

**CHATFIELD SCHOOL
LAPEER, MICHIGAN**

**FINANCIAL REPORT
WITH ADDITIONAL INFORMATION
JUNE 30, 2025**

CHATFIELD SCHOOL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Chatfield School
Lapeer, Michigan

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chatfield School (the School), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Chatfield School's 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 Chatfield School 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 Opinion

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 Chatfield School 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 opinion.

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 Chatfield School's 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 Chatfield School's 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 Chatfield School's 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 the School's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, are 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 record 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, 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 28, 2025, on our consideration of the School's 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 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 the School's 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 School's internal control over financial reporting and compliance.



Mattina, Kent & Gibbons, P.C.

Certified Public Accountants

Lapeer, Michigan

October 28, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHATFIELD SCHOOL – LAPEER, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Chatfield School’s (the “School”) annual financial report presents our discussion and analysis of the School’s financial performance during the fiscal year that ended on June 30, 2025.

FINANCIAL HIGHLIGHTS

- The School’s financial status remained relatively stable, as total net position decreased approximately 3% over the course of the year.
- Revenues increased 0.6% to \$6.2 million while expenses increased 2.3% to \$6.4 million.
- The primary source of funds for the Chatfield School is the State’s Foundation Grant allocated on a per-pupil basis. Chatfield has maintained its enrollment to around 480 students.

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 School.

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the School’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School’s operations *in more detail* than the government-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education 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 School’s budget for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The following summarizes the major features of the School's financial statements, including the portion of the School'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.

Major Features of Government-Wide and Fund Financial Statements

		<u>Fund Financial Statements</u>
	<u>Government-Wide Statements</u>	<u>Governmental Funds</u>
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance.
Required financial statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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
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

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include *all* of the School's assets 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.

The two government-wide statements report the School's *net position* and how it has changed. Net position – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

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

In the government-wide financial statements, the School's activities:

- *Governmental activities* – Most of the School's basic services are included here, such as regular and special education and administration. State formula aid finances most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the School's *funds*, focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School 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 School establishes other funds to control and manage money for particular purposes like building additions.

The School has one kind of fund:

- *Governmental funds* – Most of the School's basic services are included in governmental funds, which generally focus on; (1) how *cash and other financial assets* 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 School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.

DISTRICT MANAGEMENT ACTIVITIES

- The School administrators and the Chatfield Board of Directors have consistently monitored expenditures each year to produce an annual positive cash balance (revenues exceeding expenditures); the goal for this careful monitoring is to create and maintain an unrestricted cash balance that will be adequate in future years for maintaining the building, renovating and refurbishing as necessary, and meeting contingencies that might develop either within the building or at the state funding level. The funds reserved for these purposes had increased each year and were sufficient for allowing the school board to allocate a portion of its fund balance to continue to make capital improvements and update technology.
- The School administrators and the entire school staff maintain a purchasing evaluation and inventory analysis system that controls expenditures for supplies and materials. Account balances are reviewed at monthly board meetings in the Statement of Operations. In-house routine maintenance and repair procedures minimize the cost of maintenance.
- Recognizing that the School's future stability and well-being is entirely dependent upon parents continuing to choose to enroll children at Chatfield, the School administrators, the School staff, and the School's board have collaborated extensively to create an exceptional school for children and to create a staff work environment that retains staff and provides teachers the opportunities to be effective, self-fulfilled professionals. The Chatfield School has been fortunate in hiring and retaining highly qualified teachers and ancillary staff.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net position – The School's *combined* net position was smaller on June 30, 2025, than it was the year before – decreasing approximately 3% to \$5.9 million.

Chatfield School's Net Position

	2025	2024
Current and Other Assets	\$ 1,924,955	\$ 2,129,625
Capital Assets – Net of Depreciation	4,905,875	5,017,836
Total Assets	6,830,830	7,147,461
Current Liabilities	651,692	666,954
Long-term Liabilities – Net of Current Portion	258,086	396,106
Total Liabilities	909,778	1,063,060
Net Position		
Invested in Capital Assets, Net of Related Debt	4,485,753	4,473,235
Restricted	123,640	84,163
Unrestricted	1,331,659	1,527,003
Total Net Position	\$ 5,921,052	\$ 6,084,402

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (Continued)

Changes in Chatfield School's Net Position

	<u>2025</u>	<u>2024</u>
Revenues		
Program Revenues		
Charges for Services	\$ 312,318	\$ 316,763
Federal and State Categorical Grants	1,050,859	1,222,382
General Revenues		
State Aid – Unrestricted	4,807,174	4,626,011
Other	43,993	12,216
Total Revenues	<u>6,214,344</u>	<u>6,177,372</u>
Expenses		
Instruction	3,824,708	3,743,517
Support Services	1,701,358	1,606,540
Community Services	173,490	166,299
Food Services	199,650	268,907
Student Activities	216,569	172,920
Unallocated Depreciation	239,197	227,453
Interest	22,722	29,786
Total Expenses	<u>6,377,694</u>	<u>6,215,422</u>
Increase (Decrease) in Net Position	<u>\$ (163,350)</u>	<u>\$ (38,050)</u>

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial performance of the School, reflected in its governmental funds, remains solid even when trying to add unique programs to the academic program. As the School completed the year, its governmental funds reported *combined* fund balances of \$1.4 million, which is below last year's ending fund balances of \$1.6 million.

