

**CHATFIELD SCHOOL
LAPEER, MICHIGAN**

**FINANCIAL REPORT
WITH ADDITIONAL INFORMATION
JUNE 30, 2022**

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, 2022, 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, 2022, 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.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2022 the School adopted new accounting guidance, GASB Statement No. 87, *Leases*. 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.

Responsibilities of Management for the Financial Statements

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.

Required Supplementary Information

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, 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 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, 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 19, 2022, 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.

Mattina, Kent & Gibbons, P.C.

Certified Public Accountants

Lapeer, Michigan

October 19, 2022

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, 2022.

FINANCIAL HIGHLIGHTS

- The School’s financial status remained relatively stable, as total net position decreased approximately 7 percent over the course of the year.
- Revenues increased 11 percent to \$5.29 million while expenses increased 38 percent to \$5.75 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 475 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>Government-Wide Statements</u> | <u>Fund Financial 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 | <ul style="list-style-type: none"> - Statement of net position - Statement of activities | <ul style="list-style-type: none"> - 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, 2022, than it was the year before – decreasing approximately 7 percent to \$6.2 million.

Chatfield School's Net Position

| | 2022 | 2021 |
|---|------------------|---------------------|
| Current and Other Assets | \$ 2,241,569 | \$ 2,667,316 |
| Capital Assets – Net of Depreciation | 5,180,967 | 5,281,393 |
| Total Assets | <u>7,422,536</u> | <u>7,948,709</u> |
| Current Liabilities | 590,117 | 534,048 |
| Long-term Liabilities – Net of Current Portion | 648,056 | 775,878 |
| Total Liabilities | <u>1,238,173</u> | <u>1,309,926</u> |
| Net Position | | |
| Invested in Capital Assets, Net of Related Debt | 4,404,572 | 4,383,398 |
| Restricted | 105,365 | 32,796 |
| Unrestricted | 1,674,426 | 2,222,589 |
| Total Net Position | <u>6,184,363</u> | <u>\$ 6,638,783</u> |

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (Continued)

Changes in Chatfield School's Net Position

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------|---------------------|-------------------|
| Revenues | | |
| Program Revenues | | |
| Charges for Services | \$ 200,690 | \$ 116,020 |
| Federal and State Categorical Grants | 953,070 | 693,870 |
| General Revenues | | |
| State Aid – Unrestricted | 4,139,372 | 3,955,278 |
| Other | 490 | (6,867) |
| Total Revenues | <u>5,293,622</u> | <u>4,758,301</u> |
| Expenses | | |
| Instruction | 3,606,899 | 2,366,875 |
| Support Services | 1,404,701 | 1,190,785 |
| Community Services | 157,297 | 178,573 |
| Food Services | 146,791 | 92,397 |
| Student Activities | 153,065 | 44,972 |
| Unallocated Depreciation | 236,645 | 235,365 |
| Interest | 42,644 | 48,583 |
| Total Expenses | <u>5,748,042</u> | <u>4,157,550</u> |
| Increase (Decrease) in Net Position | <u>\$ (454,420)</u> | <u>\$ 600,751</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 \$1.78 million, which is below last year's ending fund balances of \$2.26 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 \$628,388 the actual results for the year show a decrease of \$530,298.
- Actual expenditures in 2022-21 were below amended budget estimates, because all expenditures were thoroughly reviewed and evaluated. The reductions were achieved without changing the basics of services to children and without imposing unreasonable expectations on staff. The Partners in Education (parents group) continuously helps by making substantial donations for field trips, and various classroom items requested by teachers.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the School had invested \$8.55 million in a range of capital assets, including land, buildings, furniture, and equipment. During the year ended June 30, 2022, the School invested approximately \$136,000 in capital assets which included mostly technology. 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 \$236,645.

