

**CHATFIELD SCHOOL
LAPEER, MICHIGAN**

**FINANCIAL REPORT
WITH ADDITIONAL INFORMATION
JUNE 30, 2017**

CHATFIELD SCHOOL

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Chatfield School
Lapeer, Michigan

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"), Lapeer, Michigan, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Chatfield School, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other 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 Other Supplemental 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.

The accompanying Other Supplemental Information, as identified in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 accompanying Other Supplemental Information, as identified in the table of contents, 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 16, 2017, 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 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 16, 2017

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, 2017.

FINANCIAL HIGHLIGHTS

- The School’s financial status remained stable, as total net position increased approximately 0.7 percent over the course of the year.
- Revenues increased 1.4 percent to \$4.09 million while expenses increased 3.4 percent to \$4.05 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.
- *Fiduciary funds* statements provide information about the financial relationships in which the School acts solely as a *trustee or agent* for the benefit of others.

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

	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the School administers resources on behalf of someone else, such as scholarship programs and student activities monies.
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 	<ul style="list-style-type: none"> - Statement of fiduciary assets and liabilities - Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, School’s funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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 two kinds of funds:

- *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.
- *Fiduciary funds* – The School is the trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the government-wide financial statements, because the School cannot use these assets to finance its operations.

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 larger on June 30, 2017, than it was the year before – increasing approximately 0.7 percent to \$5.86 million.

Chatfield School's Net Position

	2017	2016
Current and Other Assets	\$ 1,820,077	\$ 1,673,105
Capital Assets – Net of Depreciation	5,609,359	5,812,859
Total Assets	<u>7,429,436</u>	<u>7,485,964</u>
Current Liabilities	350,445	329,275
Long-term Liabilities – Net of Current Portion	1,215,305	1,332,212
Total Liabilities	<u>1,565,750</u>	<u>1,661,487</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	4,278,660	4,373,484
Restricted	2,902	3,642
Unrestricted	<u>1,582,124</u>	<u>1,447,351</u>
Total Net Position	<u>\$ 5,863,686</u>	<u>\$ 5,824,477</u>

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (Continued)

Changes in Chatfield School's Net Position

	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues		
Charges for Services	\$ 227,740	\$ 209,243
Federal and State Categorical Grants	335,222	309,434
General Revenues		
State Aid – Unrestricted	3,553,530	3,518,309
Other	<u>(23,516)</u>	<u>519</u>
Total Revenues	<u>4,092,976</u>	<u>4,037,505</u>
Expenses		
Instruction	2,361,296	2,276,523
Support Services	1,053,819	1,011,532
Community Services	226,817	214,510
Food Services	78,243	80,385
Unallocated Depreciation	247,343	239,769
Interest	<u>86,249</u>	<u>96,031</u>
Total Expenses	<u>4,053,767</u>	<u>3,918,750</u>
Increase (Decrease) in Net Position	<u>\$ 39,209</u>	<u>\$ 118,755</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 \$1.59 million, which is above last year's ending fund balances of \$1.45 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 \$127,301, the actual results for the year show an increase of \$134,180.
- Actual expenditures in 2016-17 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, 2017, the School had invested \$8.15 million in a range of capital assets, including land, buildings, furniture, and equipment. During the year ended June 30, 2017, the School invested approximately \$69,000 in capital assets which included mostly technology purchases and upgrades along with LED lighting upgrades and grounds care equipment. Upgrades to the technology lab and wireless network were necessary to meet the requirements for state assessments. 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 \$247,000.

Chatfield School's Capital Assets (Net of Depreciation)

	2017	2016
Land	\$ 50,000	\$ 50,000
Buildings	5,332,155	5,475,528
Equipment and Furniture	227,204	287,331
Total	<u>\$ 5,609,359</u>	<u>\$ 5,812,859</u>

Long-term Debt

At year-end the School had a mortgage note with Lakestone Bank & Trust for the middle school addition. The balance at June 30, 2017 was \$1.33 million with approximately \$109,000 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.

- Questions remain about the state's funding for K-12 public education.
- 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 \$195,000 that will be the first obligation for each year's future budgets.
- The School is enrolled in the National School Lunch Program which will reimburse the School for some of the cost of the Lunch Program and prevent future loss of revenue.
- The School has experienced a slight increase in federal funding for Title 1 Services.
- Employees accepting health, vision, and dental insurance are now required to pay 10% for health, vision and dental coverage.
- 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.

