

CHARLOTTE PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
**(with required and additional
supplementary information)**

YEAR ENDED JUNE 30, 2025

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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, 2025, 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, 2025, 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.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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, is presented for purposes of additional analysis and is 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, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2025 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.

Maney Costerian PC

October 14, 2025

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, 2025.

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. 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, intergovernmental payments, 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.

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 \$26,564,713 (*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.
- The District's total general operating fund total fund balance increased by \$798,961. This increase was primarily due to one-time revenue sources related to state grants.
- At the end of the current fiscal year, the fund balance for the District's operating fund (general fund) was \$8,395,863 or 25.74% of the total expenditures of this operating fund.

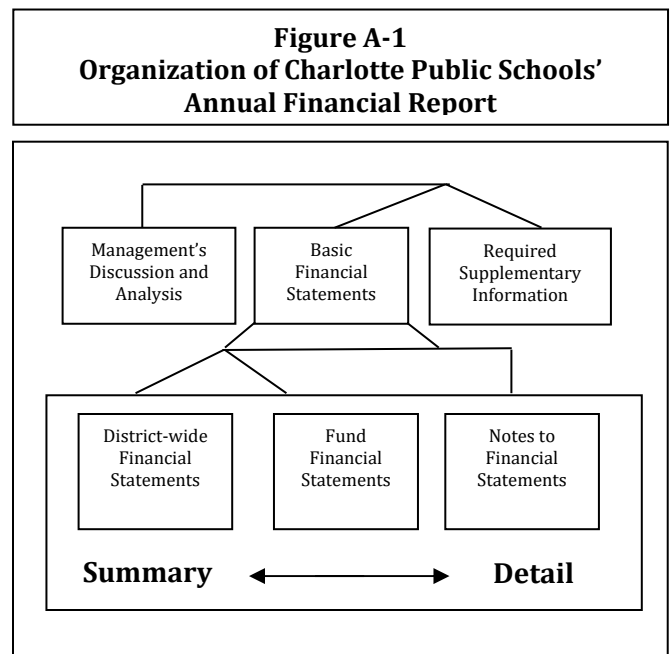
CHARLOTTE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

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 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 general fund budget for the year and required supplementary pension and OPEB 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**

Figure A-2 Major Features of District-wide and Fund Financial Statements			
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 revenues, expenses, and changes in net position * 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 food service 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, 2025 and 2024.

Table A-3 Charlotte Public Schools' Net Position		
	2025	2024*
ASSETS		
Current and other assets	\$ 27,038,215	\$ 29,309,283
Net other postemployment benefits asset	5,445,511	717,551
Capital assets, net of depreciation	77,745,115	78,430,948
TOTAL ASSETS	110,228,841	108,457,782
DEFERRED OUTFLOWS OF RESOURCES	11,171,548	15,482,305
LIABILITIES		
Current liabilities	3,984,429	4,539,923
Noncurrent liabilities	125,793,616	142,146,824
TOTAL LIABILITIES	129,778,045	146,686,747
DEFERRED INFLOWS OF RESOURCES	18,187,057	13,847,917
NET POSITION		
Net investment in capital assets	(13,740,997)	(18,947,744)
Restricted	14,219,238	12,943,763
Unrestricted (deficit)	(27,042,954)	(30,590,596)
TOTAL NET POSITION	\$ (26,564,713)	\$ (36,594,577)
*The 2024 numbers have not been updated for the adoption of GASB 101.		

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

Table A-4 Changes in Charlotte Public Schools' Net Position		
	2025	2024*
REVENUES		
Program revenues		
Charges for services	\$ 2,379,492	\$ 2,161,453
Operating grants and contributions	3,420,644	3,488,435
General revenues		
Property taxes	9,221,497	8,509,236
State aid - unrestricted	26,709,568	27,347,142
Other	6,663,729	3,627,580
TOTAL REVENUES	48,394,930	45,133,846
EXPENSES		
Instruction	13,800,929	15,501,243
Support services	12,438,041	12,128,754
Community services	2,270,059	2,194,997
Intergovernmental	-	3,555
Food services	1,649,791	1,605,837
Student/school activities	298,788	234,127
Interest on long-term debt	3,928,410	3,991,789
Unallocated depreciation	3,437,648	3,305,025
TOTAL EXPENSES	37,823,666	38,965,327
Change in net position	\$ 10,571,264	\$ 6,168,519
*The 2024 numbers have not been updated for the adoption of GASB 101.		

District Governmental Activities

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

- The State Foundation Allowance was \$9,608 per student in 2025.
- Student count within the District decreased from 2,353 in 2024 to 2,322 in 2025. 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 has finished a \$36 million bond project that the community approved during the November 2020 bond election.

**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 \$22,772,023 compared to \$24,795,308 the prior year. The fund balance decreased by \$2,023,285 during the year. There are debt service funds with a combined net fund balance of \$9,228,005, broadband lease fund with a fund balance of \$2,764,294, special revenue funds with a combined net fund balance of \$973,421, and nonmajor capital projects funds with a combined net fund balance of \$1,410,440. The general fund increased its fund balance by \$798,961, 2021 capital projects fund decreased fund balance by \$1,832,354, broadband lease increased its fund balance by \$2,308,764, 2011 debt service fund decreased its fund balance by \$3,589,357, and the nonmajor funds increased their combined fund balance by \$290,701 (food service, student/school activities, community service, nonmajor capital project and nonmajor debt service funds).

General Fund and Budget Highlights

During the 2025 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 greater than expenditures by \$13,797.

The final results showed that net revenues came in lower than the final anticipated by \$464,693 due primarily to more aggressive budgeting efforts based on current state funding allocations. The expenditures came in less than anticipated by \$1,711,736 due to tight budget controls at the end of the school year and final invoices being less than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

The District's capital assets are as follows:

Table A-5 Charlotte Public Schools' Capital Assets				
	2025		2024	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 220,496	\$ -	\$ 220,496	\$ 220,496
Construction in process	-	-	-	28,902,179
Buildings and additions	119,755,195	48,821,580	70,933,615	44,498,847
Equipment and furniture	10,422,894	5,910,340	4,512,554	2,886,258
Vehicles	2,819,321	1,703,456	1,115,865	929,929
Other capital equipment	2,382,663	1,420,078	962,585	993,239
Total	\$ 135,600,569	\$ 57,855,454	\$ 77,745,115	\$ 78,430,948

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

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

LONG-TERM DEBT

At year end the District had \$93,153,012 long-term debt outstanding as shown in Table A-6. More detailed information is available in the notes of the financial statements.

