOLVING PROGRAM  
JUNE 30, 2023**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provide funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from and repayments to the state under this program have been summarized as follows:

Year Ended June 30,	Loan Proceeds (Repayments)	Accrued Interest (Repayments)	Loan Balance (Net Change)
2012	\$ 1,014,246	\$ 11,390	\$ 1,025,636
2013	926,913	42,946	969,859
2014	2,033,318	102,274	2,135,592
2015	1,103,402	160,721	1,264,123
2016	1,948,476	203,257	2,151,733
2017	908,920	247,391	1,156,311
2018	1,516,973	287,585	1,804,558
2019	2,080,212	368,170	2,448,382
2020 Repayment	(9,375,063)	(1,532,632)	(10,907,695)
2020	-	128,119	128,119
2021	1,858,330	80,555	1,938,885
2022	2,997,075	125,524	3,122,599
2023	3,381,352	291,794	3,673,146
<b>Total June 30, 2023</b>	<b>\$ 10,394,154</b>	<b>\$ 517,094</b>	<b>\$ 10,911,248</b>

**CHARLOTTE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash Assistance (donated foods)								
National School Lunch Program - Entitlement	10.555	N/A	\$ 94,007	\$ -	\$ -	\$ 94,007	\$ 94,007	\$ -
National School Lunch Program - Bonus		N/A	7,760	-	-	7,760	7,760	-
Total non-cash assistance			101,767	-	-	101,767	101,767	-
Cash Assistance								
National School Lunch Program	10.555	231960	611,661	-	-	611,661	599,391	12,270
		230910	25,794	-	-	25,794	25,794	-
		220910	92,034	-	-	46,405	46,405	-
		221960	107,156	-	-	107,156	107,156	-
			836,645	-	-	791,016	778,746	12,270
Total ALN 10.555			938,412	-	-	892,783	880,513	12,270
School Breakfast Program	10.553	221970	48,285	-	-	48,285	48,285	-
		231970	287,584	-	-	287,584	282,010	5,574
Total ALN 10.553			335,869	-	-	335,869	330,295	5,574
Summer Food Service Program for Children	10.559	220900	9,020	-	-	9,020	9,020	-
		220904	12,255	-	-	12,255	12,255	-
Total ALN 10.559			21,275	-	-	21,275	21,275	-
Total cash assistance			1,193,789	-	-	1,148,160	1,130,316	17,844
Total Child Nutrition Cluster			1,295,556	-	-	1,249,927	1,232,083	17,844

The accompanying notes are an integral part of this schedule.

**CHARLOTTE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Agriculture (continued)</u>								
Passed through Michigan Department of Education (continued)								
Child and Adult Care Food Program	10.558	232010	\$ 2,666	\$ -	\$ -	\$ 3,144	\$ 2,666	\$ 478
		231920	12,190	-	-	13,945	12,190	1,755
		221920	14,187	1,541	8,330	4,316	5,857	-
		222010	3,913	145	2,366	1,402	1,547	-
Total ALN 10.558			32,956	1,686	10,696	22,807	22,260	2,233
Local Food for Schools Cooperative Agreement Program	10.185	230985	8,932	-	-	8,932	8,932	-
COVID-19 Pandemic EBT Local Level Costs	10.649	220980	3,135	-	-	3,135	3,135	-
Total U.S. Department of Agriculture			1,340,579	1,686	10,696	1,284,801	1,266,410	20,077
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	231530-2223	353,437	-	-	345,185	288,703	56,482
Title I Technical Assistance Grant (TAG)	84.010A	2022-2023	20,000	-	-	15,398	-	15,398
Total ALN 84.010			373,437	-	-	360,583	288,703	71,880
Education for Homeless Children and Youth	84.196	N/A	828	-	-	284	-	284
Supporting Effective Instruction	84.367	230520-2223	75,180	-	-	60,548	59,112	1,436
		220520-2122	129,011	17,893	129,011	-	17,893	-
Total ALN 84.367			204,191	17,893	129,011	60,548	77,005	1,436
Student Support and Academic Enrichment Program	84.424	220750-2122	43,537	9,092	43,537	-	9,092	-
		230750-2223	24,411	-	-	19,020	18,026	994
Total ALN 84.424			67,948	9,092	43,537	19,020	27,118	994

The accompanying notes are an integral part of this schedule.