FACTORS BEARING ON THE SCHOOL'S FUTURE (Continued)

- 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, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 1,135,112
Accounts Receivable	<u>684,965</u>
TOTAL CURRENT ASSETS	1,820,077
NON-CURRENT ASSETS	
Capital Assets	8,154,537
Less: Accumulated Depreciation	<u>(2,545,178)</u>
TOTAL NON-CURRENT ASSETS	<u>5,609,359</u>
TOTAL ASSETS	<u><u>\$ 7,429,436</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	\$ 235,051
Current Portion of Note Payable	<u>115,394</u>
TOTAL CURRENT LIABILITIES	350,445
NON CURRENT LIABILITIES	
Non Current Portion of Note Payable	<u>1,215,305</u>
TOTAL LIABILITIES	1,565,750
NET POSITION	
Net Investment in Capital Assets	4,278,660
Restricted for:	
Donor Imposed Restrictions	2,902
Unrestricted	<u>1,582,124</u>
TOTAL NET POSITION	<u>5,863,686</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 7,429,436</u></u>

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

**CHATFIELD SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

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	\$ 2,361,296	\$ -	\$ 294,843	\$ (2,066,453)
Support Services	1,053,819	22,930	-	(1,030,889)
Community Services	226,817	167,009	-	(59,808)
Food Services	78,243	37,801	40,379	(63)
Interest on Debt	86,249	-	-	(86,249)
Depreciation (Unallocated)	247,343	-	-	(247,343)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 4,053,767	\$ 227,740	\$ 335,222	(3,490,805)
GENERAL REVENUES				
State of Michigan Aid - Unrestricted				3,553,530
Investment Revenue				288
Gain (Loss) on Disposals of Capital Assets				(25,249)
Miscellaneous				1,445
TOTAL GENERAL REVENUES				3,530,014
CHANGE IN NET POSITION				39,209
NET POSITION:				
BEGINNING OF YEAR				5,824,477
END OF YEAR				\$ 5,863,686

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

CHATFIELD SCHOOL
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017

	GOVERNMENTAL FUND TYPES			TOTAL GOVERN- MENTAL FUNDS
	MAJOR FUNDS		NON-MAJOR FUND	
	GENERAL	CAPITAL PROJECTS	FOOD SERVICE	
ASSETS				
Cash and Cash Equivalents	\$ 1,135,091	\$ 21	\$ -	\$ 1,135,112
Due From Governmental Units	684,083	-	882	684,965
Due from Other Funds	-	-	2,494	2,494
TOTAL ASSETS	\$ 1,819,174	\$ 21	\$ 3,376	\$ 1,822,571
LIABILITIES, FUND BALANCES AND OTHER CREDITS				
LIABILITIES				
Accounts Payable	\$ 235,051	\$ -	\$ -	\$ 235,051
Due to Other Funds	2,494	-	-	2,494
TOTAL LIABILITIES	237,545	-	-	237,545
FUND BALANCES AND OTHER CREDITS				
Restricted for:				
Donor Imposed Restrictions	2,902	-	-	2,902
Capital Projects	-	21	-	21
Committed for:				
Long Term Capital Investment	1,020,148	-	-	1,020,148
Assigned for:				
Subsequent Year Expenditures	300,000	-	-	300,000
Unassigned	258,579	-	3,376	261,955
TOTAL FUND BALANCES AND OTHER CREDITS	1,581,629	21	3,376	1,585,026
TOTAL LIABILITIES, FUND BALANCES, AND OTHER CREDITS	\$ 1,819,174	\$ 21	\$ 3,376	\$ 1,822,571

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

TOTAL GOVERNMENTAL FUND BALANCES	\$ 1,585,026
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	8,154,537
Accumulated Depreciation	(2,545,178)
Long-term liabilities are not due and payable in the current period and are not reported in the fund's Liabilities.	
	(1,330,699)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 5,863,686