Table A-6 Charlotte Public Schools' Outstanding Long-Term Obligations		
	2025	2024*
Long-term obligations		
Bonded debt	\$ 76,222,094	\$ 86,645,041
Direct borrowing and direct placement	16,078,252	13,468,825
Compensated absences and termination benefits	852,666	128,430
Total	\$ 93,153,012	\$ 100,242,296
*The 2024 numbers have not been updated for the adoption of GASB 101.		

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The State of Michigan has not released their Fiscal Year 2026 School Aid budget. The District's budget is based on conservative assumptions available at the time of the budget hearing.
- The state of the Federal government continues to cause uncertainty with federal funding, specifically related to the District's Food Service Fund and the availability of funds for meal reimbursement.
- Student count is projected to decrease for 2025-2026 and slowly stabilizing over the next several years.
- Retirement contributions made to the retirement system are anticipated to remain stable, taking into consideration a small rate decrease and increasing wage base.
- The District's 18.0 mill operating millage expires in 2026. The District will be asking voters to approve a renewal millage in November 2025.

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, 2025

	Governmental Activities
ASSETS	
Cash	\$ 11,265,726
Investments	10,538,890
Receivables	
Accounts receivable	84,448
Property tax receivables	26,690
Due from other governmental units	5,007,878
Inventories	48,823
Prepays	65,760
Net other postemployment benefits asset	5,445,511
Capital assets, not being depreciated	220,496
Capital assets, net of accumulated depreciation	<u>77,524,619</u>
TOTAL ASSETS	<u>110,228,841</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refundings, net of amortization	490,344
Related to pension	9,437,152
Related to other postemployment benefit	<u>1,244,052</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,171,548</u>
LIABILITIES	
Accounts payable	554,216
Due to other governmental units	352
Accrued salaries and related items	1,602,523
Accrued retirement	479,601
Other accrued expenses	91,844
Accrued interest	454,278
Unearned revenue	663,207
Incurred but not yet reported	138,408
Noncurrent liabilities:	
Due within one year	14,178,167
Due in more than one year	78,974,845
Due in more than one year - interest	1,719,672
Net pension liability	<u>30,920,932</u>
TOTAL LIABILITIES	<u>129,778,045</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	9,240,800
Related to other postemployment benefit	7,227,733
Related to state aid funding for pension	<u>1,718,524</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>18,187,057</u>
NET POSITION	
Net investment in capital assets	(13,740,997)
Restricted for debt service	8,773,727
Restricted for net other postemployment benefits	5,445,511
Unrestricted	<u>(27,042,954)</u>
TOTAL NET POSITION	<u><u>\$ (26,564,713)</u></u>

See notes to financial statements.

**CHARLOTTE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

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	\$ 13,800,929	\$ 2,955	\$ 405,013	\$ (13,392,961)
Support services	12,438,041	766,051	71,496	(11,600,494)
Community services	2,270,059	1,459,707	39,430	(770,922)
Food services	1,649,791	150,779	1,772,889	273,877
Student/school activities	298,788	-	353,841	55,053
Interest on long-term debt	3,928,410	-	777,975	(3,150,435)
Unallocated depreciation	3,437,648	-	-	(3,437,648)
Total governmental activities	<u>\$ 37,823,666</u>	<u>\$ 2,379,492</u>	<u>\$ 3,420,644</u>	<u>(32,023,530)</u>
General revenues				
Property taxes, levied for general purposes				3,308,704
Property taxes, levied for debt service				5,553,857
Property taxes, levied for community service fund				358,936
State sources - unrestricted				26,709,568
Intermediate sources				3,288,018
Investment earnings				925,203
Other				2,450,508
Total general revenues				<u>42,594,794</u>
CHANGE IN NET POSITION				<u>10,571,264</u>
NET POSITION, beginning of year as previously reported				(36,594,577)
Adjustment to beginning net position				<u>(541,400)</u>
NET POSITION, beginning of year as restated				<u>(37,135,977)</u>
NET POSITION, end of year				<u>\$ (26,564,713)</u>

See notes to financial statements.

**CHARLOTTE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	2021 Capital Projects Fund	2011 Debt Service	Broadband Lease	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 6,889,802	\$ -	\$ 1,193,128	\$ 78,389	\$ 2,438,931	\$ 10,600,250
Investments	-	-	7,860,961	2,646,929	31,000	10,538,890
Receivables						
Accounts receivable	57,139	-	-	-	27,309	84,448
Property tax receivables	13,114	-	4,435	-	9,141	26,690
Due from other governmental units	4,866,545	-	-	-	141,333	5,007,878
Due from other funds	-	107,671	-	38,976	112,238	258,885
Inventories	21,804	-	-	-	27,019	48,823
Prepays	6,478	-	-	-	2,738	9,216
TOTAL ASSETS	\$ 11,854,882	\$ 107,671	\$ 9,058,524	\$ 2,764,294	\$ 2,789,709	\$ 26,575,080
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 380,190	\$ -	\$ -	\$ -	\$ 68,526	\$ 448,716
Due to other funds	406,912	38,976	-	-	70,926	516,814
Due to other governmental units	-	-	-	-	352	352
Accrued salaries and related items	1,585,968	-	-	-	16,555	1,602,523
Accrued retirement	479,601	-	-	-	-	479,601
Other accrued expenses	136	68,695	8,467	-	14,546	91,844
Unearned revenue	606,212	-	-	-	56,995	663,207
TOTAL LIABILITIES	3,459,019	107,671	8,467	-	227,900	3,803,057
FUND BALANCES						
Nonspendable						
Inventories	21,804	-	-	-	27,019	48,823
Prepays	6,478	-	-	-	2,738	9,216
Restricted for:						
Food service	-	-	-	-	370,247	370,247
Debt service	-	-	9,050,057	-	177,948	9,228,005
Committed for:						
Capital projects	-	-	-	2,764,294	1,410,440	4,174,734
Student/school activities	-	-	-	-	319,588	319,588
Community services	-	-	-	-	253,829	253,829
Bus replacement	296,161	-	-	-	-	296,161
Technology replacement	564,640	-	-	-	-	564,640
Assigned for subsequent years	1,911,166	-	-	-	-	1,911,166
Unassigned	5,595,614	-	-	-	-	5,595,614
TOTAL FUND BALANCES	8,395,863	-	9,050,057	2,764,294	2,561,809	22,772,023
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,854,882	\$ 107,671	\$ 9,058,524	\$ 2,764,294	\$ 2,789,709	\$ 26,575,080

See notes to financial statements.