Chatfield School's Capital Assets (Net of Depreciation)

| | <u>2022</u> | <u>2021</u> |
|-------------------------|---------------------|---------------------|
| Land | \$ 133,278 | \$ 133,278 |
| Buildings | 4,935,788 | 5,032,344 |
| Equipment and Furniture | <u>111,901</u> | <u>115,771</u> |
| Total | <u>\$ 5,180,967</u> | <u>\$ 5,281,393</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, 2022 was approximately \$776,000 with approximately \$122,000 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 was approved on July 1, 2022 which increased the per pupil allotment at the 2022-2023 amount. There is also concern on the overall economic growth and what that could mean for the 2022-2023 budget.
- The Covid-19 Pandemic has created many additional costs for supplies, cleaning and additional support staff. These costs are necessary to support face to face instruction for the 2022-2023 school year.
- The Covid-19 Pandemic continues to require expenses for substitute employees has increased due to staff required absences.
- The current shortage of certified teachers and support staff has made the education market more competitive. To maintain staff and fill all vacancies, salaries must remain competitive with the other local school districts. This will put an additional strain on the 2022-2023 budget.

FACTORS BEARING ON THE SCHOOL'S FUTURE (Continued)

- The School Board's mortgage financing for the expansion of the building to add to the middle school will require an annual payment of approximately \$164,000 that will be the first obligation for each year's future budgets.
- The School has experienced a slight decrease in federal funding for Title 1 Services.
- Effective September 1, 2022, the School has switched health insurance plans which anticipates a decrease in health insurance costs.
- The supply chain issues and increased costs of consumer goods and services continues to put a financial strain on all areas of the budget.
- The current rate of inflation is higher than the increase in state funding.
- Parts of the School have not been renovated or updated since 1997 and future considerations will need to be given to this area of improvement. Parts of the infrastructure, Heating and AC Units, rubber roof on the original building as well as carpets, ceiling tiles, and wall coverings are in need of replacement.
- The School has reached its enrollment capacity. No growth in student enrollment will eliminate a revenue source without an increase in state aid. The School's revenue may experience a plateau or a slight decline due to cuts in state funding. The School will have to look for additional sources of revenue.

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, 2022

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|---|------------------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and Cash Equivalents | \$ 1,358,795 |
| Prepaid Expenses | 5,620 |
| Accounts Receivable | <u>877,154</u> |
| TOTAL CURRENT ASSETS | 2,241,569 |
| NON-CURRENT ASSETS | |
| Capital Assets | 8,546,709 |
| Less: Accumulated Depreciation | <u>(3,365,742)</u> |
| TOTAL NON-CURRENT ASSETS | <u>5,180,967</u> |
| TOTAL ASSETS | <u><u>\$ 7,422,536</u></u> |
| LIABILITIES AND NET POSITION | |
| CURRENT LIABILITIES | |
| Accounts Payable | \$ 437,417 |
| Unearned Revenue | 24,361 |
| Current Portion of Note Payable | <u>128,339</u> |
| TOTAL CURRENT LIABILITIES | 590,117 |
| NON CURRENT LIABILITIES | |
| Non Current Portion of Note Payable | <u>648,056</u> |
| TOTAL LIABILITIES | 1,238,173 |
| NET POSITION | |
| Net Investment in Capital Assets | 4,404,572 |
| Restricted for: | |
| Donor Imposed Restrictions | 2,563 |
| Food Service | 102,455 |
| Capital Projects | 347 |
| Unrestricted | <u>1,674,426</u> |
| TOTAL NET POSITION | <u>6,184,363</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 7,422,536</u></u> |