General Fund Budgetary Highlights

Over the course of the year, the School revised the annual operating budget several times. These budget amendments are:

- Changes made in the fourth quarter to account for changes in assumptions, since the original budget was adopted.
- While the School's final budget for the general fund anticipated a decrease to Fund Balance of \$152,778 the actual results for the year show a decrease of \$204,630.
- Actual expenditures in 2024-25 were above the amended budget estimates primarily due to higher costs for substitute teachers, as the new directors were previously classroom teachers. All expenditures were carefully reviewed and evaluated to ensure that the quality of services to children remained unchanged and that staff were supported appropriately. The Partners in Education (parents group) continues to provide valuable assistance through substantial donations for field trips and various classroom items requested by teachers.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2025, the School had invested \$8.7 million in a range of capital assets, including land, buildings, furniture, and equipment. During the year ended June 30, 2025, the School invested approximately \$110,195 in capital assets which included mostly technology along with building and grounds improvements. The purchase of additional technology has allowed staff and students access to innovative technology. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was approximately \$239,197.

Chatfield School's Capital Assets (Net of Depreciation)

	2025	2024
Land	\$ 133,278	\$ 133,278
Buildings	4,522,622	4,679,242
Equipment and Furniture	249,975	205,316
Total	<u>\$ 4,905,875</u>	<u>\$ 5,017,836</u>

Long-term Debt

At year-end the School had a mortgage note with Choice One Bank for the middle school addition. The balance at June 30, 2025 was approximately \$375,514 with approximately \$141,521 principal repaid during the year. (See Note 11.)

FACTORS BEARING ON THE SCHOOL'S FUTURE

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

- The State Budget for the 2025-2026 school year has been approved, increasing the per-pupil foundation allowance to \$10,050 – a 4% increase over the prior year. Additionally, categorical funding for special education, English Language Learners, rural/isolated districts, and at-risk students has been restored or expanded. The budget expands funding for universal school meals, which benefits all students. While this increase provides some relief, it may not fully offset rising operational costs and inflationary pressures.
- The expiration or significant reduction of Covid-19 Pandemic ESSER II and ESSER III grants continues to impact staffing and programming. The School must identify alternative funding sources to sustain positions and initiatives previously supported by these grants.
- The ongoing shortage of certified teachers and support staff has intensified competition among districts. To attract and retain qualified personnel, the School must offer competitive salaries and benefits, placing additional strain on the 2025-2026 budget.
- The School Board's mortgage financing for the middle school expansion remains a fixed annual obligation of approximately \$164,000. This payment will continue to be a priority in future budgets.

FACTORS BEARING ON THE SCHOOL'S FUTURE (Continued)

- Supply chain disruptions and elevated costs of goods and services persist, affecting all areas of the School's operational budget.
- Inflation continues to drive up expenses, and while the foundation allowance has increased, it may not be sufficient to match the pace of cost escalation.
- The School no longer qualifies for the SRSA (Rural) Grant which funded 1:1 student technology. Funding will have to come from the general fund moving forward.
- The School has reached its enrollment capacity. Without room for growth in student numbers, revenue from per-pupil funding is capped. Any future decline in state aid or enrollment could result in a plateau or reduction in revenue, requiring the School to explore additional funding sources.
- The School is now contracting Teacher's First Management (non-profit) as an ESP and HR solution at 2.9% of total payroll. Business, Finance and Accounting Solutions fees are \$5,000 monthly. In addition, the School is contracting with Teacher's First Pupil Accounting and Reporting Solutions at \$1,500 monthly. This contractual expense represents a new recurring cost that must be factored into annual budgeting and financial planning.

CONTACT THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Administrative Office, Chatfield School, 231 Lake Drive, Lapeer, MI 48446.

BASIC FINANCIAL STATEMENTS

CHATFIELD SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2025

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 758,306
Prepaid Expenses	23,627
Accounts Receivable	<u>1,143,022</u>
TOTAL CURRENT ASSETS	1,924,955
NON-CURRENT ASSETS	
Capital Assets	8,724,720
Less: Accumulated Depreciation	<u>(3,818,845)</u>
TOTAL NON-CURRENT ASSETS	<u>4,905,875</u>
TOTAL ASSETS	<u><u>\$ 6,830,830</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	\$ 489,656
Current Portion of Long Term Liabilites	<u>162,036</u>
TOTAL CURRENT LIABILITIES	651,692
NON CURRENT LIABILITIES	
Non Current Portion of Long Term Liabilites	<u>258,086</u>
TOTAL LIABILITIES	909,778
NET POSITION	
Net Investment in Capital Assets	4,485,753
Restricted for:	
Donor Imposed Restrictions	-
Food Service	120,975
Capital Projects	2,665
Unrestricted	<u>1,311,659</u>
TOTAL NET POSITION	<u>5,921,052</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 6,830,830</u></u>

The accompanying notes are an integral part of the financial statements.