CHARLOTTE PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Governmental Fund Balances \$ 22,772,023

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

Deferred outflows of resources - deferred charge on refunding		490,344
Deferred outflows of resources - related to pension	\$ 9,437,152	
Deferred inflows of resources - related to pension	(9,240,800)	
Deferred outflows of resources - related to other postemployment benefit	1,244,052	
Deferred inflows of resources - related to other postemployment benefit	(7,227,733)	
Deferred inflows of resources - state aid funding for pension	<u>(1,718,524)</u>	
		(7,505,853)

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.

736,041

Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.

Noncurrent assets at year-end consist of:

Net other postemployment benefits asset		5,445,511
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Capital assets used in governmental activities are not financial resources and are not reported in the funds:

The cost of the capital assets is	135,600,569	
Accumulated depreciation is	<u>(57,855,454)</u>	
		77,745,115

Long-term obligations are not due and payable in the current period and are not reported in the funds:

General obligation bonds		(76,222,094)
Direct borrowing and direct placement		(16,078,252)
Compensated absences		(852,666)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(2,173,950)
Net pension liability		<u>(30,920,932)</u>

Net Position of Governmental Activities		<u>\$ (26,564,713)</u>
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CHARLOTTE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	2021 Capital Projects Fund	2011 Debt Service	Broadband Lease	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Local sources	\$ 3,975,411	\$ 60,648	\$ 2,520,928	\$ 125,090	\$ 6,001,828	\$ 12,683,905
State sources	25,786,671	-	34,838	-	557,930	26,379,439
Federal sources	387,826	-	777,975	-	1,318,590	2,484,391
Intermediate district and other	3,731,940	-	-	-	-	3,731,940
TOTAL REVENUES	33,881,848	60,648	3,333,741	125,090	7,878,348	45,279,675
EXPENDITURES						
Current						
Instruction	16,850,871	-	-	-	-	16,850,871
Supporting services	15,262,066	-	-	-	-	15,262,066
Food service activities	-	-	-	-	1,852,262	1,852,262
Student/school activities	-	-	-	-	298,788	298,788
Community service activities	276,532	-	-	-	2,130,467	2,406,999
Facilities acquisition	231,539	92,470	-	-	-	324,009
Capital outlay	-	1,735,497	-	116,326	99,769	1,951,592
Other	-	65,035	-	-	-	65,035
Debt service						
Principal repayment	-	-	6,000,000	-	3,950,000	9,950,000
Interest	-	-	916,500	-	2,323,953	3,240,453
Other	-	-	6,598	-	3,714	10,312
TOTAL EXPENDITURES	32,621,008	1,893,002	6,923,098	116,326	10,658,953	52,212,387
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,260,840	(1,832,354)	(3,589,357)	8,764	(2,780,605)	(6,932,712)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	-	-	2,300,000	-	2,300,000
School loan revolving fund issuance	-	-	-	-	2,609,427	2,609,427
Transfers in	279,379	-	-	-	741,258	1,020,637
Transfers out	(741,258)	-	-	-	(279,379)	(1,020,637)
TOTAL OTHER FINANCING SOURCES (USES)	(461,879)	-	-	2,300,000	3,071,306	4,909,427
NET CHANGE IN FUND BALANCES	798,961	(1,832,354)	(3,589,357)	2,308,764	290,701	(2,023,285)
FUND BALANCES						
Fund balances, as previously presented	7,596,902	1,832,354	12,639,414	-	2,726,638	24,795,308
Adjustments to beginning fund balances	-	-	-	455,530	(455,530)	-
Beginning of year, as restated	7,596,902	1,832,354	12,639,414	455,530	2,271,108	24,795,308
End of year	\$ 8,395,863	\$ -	\$ 9,050,057	\$ 2,764,294	\$ 2,561,809	\$ 22,772,023

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, 2025

Net Change in Fund Balances Total Governmental Funds **\$ (2,023,285)**

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	(3,437,648)
Capital outlay	2,751,815

Internal service funds are used by management to charge the costs of certain personnel costs to individual funds. The net increase (decrease) in the net position of the internal service funds are reported with governmental activities.	296,797
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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	540,076
Accrued interest payable, end of the year	(454,278)

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	9,950,000
School loan revolving fund issuance	(2,609,427)
Accrued interest on school loan revolving fund	(682,103)
Amortization of bond discount	(3,066)
Amortization of deferred charge on refunding	(88,586)
Amortization of bond premiums	476,013

Compensated absences 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, beginning of the year, as restated	669,830
Accrued compensated absences, end of the year	(852,666)

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	3,102,727
Other postemployment benefit related items	2,129,081

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	2,524,508
Ending balance for state aid funding for pension	<u>(1,718,524)</u>

Change in Net Position of Governmental Activities	<u>\$ 10,571,264</u>
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**CHARLOTTE PUBLIC SCHOOLS
 PROPRIETARY FUND
 INTERNAL SERVICE FUND - SELF FUNDED INSURANCE
 STATEMENT OF NET POSITION
 JUNE 30, 2025**

	<u>Internal Service Fund</u>
ASSETS	
Cash	\$ 665,476
Due from other funds	257,929
Prepays	<u>56,544</u>
TOTAL ASSETS	<u>979,949</u>
LIABILITIES	
Accounts payable	105,500
Incurred but not yet reported liability	<u>138,408</u>
TOTAL LIABILITIES	<u>243,908</u>
NET POSITION	
Unrestricted	<u><u>\$ 736,041</u></u>

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, 2025**

	<u>Internal Service Fund</u>
OPERATING REVENUE	
Charges for services	<u>\$ 2,780,072</u>
OPERATING EXPENSES	
Cost of insurance claims	1,891,641
Administrative costs	<u>600,750</u>
TOTAL OPERATING EXPENSES	<u>2,492,391</u>
Operating income	<u>287,681</u>
NON OPERATING INCOME	
Interest income	<u>9,116</u>
Change in net position	296,797
Net position, beginning of year	<u>439,244</u>
Net position, end of year	<u><u>\$ 736,041</u></u>

See notes to financial statements.