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

**CHATFIELD SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

| | | PROGRAM REVENUES | | GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION |
|--|---------------------|-------------------------|---------------------|--|
| FUNCTIONS/PROGRAMS | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS | |
| GOVERNMENTAL ACTIVITIES | | | | |
| Instruction & Instructional Support | \$ 3,606,899 | \$ - | \$ 729,576 | \$ (2,877,323) |
| Support Services | 1,404,701 | 13,774 | 4,000 | (1,386,927) |
| Community Services | 157,297 | 51,770 | 80 | (105,447) |
| Food Services | 146,791 | 661 | 219,414 | 73,284 |
| Student/School Activities | 153,065 | 134,485 | - | (18,580) |
| Interest on Debt | 42,644 | - | - | (42,644) |
| Depreciation (Unallocated) | 236,645 | - | - | (236,645) |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 5,748,042 | \$ 200,690 | \$ 953,070 | (4,594,282) |
| GENERAL REVENUES | | | | |
| State of Michigan Aid - Unrestricted | | | | 4,139,372 |
| Investment Revenue | | | | 603 |
| Gain (Loss) on Disposals of Capital Assets | | | | (113) |
| TOTAL GENERAL REVENUES | | | | 4,139,862 |
| CHANGE IN NET POSITION | | | | (454,420) |
| NET POSITION: | | | | |
| BEGINNING OF YEAR | | | | 6,638,783 |
| END OF YEAR | | | | \$ 6,184,363 |

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

CHATFIELD SCHOOL
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

GOVERNMENTAL FUND TYPES

| | MAJOR FUNDS | | NON-MAJOR FUNDS | | TOTAL GOVERNMENTAL FUNDS |
|--|---------------------|------------------|-------------------|--------------------|--------------------------|
| | GENERAL | CAPITAL PROJECTS | FOOD SERVICE | STUDENT ACTIVITIES | |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 1,204,782 | \$ 347 | \$ 97,009 | \$ 56,657 | \$ 1,358,795 |
| Prepaid Expenses | 5,620 | - | - | - | 5,620 |
| Due From Governmental Units | 877,154 | - | - | - | 877,154 |
| Due from Other Funds | - | - | 5,446 | - | 5,446 |
| TOTAL ASSETS | \$ 2,087,556 | \$ 347 | \$ 102,455 | \$ 56,657 | \$ 2,247,015 |
| LIABILITIES, FUND BALANCES AND OTHER CREDITS | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 437,417 | \$ - | \$ - | \$ - | \$ 437,417 |
| Due to Other Funds | 5,446 | - | - | - | 5,446 |
| Unearned Revenue | 24,361 | - | - | - | 24,361 |
| TOTAL LIABILITIES | 467,224 | - | - | - | 467,224 |
| FUND BALANCES AND OTHER CREDITS | | | | | |
| Restricted for: | | | | | |
| Food Service | - | - | 102,455 | - | 102,455 |
| Donor Imposed Restrictions | 2,563 | - | - | - | 2,563 |
| Capital Projects | - | 347 | - | - | 347 |
| Committed for: | | | | | |
| Student Activities | - | - | - | 56,657 | 56,657 |
| Assigned for: | | | | | |
| Subsequent Year Expenditures | 267,472 | - | - | - | 267,472 |
| Unassigned | 1,350,297 | - | - | - | 1,350,297 |
| TOTAL FUND BALANCES AND OTHER CREDITS | 1,620,332 | 347 | 102,455 | 56,657 | 1,779,791 |
| TOTAL LIABILITIES, FUND BALANCES, AND OTHER CREDITS | \$ 2,087,556 | \$ 347 | \$ 102,455 | \$ 56,657 | \$ 2,247,015 |

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

| | |
|---|---------------------|
| TOTAL GOVERNMENTAL FUND BALANCES | \$ 1,779,791 |
| 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 | 8,546,709 |
| Accumulated Depreciation | (3,365,742) |
| Long-term liabilities are not due and payable in the current period and are not reported in the fund's Liabilities. | (776,395) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ 6,184,363 |