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, 2017

	GOVERNMENTAL FUND TYPES			TOTAL GOVERNMENTAL FUNDS
	MAJOR FUNDS		NON-MAJOR FUND	
	GENERAL	CAPITAL PROJECTS	FOOD SERVICE	
REVENUE				
Local Sources	\$ 196,533	\$ -	\$ 37,801	\$ 234,334
State Sources	3,675,416	-	-	3,675,416
Federal Sources	168,095	-	40,379	208,474
	4,040,044	-	78,180	4,118,224
TOTAL REVENUE				
EXPENDITURES				
Instruction	2,361,296	-	-	2,361,296
Supporting Services	1,094,525	-	-	1,094,525
Community Services	226,817	-	-	226,817
Food Services	-	-	78,243	78,243
Capital Outlay	-	28,384	-	28,384
DEBT SERVICES				
Principal	108,677	-	-	108,677
Interest	86,249	-	-	86,249
	3,877,564	28,384	78,243	3,984,191
TOTAL EXPENDITURES				
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	162,480	(28,384)	(63)	134,033
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	28,300	-	28,300
Operating Transfers Out	(28,300)	-	-	(28,300)
	(28,300)	28,300	-	-
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCE	134,180	(84)	(63)	134,033
FUND BALANCE – JULY 1, 2016	1,447,449	105	3,439	1,450,993
FUND BALANCE – JUNE 30, 2017	\$ 1,581,629	\$ 21	\$ 3,376	\$ 1,585,026

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, 2017

Net Change in Fund Balance – Total Governmental Funds	\$	134,033
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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	(247,343)	
Capital Outlay	69,091	
Gain (Loss) on Disposals of Capital Assets	<u>(25,249)</u>	(203,501)

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>108,677</u>
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Change in Net Position of Governmental Activities	\$	<u><u>39,209</u></u>
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The accompanying notes are an integral part of the financial statements.

CHATFIELD SCHOOL
STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>TRUST & AGENCY FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ 62,116
LIABILITIES	
Due to Student Groups	\$ 62,116

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 2021. 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. 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* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. 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 fund types:

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

The *Trust and Agency Fund* accounts for assets held for other groups and organizations and is custodial in nature.

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, 2017 the foundation allowance was based on the pupil membership counts taken in February and September of 2016.

The State revenue is recognized during the foundation period and is funded through payments from October 2016 to August 2017. 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 16, 2017, 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	\$ 1,135,112
<u>Statement of Fiduciary Assets and Liabilities</u>	
Cash and Cash Equivalents	62,116
TOTAL	\$ 1,197,228
 <u>Notes to Financial Statements</u>	
Deposits	\$ 1,197,108
Petty Cash and Cash on Hand	120
TOTAL	\$ 1,197,228

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 \$284,160 of the School's bank balance of \$1,232,168 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:

	Balance June 30, 2016	Additions	Deletions or Adjustments	Balance June 30, 2017
CAPITAL ASSETS				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Building & Improvements	7,360,295	18,621	-	7,378,916
Furniture & Equipment	832,402	50,470	(157,251)	725,621
	<u>8,242,697</u>	<u>69,091</u>	<u>(157,251)</u>	<u>8,154,537</u>
Accumulated Depreciation				
Building & Improvements	(1,884,767)	(161,994)	-	(2,046,761)
Furniture & Equipment	(545,071)	(85,349)	132,003	(498,417)
	<u>(2,429,838)</u>	<u>(247,343)</u>	<u>132,003</u>	<u>(2,545,178)</u>
NET CAPITAL ASSETS	<u>\$ 5,812,859</u>	<u>\$ (178,252)</u>	<u>\$ (25,248)</u>	<u>\$ 5,609,359</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, 2019. The school paid \$3,063,579 to Chatfield Management Corporation for the leased employees, and ended the year with \$210,035 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, 2017, the School incurred expense of approximately \$106,000 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, 2017 is \$2,798.

In 2012, the Lapeer Optimist Club donated \$3,700 to be used to build a sugar shack. The remaining balance of the restricted donation at June 30, 2017 is \$104.