**CHATFIELD SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS	
GOVERNMENTAL ACTIVITIES				
Instruction & Instructional				
Support	\$ 3,824,708	\$ -	\$ 704,137	\$ (3,120,571)
Support Services	1,701,359	22,394	108,209	(1,570,756)
Community Services	173,490	84,105	-	(89,385)
Food Services	199,650	(35)	238,513	38,828
Student/School Activities	216,568	205,854	-	(10,714)
Interest on Debt	22,722	-	-	(22,722)
Depreciation (Unallocated)	239,197	-	-	(239,197)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6,377,694	\$ 312,318	\$ 1,050,859	(5,014,517)
GENERAL REVENUES				
State of Michigan Aid - Unrestricted				4,807,174
Investment Revenue				8,353
Gain (Loss) on Disposals of Capital Assets				1,500
Miscellaneous				34,140
TOTAL GENERAL REVENUES				4,851,167
CHANGE IN NET POSITION				(163,350)
NET POSITION:				
BEGINNING OF YEAR				6,084,402
END OF YEAR				\$ 5,921,052

The accompanying notes are an integral part of the financial statements.

CHATFIELD SCHOOL
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025

	GOVERNMENTAL FUND TYPES				TOTAL GOVERN- MENTAL FUNDS
	MAJOR FUNDS		NON-MAJOR FUNDS		
	GENERAL	CAPITAL PROJECTS	FOOD SERVICE	STUDENT ACTIVITIES	
ASSETS					
Cash and Cash Equivalents	\$ 555,270	\$ 2,665	\$ 116,343	\$ 84,028	\$ 758,306
Prepaid Expenses	23,627	-	-	-	23,627
Due From Governmental Units	1,138,390	-	4,632	-	1,143,022
TOTAL ASSETS	<u>\$ 1,717,287</u>	<u>\$ 2,665</u>	<u>\$ 120,975</u>	<u>\$ 84,028</u>	<u>\$ 1,924,955</u>
LIABILITIES, FUND BALANCES AND OTHER CREDITS					
LIABILITIES					
Accounts Payable	\$ 489,656	\$ -	\$ -	\$ -	\$ 489,656
Due to Other Funds	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
TOTAL LIABILITIES	<u>489,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489,656</u>
FUND BALANCES AND OTHER CREDITS					
Restricted for:					
Food Service	-	-	120,975	-	120,975
Donor Imposed Restrictions	-	-	-	-	-
Capital Projects	-	2,665	-	-	2,665
Committed for:					
Student Activities	-	-	-	84,028	84,028
Assigned for:					
Subsequent Year Expenditures	180,372	-	-	-	180,372
Unassigned	1,047,259	-	-	-	1,047,259
TOTAL FUND BALANCES AND OTHER CREDITS	<u>1,227,631</u>	<u>2,665</u>	<u>120,975</u>	<u>84,028</u>	<u>1,435,299</u>
TOTAL LIABILITIES, FUND BALANCES, AND OTHER CREDITS	<u>\$ 1,717,287</u>	<u>\$ 2,665</u>	<u>\$ 120,975</u>	<u>\$ 84,028</u>	<u>\$ 1,924,955</u>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

TOTAL GOVERNMENTAL FUND BALANCES	\$ 1,435,299
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in Governmental Activities are not financial resources and are not reported in the funds.	
Cost of Capital Assets	8,724,719
Accumulated Depreciation	(3,818,845)
Long-term liabilities are not due and payable in the current period and are not reported in the fund's Liabilities.	(420,121)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,921,052</u>

The accompanying notes are an integral part of the financial statements.