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, 2022

| | GOVERNMENTAL FUND TYPES | | | | TOTAL GOV- ERNMENTAL FUNDS |
|---|-------------------------|---------------------|-------------------|-----------------------|----------------------------------|
| | MAJOR FUNDS | | NON-MAJOR FUNDS | | |
| | GENERAL | CAPITAL PROJECTS | FOOD SERVICE | STUDENT ACTIVITIES | |
| REVENUE | | | | | |
| Local Sources | \$ 77,828 | \$ - | \$ 661 | \$ 134,485 | \$ 212,974 |
| State Sources | 4,377,626 | - | - | - | 4,377,626 |
| Federal Sources | 483,721 | - | 219,414 | - | 703,135 |
| TOTAL REVENUE | 4,939,175 | - | 220,075 | 134,485 | 5,293,735 |
| EXPENDITURES | | | | | |
| Instruction | 3,606,899 | - | - | - | 3,606,899 |
| Supporting Services | 1,488,658 | - | - | - | 1,488,658 |
| Community Services | 157,297 | - | - | - | 157,297 |
| Food Services | - | - | 146,791 | - | 146,791 |
| Student Activities | - | - | - | 153,065 | 153,065 |
| Capital Outlay | - | 52,375 | - | - | 52,375 |
| DEBT SERVICES | | | | | |
| Principal | 121,600 | - | - | - | 121,600 |
| Interest | 42,644 | - | - | - | 42,644 |
| TOTAL EXPENDITURES | 5,417,098 | 52,375 | 146,791 | 153,065 | 5,769,329 |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | (477,923) | (52,375) | 73,284 | (18,580) | (475,594) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating Transfers In | - | 52,375 | - | - | 52,375 |
| Operating Transfers Out | (52,375) | - | - | - | (52,375) |
| TOTAL OTHER FINANCING SOURCES (USES) | (52,375) | 52,375 | - | - | - |
| NET CHANGE IN FUND BALANCE | (530,298) | - | 73,284 | (18,580) | (475,594) |
| FUND BALANCE – JULY 1, 2021 | 2,150,630 | 347 | 29,171 | 75,237 | 2,255,385 |
| FUND BALANCE – JUNE 30, 2022 | \$ 1,620,332 | \$ 347 | \$ 102,455 | \$ 56,657 | \$ 1,779,791 |

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, 2022

| | | |
|---|----|-----------|
| Net Change in Fund Balance – Total Governmental Funds | \$ | (475,594) |
|---|----|-----------|

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 | (236,645) | |
| Capital Outlay | 136,332 | |
| Gain (Loss) on Disposals of Capital Assets | <u>(113)</u> | (100,426) |

| | | |
|---|--|----------------|
| 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>121,600</u> |
|---|--|----------------|

| | | |
|---|----|-------------------------|
| Change in Net Position of Governmental Activities | \$ | <u><u>(454,420)</u></u> |
|---|----|-------------------------|

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 2022. 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. Depreciation is not computed on land. 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 |

CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022, the foundation allowance was based on the pupil membership counts taken in February and September of 2021.

The State revenue is recognized during the foundation period and is funded through payments from October 2021 to August 2022. 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 position 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 position 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.

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.

**CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. COMPARATIVE DATA/RECLASSIFICATIONS

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

K. SUBSEQUENT EVENTS

The School has evaluated subsequent events through October 19, 2022 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:

| | |
|---|--------------|
| <u>Statement of Net Position</u> | |
| Government-wide Financial Statement Captions: | |
| Cash and Cash Equivalents | \$ 1,358,795 |
| TOTAL | \$ 1,358,795 |
| <u>Notes to Financial Statements</u> | |
| Deposits | \$ 1,358,675 |
| Petty Cash and Cash on Hand | 120 |
| TOTAL | \$ 1,358,795 |