**CHARLOTTE PUBLIC SCHOOLS
PROPRIETARY FUND
INTERNAL SERVICE FUND - SELF FUNDED INSURANCE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025**

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Charges for services	\$ 2,822,223
Claims paid	(1,930,902)
Administrative fees paid	<u>(600,750)</u>
Net cash provided by operating activities	290,571
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>9,116</u>
Net increase in cash	299,687
Cash, beginning of year	<u>365,789</u>
Cash, end of year	<u><u>\$ 665,476</u></u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 287,681
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in operating assets and liabilities which provided cash	
Accounts receivable	371
Prepays	7,230
Due from other funds	41,780
Accounts payable	37,096
Incurred but not yet reported liability	<u>(83,587)</u>
Net cash provided by operating activities	<u><u>\$ 290,571</u></u>

See notes to financial statements.

CHARLOTTE PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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* includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code.

Beginning with the year of bond issuance, the school district has reported the annual construction activity in the *2021 Capital Projects Fund*. The project for which the 2021 Capital Projects Bond was issued was considered complete on June 30, 2024 (June 30 immediately following date of Certificate of Substantial Completion or 95% of proceeds expended).

**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:

	<u>2021 Bonds</u>
Revenues and other financing sources	<u>\$ 37,158,289</u>
Expenditures and other financing sources	<u>\$ 37,158,289</u>

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

The *Broadband Lease Fund* accounts for the recording of disbursements specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs funded with proceeds from the broadband lease sale.

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* account 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* account for 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 general operations.

The *Debt Service Funds* account 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, 2025 year-end with more than originally expected revenues and less than expected 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:

<u>Capital Asset Classes</u>	<u>Lives</u>
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 liability and other postemployment benefit asset, 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 assets 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 assets 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 three 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.

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.

During the year ended June 30, 2020, the District issued bonded debt in the amount of \$13,220,000 used to make principal and interest payments related to the School Loan Revolving fund. 2.45% of these proceeds is not considered capital related debt, as this amount was used to pay off accrued interest. The current allocation of this debt not considered capital related to debt at June 30, 2025 is \$323,890.

In the computation of net invested in capital assets, school bond revolving fund principal proceeds of \$16,078,252 is considered capital-related debt. Accrued interest on the school loan revolving fund of \$1,719,672 has been included in the calculation of unrestricted net position.

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.

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

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.

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.

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.

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.

CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes (continued)

For the year ended June 30, 2025, 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

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. 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.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2025 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, 2025, \$11,154,277 of the District's bank balance of \$11,654,277 was exposed to custodial credit risk because it was uninsured and uncollateralized. The District had \$267 cash on hand. The carrying value on the books for deposits at the end of the year was \$11,265,726.

CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury Notes & Strips	\$ 7,891,961	0.7425
MILAF External Investment Pool - CMC	<u>2,646,929</u>	N/A
Total Fair Value	<u><u>\$ 10,538,890</u></u>	
Portfolio weighted average maturity		<u><u>0.7425</u></u>

One day maturity equals approximately 0.0027 years.

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	<u><u>\$ 2,646,929</u></u>	AAAm	Standard & Poor's

CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.

	Level 1	Level 2	Level 3	Balance at June 30, 2025
Investments by fair value level				
U.S. Treasury Notes & Strips	\$ -	\$ 7,891,961	\$ -	\$ 7,891,961

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.

	Amortized Cost
MILAF External Investment Pool - CMC	\$ 2,646,929

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.

CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

The following summarizes the categorization of these amounts as of June 30, 2025:

	<u>Primary Government</u>
Cash and cash equivalents	\$ 11,265,726
Investments	<u>10,538,890</u>
	<u><u>\$ 21,804,616</u></u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2025 consist of the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
State aid	\$ 4,661,999	\$ 66,883	\$ 4,728,882
Federal revenue	204,266	74,450	278,716
Local	<u>280</u>	<u>-</u>	<u>280</u>
	<u><u>\$ 4,866,545</u></u>	<u><u>\$ 141,333</u></u>	<u><u>\$ 5,007,878</u></u>

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, 2024	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2025
Capital assets not being depreciated				
Land	\$ 220,496	\$ -	\$ -	\$ 220,496
Construction in process	28,902,179	-	(28,902,179)	-
Total capital assets not being depreciated	29,122,675	-	(28,902,179)	220,496
Capital assets being depreciated				
Buildings and additions	90,814,603	28,940,592	-	119,755,195
Equipment and furniture	8,323,782	2,099,112	-	10,422,894
Vehicles	2,397,791	421,530	-	2,819,321
Other capital equipment	2,189,903	192,760	-	2,382,663
Total capital assets being depreciated	103,726,079	31,653,994	-	135,380,073
Accumulated depreciation				
Buildings and additions	46,315,756	2,505,824	-	48,821,580
Equipment and furniture	5,437,524	472,816	-	5,910,340
Vehicles	1,467,862	235,594	-	1,703,456
Other capital equipment	1,196,664	223,414	-	1,420,078
Total accumulated depreciation	54,417,806	3,437,648	-	57,855,454
Net capital assets being depreciated	49,308,273	28,216,346	-	77,524,619
Net governmental capital assets	\$ 78,430,948	\$ 28,216,346	\$ (28,902,179)	\$ 77,745,115

Depreciation for the fiscal year ended June 30, 2025 amounted to \$3,437,648. 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, 2025:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Accrued Compensated Absences*	Total
Balance July 1, 2024, as restated	\$ 86,645,041	\$ 13,468,825	\$ 669,830	\$ 100,783,696
Additions	-	2,609,427	182,836	2,792,263
Deletions	(10,422,947)	-	-	(10,422,947)
Balance June 30, 2025	76,222,094	16,078,252	852,666	93,153,012
Due within one year	(13,965,000)	-	(213,167)	(14,178,167)
Due in more than one year	\$ 62,257,094	\$ 16,078,252	\$ 639,499	\$ 78,974,845

*The change in the compensated absences liability is presented as a net change.

CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2025 are comprised of the following issues:

General Obligation Bonds

2011 Bonds due in an annual installment of \$9,000,000 through May 1, 2026, with interest at 6.15%.	\$ 9,000,000
2015 Refunding Bonds due in annual installments of \$1,945,000 to \$1,955,000 through May 1, 2029, with interest at 5.00%.	7,805,000
2016 Refunding Bonds due in annual installments of \$1,545,000 to \$1,615,000 through May 1, 2027, with interest from 2.25% to 4.00%.	3,160,000
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 \$675,000 to \$1,450,000 through May 1, 2050, with interest at 4.00%.	<u>28,100,000</u>
	69,770,000
Plus premium on bonds	6,467,422
Less discount on bonds	<u>(15,328)</u>
Total general obligation bonds	<u>76,222,094</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, 2025 was 4.22%.	<u>16,078,252</u>
Total general obligation bonds and notes from direct borrowings and direct placements	92,300,346
Accrued compensated absences	<u>852,666</u>
Total long-term debt obligations	<u><u>\$ 93,153,012</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 4.22% has been assessed for the year ended June 30, 2025. 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, 2025, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
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	6,280,000	1,536,016	-	-	-	7,816,016
2030	5,850,000	1,320,466	-	-	-	7,170,466
2031 - 2035	8,870,000	5,100,600	-	-	-	13,970,600
2036 - 2040	9,460,000	3,613,658	-	-	-	13,073,658
2041 - 2045	6,375,000	2,180,000	-	-	-	8,555,000
2046 - 2050	7,025,000	854,000	-	-	-	7,879,000
	69,770,000	21,042,388	-	-	-	90,812,388
Premiums on bonds	6,467,422	-	-	-	-	6,467,422
Discount on bonds	(15,328)	-	-	-	-	(15,328)
School loan revolving fund	-	-	16,078,252	1,719,672	-	17,797,924
Accrued compensated absences	-	-	-	-	852,666	852,666
	<u>\$ 76,222,094</u>	<u>\$ 21,042,388</u>	<u>\$ 16,078,252</u>	<u>\$ 1,719,672</u>	<u>\$ 852,666</u>	<u>\$ 115,915,072</u>

Interest expense (government-wide) for the year ended June 30, 2025 was approximately \$3,928,000, of which the Districted received \$777,975 in federal tax credits.

The District anticipates receiving \$233,393 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 \$9,215,000 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, 2025 are as follows:

	Due From Other Funds				Total
	2021 Capital Projects Fund	Broadband Lease	Internal Service Fund	Nonmajor Governmental Funds	
Due to other funds					
General Fund	\$ 107,671	\$ -	\$ 257,929	\$ 41,312	\$ 406,912
2021 Capital Projects Fund	-	38,976	-	-	38,976
Nonmajor Governmental Funds	-	-	-	70,926	70,926
Total	<u>\$ 107,671</u>	<u>\$ 38,976</u>	<u>\$ 257,929</u>	<u>\$ 112,238</u>	<u>\$ 516,814</u>

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, 2025, are as follows:

	Transfers In		
	General Fund	Nonmajor Governmental Funds	Total
Transfers out			
General Fund	\$ -	\$ 741,258	\$ 741,258
Nonmajor Governmental Funds	279,379	-	279,379
Total	<u>\$ 279,379</u>	<u>\$ 741,258</u>	<u>\$ 1,020,637</u>

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, 2025, Charlotte Public Schools made the following one-time transfers:

- A transfer of \$600,000 from the general fund to the public infrastructure fund for future capital needs.
- A transfer of \$141,258 from the general fund to the community service fund, and a transfer of \$128,107 from the community service fund to the general fund, for cost reimbursement.
- A transfer of \$151,272 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 Annual Comprehensive Financial Report that can be obtained at 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 the 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.

New employees hired between February 1, 2018, and June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant to the DC Plan; if no election is made they will default to the DC Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Pension Reform of 2023

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant in the DC Plan; if no election is made they will remain in the Pension Plus 2 Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

**CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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.

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 60th 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.

**CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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.

Pension and OPEB contributions made in the fiscal year ending September 30, 2024 were determined as of the September 30, 2021 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021 are amortized over an 16-year period beginning October 1, 2023 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, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

The District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately \$5,726,000. Of the total pension contributions approximately \$5,486,000 was contributed to fund the Defined Benefit Plan and approximately \$240,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately \$202,000. Of the total OPEB contributions approximately \$70,000 was contributed to fund the Defined Benefit Plan and approximately \$132,000 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).

CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023 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.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total pension liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan fiduciary net position	\$ 71,283,482,728	\$ 62,581,762,238
Net pension liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate share	0.12630%	0.12626%
Net pension liability for the District	\$ 30,920,932	\$ 40,866,959

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

For the year ended June 30, 2025, the District recognized pension expense of \$2,383,359.

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 386,319	\$ (738,290)
Changes of assumptions	3,223,690	(2,265,526)
Difference between expected and actual experience	838,907	(335,960)
Net difference between projected and actual plan investments earnings	-	(5,901,024)
Reporting Unit's contributions subsequent to the measurement date	<u>4,988,236</u>	<u>-</u>
	<u>\$ 9,437,152</u>	<u>\$ (9,240,800)</u>

\$4,988,236, 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.

CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Liabilities, Pension Expense, 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 (continued)

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 June 30,	Amount
2026	\$ (1,216,500)
2027	136,521
2028	(2,162,578)
2029	(1,549,327)
	<u>\$ (4,791,884)</u>

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

OPEB Liabilities (Asset)

The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability (asset) 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, 2024</u>	<u>September 30, 2023</u>
Total OPEB liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan fiduciary net position	\$ 14,295,943,589	\$ 11,789,347,341
Net OPEB liability (asset)	\$ (4,304,397,666)	\$ (565,698,392)
Proportionate share	0.12651%	0.12684%
Net OPEB liability (asset) for the District	\$ (5,445,511)	\$ (717,551)

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

For the year ended June 30, 2025, the District recognized OPEB benefit of \$2,059,414.

CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Liabilities (Asset), OPEB Expense, 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)

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 29,394	\$ (289,548)
Changes of assumptions	1,189,378	(136,709)
Difference between expected and actual experience	-	(5,770,578)
Net difference between projected and actual plan investments earnings	-	(1,030,898)
Reporting Unit's contributions subsequent to the measurement date	25,280	-
	<u>\$ 1,244,052</u>	<u>\$ (7,227,733)</u>

\$25,280, 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 (asset) 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 June 30,	Amount
2026	\$ (1,972,794)
2027	(1,232,881)
2028	(1,137,148)
2029	(1,010,247)
2030	(551,314)
2031	(104,577)
	<u>\$ (6,008,961)</u>

**CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Mortality Table scaled 100% and MP-202 adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience Study - Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023, 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, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

**CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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 electing two-person coverage are assumed to have coverage continuing after the retiree's death.

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

The target asset allocation at September 30, 2024 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
International Equity Pools	15.0%	6.5%
Private Equity Pools	16.0%	9.0%
Fixed Income Pools	13.0%	2.2%
Real Estate and Infrastructure Pools	10.0%	7.1%
Absolute Return Pools	9.0%	5.2%
Real Return/Opportunistic Pools	10.0%	6.9%
Short Term Investment Pools	2.0%	1.4%
	<u>100.0%</u>	

*Long term rate of return are net of administrative expenses and 2.3% inflation.

Rate of Return - For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, 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.

CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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	\$ 45,330,418	\$ 30,920,932	\$ 18,922,262

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability (asset) calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability (asset) 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 (asset)	\$ (4,208,336)	\$ (5,445,511)	\$ (6,515,179)

Sensitivity to the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) 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 (asset)	\$ (6,515,191)	\$ (5,445,511)	\$ (4,298,284)

CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 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.

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 \$1,487,761 aggregate. The prescription plan provides a stop loss provision of \$150,000 specific to excess coverage per covered person and \$700,000 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 disability, vision, Teladoc, life and accident insurance. No settlements have occurred in excess of coverage for June 30, 2025 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.

CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

CHARLOTTE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*.

Summary: 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.

NOTE 13 - ADJUSTMENTS TO BEGINNING NET POSITION

During fiscal year 2025, changes to beginning net position are as follows:

	<u>Governmental Activities</u>
	<u>Net Position</u>
Balance as of July 1, 2024, as previously stated	\$ (36,594,577)
Adoption of GASB Statement 101	<u>(541,400)</u>
Balance as of July 1, 2024 as restated	<u><u>\$ (37,135,977)</u></u>

NOTE 14 - ADJUSTMENTS TO BEGINNING FUND BALANCES

During the fiscal year 2025, changes to or within the financial reporting entity resulted in adjustments to beginning fund balances, as follows:

	<u>Reporting units Affected by Adjustments to Beginning Balances</u>	
	<u>Broadband Lease</u>	<u>Nonmajor Governmental Funds</u>
Fund balance, as previously reported	\$ -	\$ 2,726,638
Change from nonmajor to major fund	<u>455,530</u>	<u>(455,530)</u>
Fund balance, as restated	<u><u>\$ 455,530</u></u>	<u><u>\$ 2,271,108</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**CHARLOTTE PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 3,653,370	\$ 3,982,981	\$ 3,975,411	\$ (7,570)
State sources	26,160,427	25,941,531	25,786,671	(154,860)
Federal sources	417,300	507,013	387,826	(119,187)
Incoming transfers and other	3,366,137	3,624,975	3,731,940	106,965
TOTAL REVENUES	33,597,234	34,056,500	33,881,848	(174,652)
EXPENDITURES				
Current				
Instruction				
Basic programs	13,769,636	12,644,495	12,164,423	480,072
Added needs	4,399,928	4,869,471	4,686,448	183,023
Total instruction	18,169,564	17,513,966	16,850,871	663,095
Supporting services				
Pupil	2,236,005	2,202,102	2,128,613	73,489
Instructional staff	1,049,923	1,261,010	1,219,285	41,725
General administration	543,752	469,920	453,453	16,467
School administration	2,120,297	2,159,648	2,132,623	27,025
Business	607,088	679,867	664,817	15,050
Operation/maintenance	3,730,666	4,078,210	4,185,586	(107,376)
Pupil transportation	2,659,843	2,659,823	2,573,283	86,540
Central	1,075,483	1,177,033	1,151,068	25,965
Athletics	718,033	776,622	753,338	23,284
Total supporting services	14,741,090	15,464,235	15,262,066	202,169
Community services	280,710	300,843	276,532	24,311
Outgoing transfers and other transactions	665,236	3,700	-	3,700
Facilities acquisition	-	307,000	231,539	75,461
TOTAL EXPENDITURES	33,856,600	33,589,744	32,621,008	968,736
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(259,366)	466,756	1,260,840	794,084
OTHER FINANCING SOURCES (USES)				
Transfers in	-	290,041	279,379	(10,662)
Transfers out	-	(743,000)	(741,258)	1,742
TOTAL OTHER FINANCING SOURCES (USES)	-	(452,959)	(461,879)	(8,920)
NET CHANGE IN FUND BALANCE	\$ (259,366)	\$ 13,797	798,961	\$ 785,164
FUND BALANCE				
Beginning of year			7,596,902	
End of year			<u>\$ 8,395,863</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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting Unit's proportion of net pension liability (%)	0.12630%	0.12626%	0.12425%	0.12942%	0.12816%	0.13190%	0.13450%	0.13710%	0.13350%	0.13810%
Reporting Unit's proportionate share of net pension liability	\$ 30,920,932	\$ 40,866,959	\$ 46,728,664	\$ 30,641,081	\$ 44,024,546	\$ 43,687,204	\$ 40,430,934	\$ 35,521,296	\$ 33,309,840	\$ 33,724,108
Reporting Unit's covered-employee payroll	\$ 13,466,871	\$ 12,784,472	\$ 12,331,180	\$ 11,570,234	\$ 11,381,322	\$ 11,924,173	\$ 11,175,911	\$ 11,700,211	\$ 11,043,846	\$ 12,514,564
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	229.61%	319.66%	378.95%	264.83%	386.81%	366.38%	361.77%	303.60%	301.61%	269.48%
Plan fiduciary net position as a percentage of total pension liability	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions	\$ 5,486,086	\$ 5,201,649	\$ 5,866,549	\$ 4,185,182	\$ 3,906,240	\$ 3,518,814	\$ 3,515,903	\$ 3,666,946	\$ 2,099,862	\$ 2,110,748
Contributions in relation to statutorily required contributions	<u>5,486,086</u>	<u>5,201,649</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 13,989,220	\$ 13,109,689	\$ 12,860,365	\$ 12,207,373	\$ 11,895,579	\$ 11,651,915	\$ 11,597,795	\$ 11,389,697	\$ 11,367,790	\$ 11,029,336
Contributions as a percentage of covered-employee payroll	39.22%	39.68%	45.62%	34.28%	32.84%	30.20%	30.32%	32.20%	18.47%	19.14%