CHATFIELD SCHOOL
COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	GOVERNMENTAL FUND TYPES				
	MAJOR FUNDS		NON-MAJOR FUNDS		TOTAL GOV-ERNMENTAL FUNDS
	GENERAL	CAPITAL PROJECTS	FOOD SERVICE	STUDENT ACTIVITIES	
REVENUE					
Local Sources	\$ 292,280	\$ 23	\$ (35)	\$ 205,854	\$ 498,122
State Sources	5,243,234	-	132,169	-	5,375,403
Federal Sources	234,475	-	106,344	-	340,819
TOTAL REVENUE	5,769,989	23	238,478	205,854	6,214,344
EXPENDITURES					
Instruction	3,824,708	-	-	-	3,824,708
Supporting Services	1,772,268	-	-	-	1,772,268
Community Services	173,490	-	-	-	173,490
Food Services	-	-	199,650	-	199,650
Student Activities	-	-	-	216,568	216,568
Capital Outlay	28,587	60,469	-	-	89,056
Other	(21,184)				(21,184)
DEBT SERVICES					
Principal Repayment	141,521	-	-	-	141,521
Interest	22,722	-	-	-	22,722
TOTAL EXPENDITURES	5,942,112	60,469	199,650	216,568	6,418,799
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(172,123)	(60,446)	38,828	(10,714)	(204,455)
OTHER FINANCING SOURCES (USES)					
Proceeds from Leases	28,587	-	-	-	28,587
Operating Transfers In	-	61,840	-	-	61,840
Operating Transfers Out	(61,094)	-	(746)	-	(61,840)
TOTAL OTHER FINANCING SOURCES (USES)	(32,507)	61,840	(746)	-	28,587
NET CHANGE IN FUND BALANCE	(204,630)	1,394	38,082	(10,714)	(147,281)
FUND BALANCE – JULY 1, 2024	1,432,261	1,271	82,893	94,742	1,611,167
FUND BALANCE – JUNE 30, 2025	\$ 1,227,631	\$ 2,665	\$ 120,975	\$ 84,028	\$ 1,463,886

The accompanying notes are an integral part of the financial statements.

CHATFIELD SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net Change in Fund Balance – Total Governmental Funds \$ (147,281)

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, the cost of
those assets is allocated over their estimated useful lives
as depreciation expense.

Depreciation Expense	(239,197)	
Capital Outlay	<u>110,194</u>	(129,003)

The issuance of long-term debt (e.g., leases/subscription-based IT arrangements)
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, discounts,
and similar items when debt is first issued, whereas these amounts are
deferred and amortized in the statement of activities. The effect of these
differences is the treatment of long-term debt and related items and are as follows:

Proceeds from Leases	<u>(28,587)</u>	(28,587)
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Repayment of notes payable is an expenditure in the
Government Funds, but not in the Statement of
Activities (where it reduces long-term debt).

	<u>141,521</u>	
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Change in Net Position of Governmental Activities	<u><u>(163,350)</u></u>	
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The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Chatfield School conform to accounting principles generally accepted in the United States of America, as applicable to schools. The following is a summary of the significant accounting policies:

A. REPORTING ENTITY

The School is governed by a five-member Board of Education. The School is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Saginaw Valley State University is the authorizing governing body for the School and has contracted with the School to charter the public school through June 2028. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School's reporting entity, and which organizations are legally separate, component units of the School. Based on the application of the criteria, the School does not contain component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include; (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. State foundation aid and other unrestricted items are not included among program revenues but are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial 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 revenues soon as all eligibility requirements imposed by the provider have been met.

CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

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 School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement grants. 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.

The School reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for the financial resources used for the acquisition or construction of major capital facilities.

Additionally, the School reports the following non-major funds:

The *Food Service Fund* accounts for the financial resources that are restricted for the purpose of providing meals for the School.

The *Student Activities Fund* accounts for the financial resources that are restricted for the purpose of student and related school activities and trips.

The School first utilizes restricted resources to finance qualifying activities.

D. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash equivalents are short-term investments that are readily convertible to cash or have a maturity date of 90 days or less from the date of purchase.

E. CAPITAL ASSETS

Capital assets include land, building and improvements, and furniture and equipment. Assets are capitalized if the initial cost exceeds \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Repairs and maintenance that do not add to the value or extend the lives of the asset are not capitalized. Construction work in process is not depreciated until placed in service. Right to use assets of the School are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation is not computed on land.

CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. CAPITAL ASSETS (Continued)

Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Building and Improvements	25 – 50 years
Furniture and Equipment	5 – 20 years
Right to Use – Subscription Based IT	5-10 years

F. FUND EQUITY

Fund balances for each of the School's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- Restricted fund balance – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The School's Capital Projects Fund is considered restricted.
- Committed fund balance – amounts that can be spent only for specific purposes determined by a formal action or resolution of the School's highest level of decision-making authority, the Board of Education.
- Assigned fund balance – amounts the School intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.
- Unassigned fund balance – amounts that are available for any purpose; these amounts can be reported only in the School's General Fund.

The School would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first to defer the use of these classified funds.

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts.

CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. FUND EQUITY (Continued)

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

G. REVENUE

State Foundation Revenue – The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide 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 year ended June 30, 2025, the foundation allowance was based on the pupil membership counts taken in October of 2024 and February of 2025.

The State revenue is recognized during the foundation period and is funded through payments from October 2024 to August 2025. Thus, the unpaid portion at June 30 is reported as accounts receivable.