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 \$67,933 of the School’s bank balance of \$1,456,754 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>June 30, 2021</u> | <u>Additions</u> | <u>Deletions or Adjustments</u> | <u>Balance June 30, 2022</u> |
|-------------------------------------|----------------------|---------------------|-------------------------------------|----------------------------------|
| CAPITAL ASSETS | | | | |
| Land | \$ 133,278 | \$ - | \$ - | \$ 133,278 |
| Building & Improvements | 7,786,366 | 88,745 | | 7,875,111 |
| Furniture & Equipment | 597,427 | 47,587 | (106,693) | 538,375 |
| | <u>8,517,071</u> | <u>136,332</u> | <u>(106,693)</u> | <u>8,546,786</u> |
| ACCUMULATED DEPRECIATION | | | | |
| Building & Improvements | (2,754,019) | (185,301) | - | (2,939,320) |
| Furniture & Equipment | (481,659) | (51,343) | 106,580 | (426,422) |
| | <u>(3,235,678)</u> | <u>(236,644)</u> | <u>106,580</u> | <u>(3,365,742)</u> |
| NET CAPITAL ASSETS | <u>\$ 5,281,393</u> | <u>\$ (100,318)</u> | <u>\$ (113)</u> | <u>\$ 5,180,962</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

No funds incurred expenditures in excess of appropriations (at budgetary levels).

NOTE 7 – LEASED EMPLOYEES

Chatfield School has an agreement with Chatfield Management Corporation to lease substantially all workers. Chatfield Management Corporation 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 is effective to June 30, 2028. The school paid \$4,414,394 to Chatfield Management Corporation for the leased employees, and ended the year with \$405,424 due to Chatfield Management Corporation.

**CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS**

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, 2022, the School incurred expense of approximately \$124,200 for oversight fees.

NOTE 10 – RESTRICTED FUND BALANCE

In 2009, the Johnson Foundation donated \$4,000 for the restoration of an electric vehicle that was donated to the School. The remaining balance on the donation at June 30, 2022 is \$2,083.

In 2018, the Lapeer Optimist Club donated \$1,895 for the Robotics team. The remaining balance of the restricted donation at June 30, 2022 is \$481.

NOTE 11 – 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, 2022 was \$776,395. Annual debt service requirements to maturity are as follows:

| YEAR ENDING JUNE 30 | PRINCIPAL | INTEREST | TOTAL |
|------------------------|------------|------------|------------|
| 2023 | \$ 128,339 | \$ 35,905 | \$ 164,244 |
| 2024 | 134,905 | 29,339 | 164,244 |
| 2025 | 141,807 | 22,437 | 164,244 |
| 2026 | 149,062 | 15,182 | 164,244 |
| 2027 | 156,688 | 7,556 | 164,244 |
| 2028 | 65,594 | 805 | 66,399 |
| TOTAL | \$ 776,395 | \$ 111,224 | \$ 887,619 |

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 12 – 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 Transfers In</u> | <u>Fund</u> | <u>Operating Transfers Out</u> |
|-----------------------|-----------------------------------|--------------|------------------------------------|
| Capital Projects Fund | \$ 52,375 | General Fund | \$ 52,375 |
| TOTAL | \$ 52,375 | TOTAL | \$ 52,375 |

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 | \$ 5,446 | General Fund | \$ 5,446 |
| TOTAL | \$ 5,446 | TOTAL | \$ 5,446 |

NOTE 13 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The School is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

CHATFIELD SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact on the School's financial statement after the adoption of GASB Statement 87. The School's leases, in the aggregate, are immaterial.

REQUIRED SUPPLEMENTAL INFORMATION

CHATFIELD SCHOOL
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2022

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE |
|--|--------------------|---------------------|---------------------|----------------------|
| | ORIGINAL | FINAL | | FROM FINAL BUDGET |
| REVENUE | | | | |
| Local Sources | \$ 65,000 | \$ 65,000 | \$ 77,828 | \$ 12,828 |
| State Sources | 4,046,122 | 4,310,306 | 4,377,626 | 67,320 |
| Federal Sources | 414,187 | 484,159 | 483,721 | (438) |
| TOTAL REVENUE AND OTHER SOURCES | 4,525,309 | 4,859,465 | 4,939,175 | 79,710 |
| EXPENDITURES | | | | |
| Instruction | 2,957,273 | 3,646,244 | 3,606,899 | 39,345 |
| Supporting Services | 1,367,544 | 1,517,070 | 1,488,658 | 28,412 |
| Community Services | 133,945 | 160,295 | 157,297 | 2,998 |
| DEBT SERVICE | | | | |
| Principal | 121,600 | 121,600 | 121,600 | - |
| Interest | 42,644 | 42,644 | 42,644 | - |
| TOTAL EXPENDITURES | 4,623,006 | 5,487,853 | 5,417,098 | 70,755 |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | (97,697) | (628,388) | (477,923) | 150,465 |
| OTHER FINANCING (USES) | | | | |
| Operating Transfers | - | - | (52,375) | (52,375) |
| NET CHANGE IN FUND BALANCE | \$ (97,697) | \$ (628,388) | \$ (530,298) | \$ 98,090 |
| FUND BALANCE – JULY 1, 2021 | | | 2,150,630 | |
| FUND BALANCE – JUNE 30, 2022 | | | <u>\$ 1,620,332</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, 2022