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

	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net other postemployment benefit liability/asset (%)	0.12651%	0.12684%	0.12621%	0.12703%	0.13360%	0.13280%	0.13100%	0.13650%
Reporting Unit's proportionate share of net other postemployment benefit liability (asset)	\$ (5,445,511)	\$ (717,551)	\$ 2,673,117	\$ 1,938,990	\$ 7,155,867	\$ 9,535,042	\$ 10,411,430	\$ 12,085,652
Reporting Unit's covered-employee payroll	\$ 13,466,871	\$ 12,784,472	\$ 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 postemployment benefit liability/asset as a percentage of its covered-employee	40.44%	5.61%	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)	143.08%	105.04%	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)

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required other post-employment benefit contributions	\$ 69,666	\$ 1,102,902	\$ 1,072,440	\$ 1,008,697	\$ 946,965	\$ 942,348	\$ 912,424	\$ 898,416
Other postemployment benefit contributions in relation to statutorily required contributions	69,666	1,102,902	1,072,440	1,008,697	946,965	942,348	912,424	898,416
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting Unit's covered-employee payroll (OPEB)	\$ 13,989,220	\$ 13,109,689	\$ 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	0.50%	8.41%	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, 2025

NOTE 1 - PENSION INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021, actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018, actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017, actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016, actuarial valuation decreased by 0.50 percentage points.

NOTE 2 - OPEB INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2024 - The health care cost trend rate used in the September 30, 2023, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

**CHARLOTTE PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 2 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 2022 - The discount rate and investment rate of return used in the September 30, 2021, actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020, actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019, actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018, actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017, actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

ADDITIONAL SUPPLEMENTARY INFORMATION

CHARLOTTE PUBLIC SCHOOLS
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2025

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Community Services	Food Service	Student/School Activities	Public Infrastructure	Debt Service	
ASSETS						
Cash	\$ 369,893	\$ 149,447	\$ 333,847	\$ 1,410,440	\$ 175,304	\$ 2,438,931
Investments	-	-	31,000	-	-	31,000
Receivables						
Accounts receivable	11,090	14,043	2,176	-	-	27,309
Property tax receivable	827	-	-	-	8,314	9,141
Due from other governmental units	2,091	139,242	-	-	-	141,333
Due from other funds	16,372	90,493	-	-	5,373	112,238
Inventories	-	27,019	-	-	-	27,019
Prepays	2,738	-	-	-	-	2,738
TOTAL ASSETS	\$ 403,011	\$ 420,244	\$ 367,023	\$ 1,410,440	\$ 188,991	\$ 2,789,709
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 50,140	\$ 10,667	\$ 7,719	\$ -	\$ -	\$ 68,526
Due to other funds	31,210	-	39,716	-	-	70,926
Due to other governmental units	352	-	-	-	-	352
Accrued salaries and related items	15,517	1,038	-	-	-	16,555
Other accrued expenses	3,424	79	-	-	11,043	14,546
Unearned revenue	45,801	11,194	-	-	-	56,995
TOTAL LIABILITIES	146,444	22,978	47,435	-	11,043	227,900
FUND BALANCES						
Nonspendable						
Inventories	-	27,019	-	-	-	27,019
Prepays	2,738	-	-	-	-	2,738
Restricted for:						
Food service	-	370,247	-	-	-	370,247
Debt service	-	-	-	-	177,948	177,948
Committed for:						
Capital projects	-	-	-	1,410,440	-	1,410,440
Student/school activities	-	-	319,588	-	-	319,588
Community services	253,829	-	-	-	-	253,829
TOTAL FUND BALANCES	256,567	397,266	319,588	1,410,440	177,948	2,561,809
TOTAL LIABILITIES AND FUND BALANCES	\$ 403,011	\$ 420,244	\$ 367,023	\$ 1,410,440	\$ 188,991	\$ 2,789,709

**CHARLOTTE PUBLIC SCHOOLS
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025**

	Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
	Community Service	Food Service	Student/ School Activities	Public Infrastructure	Formally Nonmajor Broadband Lease	Debt Service	
REVENUES							
Local sources	\$ 1,831,106	\$ 157,891	\$ 353,841	\$ 4,997	\$ -	\$ 3,653,993	\$ 6,001,828
State sources	16,754	475,855	-	-	-	65,321	557,930
Federal sources	21,556	1,297,034	-	-	-	-	1,318,590
TOTAL REVENUES	1,869,416	1,930,780	353,841	4,997	-	3,719,314	7,878,348
EXPENDITURES							
Current							
Community service							
Childcare	1,358,392	-	-	-	-	-	1,358,392
Aquatic center	772,075	-	-	-	-	-	772,075
Food service	-	1,852,262	-	-	-	-	1,852,262
Student/school activities	-	-	298,788	-	-	-	298,788
Capital outlay	6,372	93,397	-	-	-	-	99,769
Debt service							
Principal repayment	-	-	-	-	-	3,950,000	3,950,000
Interest	-	-	-	-	-	2,323,953	2,323,953
Other	-	-	-	-	-	3,714	3,714
TOTAL EXPENDITURES	2,136,839	1,945,659	298,788	-	-	6,277,667	10,658,953
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(267,423)	(14,879)	55,053	4,997	-	(2,558,353)	(2,780,605)
OTHER FINANCING SOURCES (USES)							
School loan revolving fund issuance	-	-	-	-	-	2,609,427	2,609,427
Transfers in	141,258	-	-	600,000	-	-	741,258
Transfers out	(128,107)	(151,272)	-	-	-	-	(279,379)
TOTAL OTHER FINANCING SOURCES (USES)	13,151	(151,272)	-	600,000	-	2,609,427	3,071,306
NET CHANGE IN FUND BALANCES	(254,272)	(166,151)	55,053	604,997	-	51,074	290,701
FUND BALANCES							
Beginning of year, as previously presented	510,839	563,417	264,535	805,443	455,530	126,874	2,726,638
Adjustments to beginning fund balances	-	-	-	-	(455,530)	-	(455,530)
Beginning of year, as restated	510,839	563,417	264,535	805,443	-	126,874	2,271,108
End of year	\$ 256,567	\$ 397,266	\$ 319,588	\$ 1,410,440	\$ -	\$ 177,948	\$ 2,561,809