State Categorical Revenue – The School also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

Federal Revenue – Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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 School has no items that qualify for reporting in this category.

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 School has no items that qualify for reporting in this category.

CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. USE OF ESTIMATES

The process of preparing basic financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. 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.

J. COMPARATIVE DATA/RECLASSIFICATIONS

Comparative data is not included in the School's financial statements.

K. LEASES AND SUBSCRIPTION-BASED IT ARRANGEMENTS (SBITA)

The School is a lessee for a noncancelable lease/subscription of an IT arrangement. The School recognizes a lease liability and an intangible right-to-use asset on the government-wide financial statements. The School recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

At the commencement of a lease/subscription, the School initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases included how the School determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA payments.

- The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the School is reasonably certain to exercise.

The School monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. SUBSEQUENT EVENTS

The School has evaluated subsequent events through October 28, 2025, the date the financial statements were available to be issued.

NOTE 2 – BUDGETS

The official budgets were formally adopted by the School Board, prior to the expenditure of funds for the General Fund, using the modified accrual basis of accounting consistent with generally accepted accounting principles.

The budgets were adopted at the functional level and control was exercised at that level. Expenditures in excess of the amounts budgeted at the level of the adopted budget are a violation of the Budgeting Act. Unexpended appropriations lapse at year-end and encumbrances are not included as expenditures. The budget was properly amended by the School Board throughout the year, as needed.

The budget statement (Budgetary Comparison Schedule) is presented on the same basis of accounting used in preparing the adopted budget. The budget information is a summary of the actual budget adopted.

NOTE 3 – DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities follows:

Statement of Net Position

Government-wide Financial Statement Captions:

Cash and Cash Equivalents	\$ 758,306
TOTAL	<u>\$ 758,306</u>

Notes to Financial Statements

Deposits	\$ 758,186
Petty Cash and Cash on Hand	120
TOTAL	<u>\$ 758,306</u>

The School is authorized by Michigan Public Act 132 of 1986 to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles. To the extent that cash from various funds has been pooled in an investment-related investment, income is allocated to each fund based on relative participation in the pool. At year end, the School had no investments.

CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – In accordance with its investment policy, the School will minimize the 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 School's cash requirements

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations.

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

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. As of year-end \$212,084 of the School's bank balance of \$824,750 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk– Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School 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 prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the School will do business.

Foreign Currency Risk – The School is not authorized to invest in investments which have this type of risk.

CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

Capital assets activity of the School's Governmental Activities was as follows:

	<u>6/30/2024</u>	<u>Additions</u>	<u>Deletions or Adjustments</u>	<u>6/30/2025</u>
CAPITAL ASSETS				
Land	\$ 133,278	\$ -	\$ -	\$ 133,278
Building & Improvements	7,971,382	13,650	-	7,985,032
Right to Use – Subscription- based IT	30,565	-	(6,733)	23,832
Right to Use – Office Equipment	-	23,775	-	23,775
Furniture & Equipment	479,170	96,544	(16,911)	558,803
	<u>8,614,395</u>	<u>133,969</u>	<u>(23,644)</u>	<u>8,724,720</u>
 ACCUMULATED DEPRECIATION/AMORTIZATION				
Building & Improvements	(3,292,140)	(170,270)	-	(3,462,410)
Furniture & Equipment	(304,419)	(68,927)	16,911	(356,435)
	<u>(3,596,559)</u>	<u>(239,197)</u>	<u>16,911</u>	<u>(3,818,845)</u>
 NET CAPITAL ASSETS	<u>\$ 5,017,836</u>	<u>(\$105,228)</u>	<u>(\$6,733)</u>	<u>\$ 4,905,875</u>

Depreciation expense was not charged to activities as the School considers its assets to impact multiple activities and allocation is not practical.

NOTE 5 – RISK MANAGEMENT

The School has exposure to risks of loss due to torts, errors and omissions, and property loss. The School manages these risks by purchasing commercial insurance through the Employers Mutual Company.

NOTE 6 – EXPENDITURES AND APPROPRIATIONS

The School had expenditures in excess of appropriations (at budgetary levels) as follows:

	<u>Final Budget</u>	<u>Actual Expenditure</u>	<u>Variance</u>
Basic Instruction	\$ 3,013,609	\$ 3,120,146	\$ 106,537
Instructional Staff	53,096	57,878	4,782
General Administration	243,150	247,037	3,887
Business Services	129,281	129,765	484
Operations & Maintenance	495,464	523,708	28,244
Technology Support	127,653	132,362	4,709

**CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7 – LEASED EMPLOYEES

Chatfield School had an agreement with Chatfield Management Corporation to lease substantially all workers. Chatfield Management Corporation was responsible for all wages, payroll taxes, and employee benefits, including health insurance and 401(k) contributions. The leased employees are not covered by the Michigan Public School Employees' Retirement Systems. This agreement was in effect until February 28, 2025. The school incurred \$2,976,264 to Chatfield Management Corporation for the leased employees.