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 \$16,244, including interest at 6.22% through October 2026. The outstanding balance at June 30, 2017 was \$1,330,699. Annual debt service requirements to maturity are as follows:

<u>YEAR ENDING JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2018	\$ 115,394	\$ 79,531	\$ 194,925
2019	122,779	72,146	194,925
2020	130,638	64,287	194,925
2021	138,999	55,926	194,925
2022	147,895	47,030	194,925
2023 – 2026	674,994	87,535	762,529
TOTAL	\$ 1,330,699	\$ 406,455	\$ 1,737,154

**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 lighting upgrades, and miscellaneous improvements. 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	<u>\$ 28,300</u>	General Fund	<u>\$ 28,300</u>

Interfund Receivables/Payables

The amount of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
Food Service Fund	<u>\$ 2,494</u>	General Fund	<u>\$ 2,494</u>

REQUIRED SUPPLEMENTAL INFORMATION

CHATFIELD SCHOOL
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FROM FINAL BUDGET
REVENUE				
Local Sources	\$ 150,000	\$ 160,000	\$ 196,533	\$ 36,533
State Sources	3,645,613	3,680,319	3,675,416	(4,903)
Federal Sources	139,000	143,302	168,095	24,793
TOTAL REVENUE AND OTHER SOURCES	3,934,613	3,983,621	4,040,044	56,423
EXPENDITURES				
Instruction	2,520,634	2,497,134	2,361,296	135,838
Supporting Services	1,166,198	1,155,408	1,094,525	60,883
Community Services	220,702	228,380	226,817	1,563
DEBT SERVICE				
Principal	108,700	108,700	108,677	23
Interest	86,300	86,300	86,249	51
TOTAL EXPENDITURES	4,102,534	4,075,922	3,877,564	198,358
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(167,921)	(92,301)	162,480	254,781
OTHER FINANCING (USES)				
Operating Transfers	(35,000)	(35,000)	(28,300)	6,700
NET CHANGE IN FUND BALANCE	\$ (202,921)	\$ (127,301)	\$ 134,180	\$ 261,481
FUND BALANCE – JULY 1, 2016			1,447,449	
FUND BALANCE – JUNE 30, 2017			<u>\$ 1,581,629</u>	