**CHARLOTTE PUBLIC SCHOOLS
DEBT SERVICE
COMBINING BALANCE SHEET
JUNE 30, 2025**

	Refunding 2015	Refunding 2016	Refunding 2019	Refunding 2020	Building and Site 2021	Total Debt Service
ASSETS						
Cash	\$ 60,482	\$ 39,023	\$ 9,294	\$ 8,188	\$ 58,317	\$ 175,304
Due from other funds	2,190	1,393	272	194	1,324	5,373
TOTAL ASSETS	<u>\$ 65,796</u>	<u>\$ 42,265</u>	<u>\$ 10,002</u>	<u>\$ 8,684</u>	<u>\$ 62,244</u>	<u>\$ 188,991</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Other accrued expenses	\$ 4,687	\$ 1,824	\$ 651	\$ 443	\$ 3,438	\$ 11,043
FUND BALANCES						
Restricted for debt service	61,109	40,441	9,351	8,241	58,806	177,948
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 65,796</u>	<u>\$ 42,265</u>	<u>\$ 10,002</u>	<u>\$ 8,684</u>	<u>\$ 62,244</u>	<u>\$ 188,991</u>

**CHARLOTTE PUBLIC SCHOOLS
DEBT SERVICE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2025**

	Refunding 2015	Refunding 2016	Refunding 2019	Refunding 2020	Building and Site 2021	Total Debt Service
REVENUES						
Local sources	\$ 1,364,176	\$ 816,274	\$ 191,918	\$ 137,803	\$ 1,143,822	\$ 3,653,993
State sources	24,545	14,516	3,431	2,375	20,454	65,321
TOTAL REVENUES	1,388,721	830,790	195,349	140,178	1,164,276	3,719,314
EXPENDITURES						
Principal repayments	1,890,000	1,435,000	-	-	625,000	3,950,000
Interest	484,750	158,688	310,215	221,300	1,149,000	2,323,953
Other	1,082	709	596	553	774	3,714
TOTAL EXPENDITURES	2,375,832	1,594,397	310,811	221,853	1,774,774	6,277,667
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(987,111)	(763,607)	(115,462)	(81,675)	(610,498)	(2,558,353)
OTHER FINANCING SOURCES (USES)						
School loan revolving fund issuance	996,300	782,948	117,191	84,561	628,427	2,609,427
TOTAL OTHER FINANCING SOURCES (USES)	996,300	782,948	117,191	84,561	628,427	2,609,427
NET CHANGE IN FUND BALANCES	9,189	19,341	1,729	2,886	17,929	51,074
FUND BALANCES						
Beginning of year	51,920	21,100	7,622	5,355	40,877	126,874
End of year	\$ 61,109	\$ 40,441	\$ 9,351	\$ 8,241	\$ 58,806	\$ 177,948

**CHARLOTTE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2025**

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

Principal Due May 1	Interest Due		QSCB Credit	Debt Service Requirement for Fiscal Year	
	November 1	May 1		June 30,	Amount
<u>\$ 9,000,000</u>	<u>\$ 276,750</u>	<u>\$ 276,750</u>	<u>\$ (233,393)</u>	2026	<u>\$ 9,320,107</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 at 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 debt service fund for the repayment of the principal on May 1, 2025, and May 1, 2026.

**CHARLOTTE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2025**

\$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
\$ 1,945,000	\$ 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>\$ 7,805,000</u>	<u>\$ 488,250</u>	<u>\$ 488,250</u>		<u>\$ 8,781,500</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, 2025**

\$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
\$ 1,545,000	\$ 63,200	\$ 63,200	2026	\$ 1,671,400
1,615,000	32,300	32,300	2027	1,679,600
<u>\$ 3,160,000</u>	<u>\$ 95,500</u>	<u>\$ 95,500</u>		<u>\$ 3,351,000</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, 2025**

\$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
\$ 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>\$ 575,815</u>	<u>\$ 575,815</u>		<u>\$ 14,371,630</u>

The bonds were approved by the Board of Education at the August 12, 2019, meeting to refinance a portion of the 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, 2025**

\$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	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>\$ 1,020,379</u>	<u>\$ 1,020,379</u>		<u>\$ 10,525,758</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, 2025**

\$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
\$ 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>\$ 28,100,000</u>	<u>\$ 8,064,500</u>	<u>\$ 8,064,500</u>		<u>\$ 44,229,000</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, 2025

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 provides 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
2024	3,074,671	520,475	3,595,146
2025	2,609,427	682,103	3,291,530
Total June 30, 2025	<u>\$ 16,078,252</u>	<u>\$ 1,719,672</u>	<u>\$ 17,797,924</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, 2025, 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 14, 2025.

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 14, 2025



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October 14, 2025

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, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, 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. The significant accounting policies used by Charlotte Public Schools are described in Note 1 to the financial statements. As described in Note 12 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, during the year ended June 30, 2025. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by Charlotte Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 of the governmental activities were:

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

Management's calculation of the accrued compensated absences is based on current hourly rates, historical usage, and policies regarding payment of sick and vacation banks.

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.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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 14, 2025.

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 Charlotte Public Schools 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 Charlotte Public Schools 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) that supplements 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 other supplementary information, which accompany the financial statements but are not RSI. With respect to this 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 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 management and members of the Board of Education 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