Chatfield School has an agreement with Teachers First, Inc. to lease substantially all workers. Teachers First will be responsible for all wages, payroll taxes, and employee benefits, including health insurance and 401(k) contributions. The leased employees are not covered by the Michigan Public School Employees' Retirement Systems. This agreement commenced March 1, 2025 and is effective to June 30, 2028. The school incurred \$1,995,929 to Teachers First, Inc. for the leased employees, and ended the year with \$447,720 due to Teachers First, Inc.

NOTE 8 – COST SHARING AGREEMENT

Lapeer County Intermediate School District will act as a service bureau for the constituent districts for maintenance and support of their financial software.

NOTE 9 – OVERSIGHT FEES

The School pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to the Saginaw Valley State University Board of Trustees, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the School's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2025, the School incurred expense of approximately \$138,802 for oversight fees.

NOTE 10 – LONG-TERM DEBT

The School obtained a loan for the construction of the middle school addition. The loan is a general obligation of the School. The loan is a bank note with an original balance of \$2,155,000 with monthly installments of \$13,687, including interest at 5.00% through November, 2027. The outstanding balance at June 30, 2025 was \$375,514. Annual debt service requirements to maturity are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2026	\$ 149,505	\$ 14,739	\$ 164,244
2027	156,651	7,593	164,244
2028	66,358	770	67,128
TOTAL	\$ 372,514	\$ 23,102	\$ 395,616

The outstanding direct borrowing contains a provision that in the event of default or the unavailability or insufficiency of funds, the note is payable at 3% above the stated note rate. The School has pledged the building located at 231 Lake Drive, Lapeer, MI 48446.

CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – LONG-TERM DEBT (Continued)

The school signed a \$28,587 lease for two copiers dated on May 22, 2024, due in monthly installments of \$584 through June 2029, with an imputed interest rate of 8.5%. The outstanding balance at June 30, 2025 was \$23,776.

The school signed a \$28,219 lease for an IT subscription dated on September 1, 2023, due in annual installments of \$6,600 through September 2027, with an imputed interest rate of 8.5%. The outstanding balance at June 30, 2025 was \$18,290.

The school signed a \$8,551 lease for an IT subscription dated on July 1, 2023, due in annual installments of \$2,000 through September 2027, with an imputed interest rate of 8.5%. The outstanding balance at June 30, 2025 was \$5,542.

Long-term liability activity for the year ended June 30, 2025, follows:

	<u>Balance</u> <u>6/30/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2025</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities					
Construction Loan	\$ 514,035	\$ -	\$ 141,521	\$ 372,514	\$ 149,505
Right to use - Subscription-based IT	30,565	-	6,733	23,832	7,305
Right to use - Office Equipment	<u>-</u>	<u>28,587</u>	<u>4,811</u>	<u>23,776</u>	<u>5,226</u>
Total Governmental Long-term Liabilities	<u>\$ 544,600</u>	<u>\$ 28,587</u>	<u>\$ 153,065</u>	<u>\$ 420,122</u>	<u>\$ 162,036</u>

NOTE 11 – INTERFUND TRANSACTIONS

Operating Transfers

Operating transfers constitute the transfer of resources from the fund that received the resources to the fund that utilized them. The transfer from the general fund to the capital projects fund was to purchase technology and a gym upgrade. The transfer from the general fund to the school lunch program was to supplement the lunch program. The interfund transfers are as follows:

<u>Fund</u>	<u>Operating</u> <u>Transfers In</u>	<u>Fund</u>	<u>Operating</u> <u>Transfers Out</u>
Capital Projects Fund	\$ 61,840	General Fund	\$ 61,094
	-	Food Service Fund	746
TOTAL	<u>\$ 61,840</u>	TOTAL	<u>\$ 61,840</u>

**CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11 – INTERFUND TRANSACTIONS (Continued)

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 order funds in accordance with budgetary authorizations.

Interfund Receivables/Payables

<u>Fund</u>	<u>Due From General Fund</u>	<u>Fund</u>	<u>Due to Food Service Fund</u>
Food Service Fund	\$ -	General Fund	\$ -
TOTAL	<u>\$ -</u>	TOTAL	<u>\$ -</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.