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE |
|----------------------------|---------------------|---------------------|---------------------|------------------|
| | ORIGINAL | FINAL | | FROM FINAL |
| | | | | BUDGET |
| LOCAL SOURCES | | | | |
| Interest from Investments | \$ 1,000 | \$ 1,000 | \$ 602 | \$ (398) |
| Donations | - | - | - | - |
| Custody & Care of Children | 53,000 | 53,000 | 51,770 | (1,230) |
| Earth Education | 10,000 | 10,000 | 13,774 | 3,774 |
| Other Local Sources | 1,000 | 1,000 | 11,682 | 10,682 |
| TOTAL LOCAL SOURCES | 65,000 | 65,000 | 77,828 | 12,828 |
| STATE SOURCES | 4,046,122 | 4,310,306 | 4,377,626 | 67,320 |
| FEDERAL SOURCES | 414,187 | 484,159 | 483,721 | (438) |
| TOTAL REVENUE | <u>\$ 4,525,309</u> | <u>\$ 4,859,465</u> | <u>\$ 4,939,175</u> | <u>\$ 79,710</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, 2022

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE |
|-------------------------|------------------|------------------|------------------|---------------|
| | ORIGINAL | FINAL | | FROM FINAL |
| | | | | BUDGET |
| INSTRUCTION | | | | |
| BASIC PROGRAMS | | | | |
| Elementary | | | | |
| Purchased Services | \$ 2,313,773 | \$ 2,760,934 | \$ 2,821,090 | \$ (60,156) |
| Supplies & Materials | 195,300 | 212,545 | 130,121 | 82,424 |
| Capital Outlay | 43,300 | 52,792 | 49,978 | 2,814 |
| Other Expenses | 17,400 | 17,400 | 12,490 | 4,910 |
| Total Elementary | <u>2,569,773</u> | <u>3,043,671</u> | <u>3,013,679</u> | <u>29,992</u> |
| TOTAL BASIC PROGRAMS | <u>2,569,773</u> | <u>3,043,671</u> | <u>3,013,679</u> | <u>29,992</u> |
| ADDED NEEDS | | | | |
| Special Education | | | | |
| Purchased Services | 209,500 | 318,069 | 317,281 | 788 |
| Supplies & Materials | 1,500 | 1,750 | 1,340 | 410 |
| Total Special Education | <u>211,000</u> | <u>319,819</u> | <u>318,621</u> | <u>1,198</u> |
| At Risk | | | | |
| Purchased Services | 176,500 | 282,754 | 274,599 | 8,155 |
| Total At Risk | <u>176,500</u> | <u>282,754</u> | <u>274,599</u> | <u>8,155</u> |
| TOTAL ADDED NEEDS | <u>387,500</u> | <u>602,573</u> | <u>593,220</u> | <u>9,353</u> |
| TOTAL INSTRUCTION | <u>2,957,273</u> | <u>3,646,244</u> | <u>3,606,899</u> | <u>39,345</u> |
| SUPPORT SERVICES | | | | |
| PUPIL | | | | |
| Purchased Services | 205,250 | 160,753 | 152,034 | 8,719 |
| TOTAL PUPIL | <u>205,250</u> | <u>160,753</u> | <u>152,034</u> | <u>8,719</u> |
| INSTRUCTIONAL | | | | |
| Purchased Services | 70,750 | 131,205 | 127,399 | 3,806 |
| Supplies & Materials | 3,500 | 3,100 | 3,073 | 27 |
| TOTAL INSTRUCTIONAL | <u>74,250</u> | <u>134,305</u> | <u>130,472</u> | <u>3,833</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, 2022