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

CHATFIELD SCHOOL
GENERAL FUND SCHEDULE OF REVENUE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FROM FINAL BUDGET
LOCAL SOURCES				
Interest from Investments	\$ 200	\$ 1,200	\$ 288	\$ (912)
Donations	2,425	3,275	750	(2,525)
Custody & Care of Children	113,865	122,015	166,644	44,629
Earth Education	25,000	25,000	22,930	(2,070)
Other Local Sources	8,510	8,510	5,921	(2,589)
TOTAL LOCAL SOURCES	150,000	160,000	196,533	36,533
STATE SOURCES	3,645,613	3,680,319	3,675,416	(4,903)
FEDERAL SOURCES	139,000	143,302	168,095	24,793
TOTAL REVENUE	<u>\$ 3,934,613</u>	<u>\$ 3,983,621</u>	<u>\$ 4,040,044</u>	<u>\$ 56,423</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, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FROM FINAL BUDGET
INSTRUCTION				
BASIC PROGRAMS				
Elementary				
Purchased Services	\$ 1,996,541	\$ 1,990,460	\$ 1,926,269	\$ 64,191
Supplies & Materials	150,280	153,112	101,436	51,676
Capital Outlay	41,890	46,344	46,226	118
Other Expenses	16,031	16,031	12,811	3,220
Total Elementary	<u>2,204,742</u>	<u>2,205,947</u>	<u>2,086,742</u>	<u>119,205</u>
TOTAL BASIC PROGRAMS	<u>2,204,742</u>	<u>2,205,947</u>	<u>2,086,742</u>	<u>119,205</u>
ADDED NEEDS				
Special Education				
Purchased Services	116,092	117,960	101,763	16,197
Supplies & Materials	920	1,000	936	64
Total Special Education	<u>117,012</u>	<u>118,960</u>	<u>102,699</u>	<u>16,261</u>
At Risk				
Purchased Services	198,880	167,458	167,087	371
Supplies & Materials	-	4,769	4,768	1
Total At Risk	<u>198,880</u>	<u>172,227</u>	<u>171,855</u>	<u>372</u>
TOTAL ADDED NEEDS	<u>315,892</u>	<u>291,187</u>	<u>274,554</u>	<u>16,633</u>
TOTAL INSTRUCTION	<u>2,520,634</u>	<u>2,497,134</u>	<u>2,361,296</u>	<u>135,838</u>
SUPPORT SERVICES				
PUPIL				
Purchased Services	94,125	98,825	86,958	11,867
TOTAL PUPIL	<u>94,125</u>	<u>98,825</u>	<u>86,958</u>	<u>11,867</u>
INSTRUCTIONAL				
Purchased Services	69,306	59,350	47,667	11,683
Supplies & Materials	2,350	2,350	1,276	1,074
TOTAL INSTRUCTIONAL	<u>71,656</u>	<u>61,700</u>	<u>48,943</u>	<u>12,757</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, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FROM FINAL
				BUDGET
SUPPORT SERVICES (Continued)				
BOARD OF EDUCATION				
Purchased Services	\$ 19,270	\$ 23,826	\$ 22,045	\$ 1,781
Other Expenses	105,834	106,534	106,489	45
TOTAL BOARD OF EDUCATION	<u>125,104</u>	<u>130,360</u>	<u>128,534</u>	<u>1,826</u>
EXECUTIVE ADMINISTRATION				
Purchased Services	<u>73,150</u>	<u>74,150</u>	<u>73,788</u>	<u>362</u>
TOTAL EXECUTIVE ADMINISTRATION	73,150	74,150	73,788	362
SCHOOL ADMINISTRATION				
Purchased Services	176,925	181,775	181,118	657
Supplies & Materials	50,033	50,533	49,764	769
Capital Outlay	-	-	-	-
Other Expenses	<u>48,850</u>	<u>28,350</u>	<u>14,828</u>	<u>13,522</u>
TOTAL SCHOOL ADMINISTRATION	275,808	260,658	245,710	14,948
FISCAL SERVICES				
Purchased Services	72,200	75,250	74,579	671
Supplies & Materials	<u>110</u>	<u>610</u>	<u>388</u>	<u>222</u>
TOTAL FISCAL SERVICES	72,310	75,860	74,967	893
OPERATION & MAINTENANCE				
Purchased Services	291,805	281,925	277,823	4,102
Supplies & Materials	61,390	63,800	59,761	4,039
Capital Outlay	<u>500</u>	<u>4,700</u>	<u>4,148</u>	<u>552</u>
TOTAL OPERATION & MAINTENANCE	353,695	350,425	341,732	8,693
TECHNOLOGY SUPPORT SERVICES				
Purchased Services	<u>100,350</u>	<u>103,430</u>	<u>93,893</u>	<u>9,537</u>
TOTAL TECHNOLOGY SUPPORT SERVICES	100,350	103,430	93,893	9,537
TOTAL SUPPORT SERVICES	<u>1,166,198</u>	<u>1,155,408</u>	<u>1,094,525</u>	<u>60,883</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, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FROM FINAL
				BUDGET
COMMUNITY SERVICES				
COMMUNITY RECREATION				
Purchased Services	\$ 4,200	\$ 6,500	\$ 6,395	\$ 105
TOTAL COMMUNITY RECREATION	4,200	6,500	6,395	105
CHILD CARE				
Purchased Services	150,255	158,525	158,024	501
Supplies & Materials	8,209	6,339	6,294	45
Other Expenses	850	130	130	-
TOTAL CHILD CARE	159,314	164,994	164,448	546
WILLOWS				
Purchased Services	51,036	51,366	51,319	47
Supplies & Materials	6,152	5,520	4,655	865
TOTAL WILLOWS	57,188	56,886	55,974	912
TOTAL COMMUNITY SERVICES	220,702	228,380	226,817	1,563
DEBT SERVICE				
Principal	108,700	108,700	108,677	23
Interest	86,300	86,300	86,249	51
TOTAL DEBT SERVICE	195,000	195,000	194,926	74
TOTAL EXPENDITURES	4,102,534	4,075,922	3,877,564	198,358
OTHER FINANCING USES				
Transfer to Capital Projects	35,000	35,000	28,300	6,700
Transfer to Food Service	-	-	-	-
TOTAL OTHER FINANCING USES	35,000	35,000	28,300	6,700
TOTAL EXPENDITURES AND OTHER USES	\$ 4,137,534	\$ 4,110,922	\$ 3,905,864	\$ 205,058

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

OTHER SUPPLEMENTAL INFORMATION

**CHATFIELD SCHOOL
TRUST AND AGENCY FUND
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2017**

	<u>BALANCE JUNE 30, 2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE JUNE 30, 2017</u>
<u>ASSETS</u>				
CASH	\$ 49,770	\$ 178,766	\$ 166,420	\$ 62,116
<u>LIABILITIES</u>				
DUE TO STUDENT/ OTHER GROUPS	\$ 49,770	\$ 178,766	\$ 166,420	\$ 62,116

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, 2017, 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 18, 2017.

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 16, 2017