REQUIRED SUPPLEMENTAL INFORMATION

CHATFIELD SCHOOL
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2025

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE FROM FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUE				
Local Sources	\$ 190,000	\$ 244,509	\$ 292,280	\$ 47,771
State Sources	5,248,300	5,318,874	5,243,234	(75,640)
Federal Sources	<u>350,000</u>	<u>211,836</u>	<u>234,475</u>	<u>22,639</u>
TOTAL REVENUE AND OTHER SOURCES	5,788,300	5,775,219	5,769,989	(5,230)
EXPENDITURES				
Instructional				
Basic Instruction	3,446,511	3,013,609	3,120,146	(106,537)
Added Needs	687,303	723,061	683,378	39,683
Support Services				
Pupil Support Services	154,200	240,993	225,347	15,646
Instructional Staff	50,710	53,096	57,878	(4,782)
General Administration	130,300	243,150	247,037	(3,887)
School Administration	338,500	491,079	456,171	34,908
Business Services	119,250	129,281	129,765	(484)
Operations & Maintenance	598,520	495,464	523,708	(28,244)
Technology Support	125,340	127,653	132,362	(4,709)
Community Services	168,200	189,829	173,490	16,339
DEBT SERVICE				
Principal	164,244	141,582	141,521	61
Interest	<u>-</u>	<u>36,500</u>	<u>22,722</u>	<u>13,778</u>
TOTAL EXPENDITURES	<u>5,983,078</u>	<u>5,885,297</u>	<u>5,913,525</u>	<u>(28,228)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(194,778)</u>	<u>(110,078)</u>	<u>(143,536)</u>	<u>(33,458)</u>
OTHER FINANCING (USES)				
Operating Transfers	<u>(42,500)</u>	<u>(42,700)</u>	<u>(61,094)</u>	<u>(18,394)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (237,278)</u>	<u>\$ (152,778)</u>	<u>\$ (204,630)</u>	<u>\$ (51,852)</u>
FUND BALANCE – JULY 1, 2024			<u>1,432,261</u>	
FUND BALANCE – JUNE 30, 2025			<u>\$ 1,227,631</u>	

The accompanying notes are an integral part of the financial statements.

OTHER SUPPLEMENTAL INFORMATION

CHATFIELD SCHOOL
GENERAL FUND SCHEDULE OF REVENUE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2025

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FROM FINAL</u>
				<u>BUDGET</u>
LOCAL SOURCES				
Interest from Investments	\$ 7,300	\$ 7,300	\$ 8,329	\$ 1,029
Donations	-	-	19,140	19,140
Custody & Care of Children	73,500	73,500	84,105	10,605
Earth Education	20,000	20,500	22,394	1,894
Safety Millage	70,000	70,000	70,000	-
Other Local Sources	<u>19,200</u>	<u>73,209</u>	<u>88,312</u>	<u>15,103</u>
TOTAL LOCAL SOURCES	190,000	244,509	292,280	47,771
STATE SOURCES	5,248,300	5,318,874	5,243,234	(75,640)
FEDERAL SOURCES	<u>350,000</u>	<u>211,836</u>	<u>234,475</u>	<u>22,639</u>
TOTAL REVENUE	<u>\$ 5,788,300</u>	<u>\$ 5,775,219</u>	<u>\$ 5,769,989</u>	<u>\$ (5,230)</u>

NOTE: The budget information presented above reflects greater detail than the adopted budget.

CHATFIELD SCHOOL
GENERAL FUND SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2025

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
INSTRUCTIONAL				
BASIC PROGRAMS				
Elementary				
Purchased Services	\$ 3,166,720	\$ 2,818,547	\$ 2,918,554	\$ (100,007)
Supplies & Materials	214,791	139,482	136,709	2,773
Capital Outlay	50,000	42,475	52,055	(9,580)
Other Expenses	15,000	13,105	12,828	277
Total Elementary	<u>3,446,511</u>	<u>3,013,609</u>	<u>3,120,146</u>	<u>(106,537)</u>
TOTAL BASIC PROGRAMS	<u>3,446,511</u>	<u>3,013,609</u>	<u>3,120,146</u>	<u>(106,537)</u>
ADDED NEEDS				
Special Education				
Purchased Services	406,423	393,798	406,133	(12,335)
Supplies & Materials	4,280	3,420	3,299	121
Total Special Education	<u>410,703</u>	<u>397,218</u>	<u>409,432</u>	<u>(12,214)</u>
At Risk				
Purchased Services	276,600	322,856	273,946	48,910
Supplies & Materials	-	2,987	-	2,987
Total At Risk	<u>276,600</u>	<u>325,843</u>	<u>273,946</u>	<u>51,897</u>
TOTAL ADDED NEEDS	<u>687,303</u>	<u>723,061</u>	<u>683,378</u>	<u>39,683</u>
TOTAL INSTRUCTIONAL	<u>4,133,814</u>	<u>3,736,670</u>	<u>3,803,524</u>	<u>(66,854)</u>
SUPPORT SERVICES				
PUPIL				
Purchased Services	<u>154,200</u>	<u>240,993</u>	<u>225,347</u>	<u>15,646</u>
TOTAL PUPIL	<u>154,200</u>	<u>240,993</u>	<u>225,347</u>	<u>15,646</u>
INSTRUCTIONAL				
Purchased Services	48,110	31,004	56,669	(25,665)
Supplies & Materials	<u>2,600</u>	<u>22,092</u>	<u>1,209</u>	<u>20,883</u>
TOTAL INSTRUCTIONAL	<u>50,710</u>	<u>53,096</u>	<u>57,878</u>	<u>(4,782)</u>

NOTE: The budget information presented above reflects greater detail than the adopted budget.