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE |
|-----------------------------------|------------------|-----------|-----------|------------|
| | ORIGINAL | FINAL | | FROM FINAL |
| | | | | BUDGET |
| SUPPORT SERVICES (Continued) | | | | |
| BOARD OF EDUCATION | | | | |
| Purchased Services | \$ 28,000 | \$ 26,100 | \$ 25,820 | \$ 280 |
| Other Expenses | 101,534 | 123,905 | 124,181 | (276) |
| TOTAL BOARD OF EDUCATION | 129,534 | 150,005 | 150,001 | 4 |
| EXECUTIVE ADMINISTRATION | | | | |
| Purchased Services | 85,300 | 89,800 | 86,078 | 3,722 |
| TOTAL EXECUTIVE ADMINISTRATION | 85,300 | 89,800 | 86,078 | 3,722 |
| SCHOOL ADMINISTRATION | | | | |
| Purchased Services | 203,650 | 231,486 | 230,062 | 1,424 |
| Supplies & Materials | 51,600 | 47,600 | 47,408 | 192 |
| Other Expenses | 9,000 | 10,950 | 10,935 | 15 |
| TOTAL SCHOOL ADMINISTRATION | 264,250 | 290,036 | 288,405 | 1,631 |
| FISCAL SERVICES | | | | |
| Purchased Services | 90,250 | 97,600 | 97,305 | 295 |
| Supplies & Materials | 860 | 875 | 663 | 212 |
| TOTAL FISCAL SERVICES | 91,110 | 98,475 | 97,968 | 507 |
| OPERATION & MAINTENANCE | | | | |
| Purchased Services | 320,900 | 340,852 | 366,436 | (25,584) |
| Supplies & Materials | 83,050 | 135,844 | 100,099 | 35,745 |
| TOTAL OPERATION & MAINTENANCE | 403,950 | 476,696 | 466,535 | 10,161 |
| TECHNOLOGY SUPPORT SERVICES | | | | |
| Purchased Services | 113,900 | 117,000 | 117,165 | (165) |
| TOTAL TECHNOLOGY SUPPORT SERVICES | 113,900 | 117,000 | 117,165 | (165) |
| TOTAL SUPPORT SERVICES | 1,367,544 | 1,517,070 | 1,488,658 | 28,412 |

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, 2022

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE |
|-----------------------------------|------------------|--------------|--------------|------------|
| | ORIGINAL | FINAL | | FROM FINAL |
| | | | | BUDGET |
| COMMUNITY SERVICES | | | | |
| COMMUNITY RECREATION | | | | |
| Purchased Services | \$ 3,000 | \$ 3,000 | \$ 2,695 | \$ 305 |
| TOTAL COMMUNITY RECREATION | 3,000 | 3,000 | 2,695 | 305 |
| CHILD CARE | | | | |
| Purchased Services | 67,695 | 85,945 | 86,625 | (680) |
| Supplies & Materials | 5,000 | 5,500 | 5,156 | 344 |
| Other Expenses | 500 | 500 | 125 | 375 |
| TOTAL CHILD CARE | 73,195 | 91,945 | 91,906 | 39 |
| WILLOWS | | | | |
| Purchased Services | 52,400 | 60,000 | 57,981 | 2,019 |
| Supplies & Materials | 5,350 | 5,350 | 4,715 | 635 |
| TOTAL WILLOWS | 57,750 | 65,350 | 62,696 | 2,654 |
| TOTAL COMMUNITY SERVICES | 133,945 | 160,295 | 157,297 | 2,998 |
| DEBT SERVICE | | | | |
| Principal | 121,600 | 121,600 | 121,600 | - |
| Interest | 42,644 | 42,644 | 42,644 | - |
| TOTAL DEBT SERVICE | 164,244 | 164,244 | 164,244 | - |
| TOTAL EXPENDITURES | 4,623,006 | 5,487,853 | 5,417,098 | 70,755 |
| OTHER FINANCING USES | | | | |
| Transfer to Capital Projects | - | - | 52,375 | (52,375) |
| Transfer to Food Service | - | - | - | - |
| TOTAL OTHER FINANCING USES | - | - | 52,375 | (52,375) |
| TOTAL EXPENDITURES AND OTHER USES | \$ 4,623,006 | \$ 5,487,853 | \$ 5,469,473 | \$ 18,380 |