**CHARLOTTE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Education (continued)</u>								
Passed through Michigan Department of Education (continued)								
Education Stabilization Fund								
COVID-19 Elementary and Secondary School								
Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712-2021	\$ 1,046,138	\$ 30,508	\$ 293,117	\$ 678,346	\$ 113,269	\$ 595,585
Emergency Relief Fund (ESSER III Equalization Funds)	84.425U	213723-2122	361,774	214,211	214,211	120,120	225,055	109,276
Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	2,351,150	228,400	520,752	1,810,035	940,670	1,097,765
Total Education Stabilization Fund			<u>3,759,062</u>	<u>473,119</u>	<u>1,028,080</u>	<u>2,608,501</u>	<u>1,278,994</u>	<u>1,802,626</u>
ARP Elementary and Secondary School								
Emergency Relief Fund (ARP-HCY)	84.425W	211012-2122	29,141	-	-	3,679	-	3,679
Total ALN 84.425			<u>3,788,203</u>	<u>473,119</u>	<u>1,028,080</u>	<u>2,612,180</u>	<u>1,278,994</u>	<u>1,806,305</u>
Total U.S. Department of Education			<u>4,434,607</u>	<u>500,104</u>	<u>1,200,628</u>	<u>3,052,615</u>	<u>1,671,820</u>	<u>1,880,899</u>
<u>U.S. Department of Health and Human Services</u>								
Passed through Eaton Regional Education Service Agency								
Medicaid Cluster								
Medical Assistance Program	93.778	2023	5,080	-	-	5,080	5,080	-
<u>U.S. Department of Transportation</u>								
Passed through Michigan Department of Transportation								
Highway Planning and Construction								
	20.205	2017087	39,960	-	-	27,422	-	27,422
TOTAL FEDERAL AWARDS			<u>\$ 5,820,226</u>	<u>\$ 501,790</u>	<u>\$ 1,211,324</u>	<u>\$ 4,369,918</u>	<u>\$ 2,943,310</u>	<u>\$ 1,928,398</u>

The accompanying notes are an integral part of this schedule.

**CHARLOTTE PUBLIC SCHOOLS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Charlotte Public Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Charlotte Public Schools, it is not intended to and does not present the financial position or changes in net position of Charlotte Public Schools.

The District qualifies for low-risk auditee status. Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Charlotte Public Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS**

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2023:

General fund	\$ 3,088,252
Debt service	760,532
Other nonmajor governmental funds	<u>1,554,900</u>
Total per financial statements	5,403,684
Federal funding not subject to single audit act	<u>(1,033,766)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 4,369,918</u></u>



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

To the Board of Education  
Charlotte Public Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Charlotte Public Schools' basic financial statements, and have issued our report thereon dated October 9, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

*Maney Costeiran PC*

October 9, 2023





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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education  
Charlotte Public Schools

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Charlotte Public Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Charlotte Public Schools' major federal programs for the year ended June 30, 2023. Charlotte Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Charlotte Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Charlotte Public Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Charlotte Public Schools' compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Charlotte Public Schools' federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Charlotte Public Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Charlotte Public Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Charlotte Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Charlotte Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Charlotte Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Manes Costeiran PC*

October 9, 2023

**CHARLOTTE PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

*Unmodified*

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

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

*Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

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

\$   750,000  

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**Section II - Financial Statement Findings**

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None noted.

**Section III - Federal Award Findings and Question Costs**

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None noted.

**CHARLOTTE PUBLIC SCHOOLS  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

There were no findings for June 30, 2022.



2425 E. Grand River Ave.,  
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October 9, 2023

To the Board of Education  
Charlotte Public Schools

In planning and performing our audit of the financial statements of Charlotte Public Schools as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Charlotte Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 9, 2023 on the financial statements of Charlotte Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control, or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

### **Food Service Fund Balance**

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. During our audit procedures, we noted that the fund balance of Charlotte Public Schools' food service fund exceeded the maximum set by the USDA, which is three months' average operating expenditures. MDE requires that the SFA spend down the excess by the end of the next school year. We recommended that Charlotte Public Schools make spending plan in an effort to spend down the excess fund balance during the fiscal year ended June 30, 2024.

This report is intended solely for the information and use of management and others within the District and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Maner Costerisan PC*



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October 9, 2023

To the Board of Education  
Charlotte Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charlotte Public Schools are described in Note 1 to the financial statements. In the current year, the District adopted new accounting guidance, GASB No. 96, *Subscription-based IT Arrangements*. The application of existing policies was not changed during fiscal year 2023. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 9, 2023.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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



### Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

### Restriction on Use

This information is intended solely for the use of the Board of Education and management of Charlotte Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Maney Costeiran PC*