CHATFIELD SCHOOL
GENERAL FUND SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2025

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE FROM FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
SUPPORT SERVICES (Continued)				
GENERAL ADMINISTRATION				
Purchased Services	\$ 130,300	\$ 104,337	\$ 108,235	\$ (3,898)
Other Expenses	-	138,813	138,802	11
TOTAL GENERAL ADMINISTRATION	130,300	243,150	247,037	(3,887)
SCHOOL ADMINISTRATION				
Purchased Services	272,500	425,748	384,335	41,413
Supplies & Materials	55,000	49,000	49,724	(724)
Other Expenses	11,000	16,331	22,112	(5,781)
TOTAL SCHOOL ADMINISTRATION	338,500	491,079	456,171	34,908
BUSINESS SERVICES				
Purchased Services	119,000	129,081	129,541	(460)
Supplies & Materials	250	200	224	(24)
TOTAL FISCAL SERVICES	119,250	129,281	129,765	(484)
OPERATION & MAINTENANCE				
Purchased Services	517,520	411,815	441,719	(29,904)
Supplies & Materials	81,000	83,649	81,989	1,660
TOTAL OPERATION & MAINTENANCE	598,520	495,464	523,708	(28,244)
TECHNOLOGY SUPPORT SERVICES				
Purchased Services	125,340	127,653	132,362	(4,709)
TOTAL TECHNOLOGY SUPPORT SERVICES	125,340	127,653	132,362	(4,709)
TOTAL SUPPORT SERVICES	1,516,820	1,780,716	1,772,268	8,448

NOTE: The budget information presented above reflects greater detail than the adopted budget.

CHATFIELD SCHOOL
GENERAL FUND SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2025

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
COMMUNITY SERVICES				
COMMUNITY ACTIVITIES				
Purchased Services	\$ 150,300	\$ 170,929	\$ 152,041	\$ 18,888
Supplies & Materials	16,900	17,700	21,041	(3,341)
Other Expenses	<u>1,000</u>	<u>1,200</u>	<u>408</u>	<u>792</u>
TOTAL COMMUNITY SERVICES	168,200	189,829	173,490	16,339
DEBT SERVICE				
Principal	164,244	141,582	141,521	61
Interest	<u>-</u>	<u>36,500</u>	<u>22,722</u>	<u>13,778</u>
TOTAL DEBT SERVICE	<u>164,244</u>	<u>178,082</u>	<u>164,243</u>	<u>13,839</u>
TOTAL EXPENDITURES	5,983,078	5,885,297	5,913,525	(28,228)
OTHER FINANCING USES				
Transfer to Capital Projects	42,500	42,700	61,840	(19,140)
Transfer to Food Service	<u>-</u>	<u>-</u>	<u>(746)</u>	<u>746</u>
TOTAL OTHER FINANCING USES	<u>42,500</u>	<u>42,700</u>	<u>61,094</u>	<u>(18,394)</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 6,025,578</u>	<u>\$ 5,927,997</u>	<u>\$ 5,974,619</u>	<u>\$ (46,622)</u>

NOTE: The budget information presented above reflects greater detail than the adopted budget.

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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

Board of Education
Chatfield School
Lapeer, Michigan

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 Chatfield School, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Chatfield School's basic financial statements and have issued our report thereon dated October 28, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chatfield School's internal control over financial reporting (internal control) to determine the 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 Chatfield School's internal control. Accordingly, we do not express an opinion on the effectiveness of Chatfield School's 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. We did identify the following deficiency in internal control that we consider to be significant deficiency.

Lack of adequate controls to produce full-disclosure GAAP financial statements. (Repeat Comment)

Criteria: All school districts are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of Chatfield School's management. The preparation of financial statements in accordance with GAAP requires internal controls over both, (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

Condition: Chatfield School, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, Chatfield School's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

Cause: This condition was caused by management's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the School to perform this task internally.

Effect: The result of this condition is that Chatfield School lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The School has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the School to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Report on Compliance and Other Matters

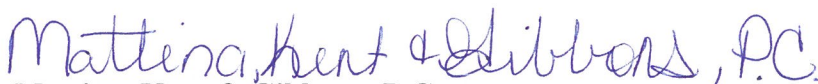
As part of obtaining reasonable assurance about whether Chatfield School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

Chatfield School's Response to Findings

Chatfield School's response to findings identified in our audit is described previously. Chatfield School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in blue ink that reads "Mattina, Kent & Gibbons, P.C.".

Mattina, Kent & Gibbons, P.C.

Certified Public Accountants

Lapeer, Michigan

October 28, 2025