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, 2022, 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 19, 2022.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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 statement amounts. 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.

Mattina, Kent & Gibbons, P.C.

Mattina, Kent & Gibbons, P.C.

Certified Public Accountants

Lapeer, Michigan

October 19, 2022

Rochester

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To the Board of Education
The Chatfield School
231 Lake Drive
Lapeer, MI 48446

In planning and performing our audit of the 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, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Chatfield School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to significant deficiencies.

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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weakness.

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. We consider the following deficiency to be a significant deficiency in internal control:

Lack of adequate controls to produce full-disclosure GAAP financial statements.

Criteria: All Michigan school districts are required to prepare financial statements in accordance with generally accept accounting principles (GAAP). This is the responsibility of the 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: The 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, The 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.

Effect: The result of this condition is that The 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.

We would expect this comment to continue from year to year. We do not recommend any changes to this situation at this time and communicate that as required by professional standards.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that we consider to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

The following comments relate to some of the School's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered significant deficiencies or material weaknesses and are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 19, 2022 on the financial statements of Chatfield School.

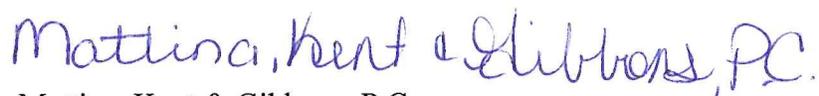
CASH MANAGEMENT – We noticed a grant request for funds that was based on projected payment, not based on reimbursement of payment. We recommend looking at each grant agreement to ensure reimbursement grant requests are based on actual payments, not based on projected payments

FOOD SERVICE FUND BALANCE – The food service fund balance has a balance in excess of the 3 month maximum balance. Please evaluate the food service program to spend down the fund balance.

This communication is intended solely for the information and use of management, Board of Education, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Board for the opportunity to serve as auditors for the Chatfield School. We would also like to thank the directors and staff for the courtesy and assistance provided to us during our audit. Please contact us, if you have any questions regarding these or any other matters.

Sincerely,



Mattina, Kent & Gibbons, P.C.
Certified Public Accountants
Lapeer, MI

October 19, 2022

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Certified Public Accountants

October 19, 2022

To the Board of Directors
Chatfield School

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chatfield School for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Chatfield School are described in Note 1 to the financial statements. As described in Note 14 to the financial statements, the Chatfield School changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, *Leases*, in the year ended June 30, 2022. We noted no transactions entered into by Chatfield School 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. There were no significant estimates.

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 known and likely 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.

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 19, 2022.

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 school’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

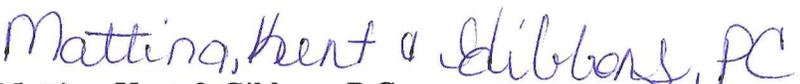
Other Matters

We applied certain limited procedures to management’s discussion and analysis and to budgetary comparison information, which are 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 the other supplemental information as listed in the table of contents of the financial statements, 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 Board of Directors and management of Chatfield School and is not intended to be, and should not be, used by anyone other than these specified parties.


Mattina, Kent & Gibbons, P.C.
Certified Public Accountants
Lapeer, Michigan