



**CHELSEA SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Chelsea School District
Chelsea, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chelsea School District (the "School District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District'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 the School District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District'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 the School District'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 the School District'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, budgetary comparison information, and the schedules of proportionate share of net pension and OPEB liabilities and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the School District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District'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 the School District's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, MI
October 31, 2023

Management's Discussion and Analysis

Chelsea School District
Management's Discussion and Analysis
June 30, 2023

This section of Chelsea School District's (the "School District"), annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2023. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2023.

Financial Highlights

- The liabilities and deferred inflows of the School District exceeded its assets and deferred outflows at the close of this fiscal year by \$2,382,233 (shown as a deficit *net position*). The School District had a deficit *unrestricted net position* of \$(50,006,957).
- Revenues of \$49,391,159 exceeded expenses of \$42,751,114 leading to an increase in net position of \$6,640,045 during the year.
- During the year, the School District's fund balances increased by \$13,235,693, for an ending fund balance of \$28,551,468.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,124,036, or 14.1% of the general fund's total expenditures and transfers out. Fund balance of the general fund increased by \$99,691 during the year.

Overview of the Financial Statements

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

- The first two statements, the statement of net position and the statement of activities, are *government-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School District, reporting the School District's operations in more detail than the government-wide statements. *Governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary

information follows and includes combining and individual fund statements as well as a budgetary comparison schedule for the general fund as well as schedules showing the School District's funding status of its pension and OPEB retirement plans.

Government-wide Financial Statements

The government-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets, deferred outflows, liabilities, and deferred inflows. 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 District's net position, and how they have changed. Net position – the difference between the School District's assets, deferred outflows and inflows, and liabilities - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one should consider additional non-financial factors such as changes in the School District's property tax-base and the condition of School District buildings and other facilities.

In the government-wide financial statements, the School District's activities are presented as governmental activities. *Governmental activities* include the School District's basic services, such as regular and special education, instructional support, transportation, administration, community services, food service, and athletics. State aid and property taxes finance most of these activities.

Financial Analysis of the School District as a Whole

The School District's cash and investments increased by \$17,195,018 during the year being similar to the increase in governmental fund balance of \$13,169,324, largely due to the bond issuance of \$24,220,000. Receivables increased by \$748,991 due mainly to the timing of ESSER funds amounting to nearly \$795,000 being collected in July of 2023. All components of deferred outflows of resources experienced significant changes during the year; pension and OPEB related outflows increased by \$11,526,924 and \$1,417,713, respectively, due to investment losses on the respective plans of 4.18% and 4.99% (Pension, OPEB) and 80% of these market losses are being deferred an expensed over the next four years.

Accounts payable increasing by \$3,775,163 over the previous year is due to building and land improvement projects' costs being incurred but not paid prior to year-end. The \$800,328 and \$111,053 increase in accrued expenses and salaries payable, respectively, compared to the prior year is due almost exclusively to the timing of year-end payroll payments. Unearned revenues increased by \$197,240 due to the timing of grants collected in advance of having incurred the grant-related expenditures. Net OPEB and pension liabilities increased by \$1,143,653 and \$26,221,292, respectively, due to the aforementioned investment losses. OPEB and pension related deferred inflow amounts decreased during the year due to the amortization of prior year deferred

pension expenditures combined with the reclassification of prior excess earnings as deferred outflows; the decreases were \$2,471,495 and \$14,166,007 for OPEB and Pension deferred inflows. The School District's long-term debt increased by a total of \$18,372,633 due to the School District issuing a new bond as indicated in the notes to the financial statements.

The schedule on the following page summarizes the School Districts net position for each of the past two fiscal years.

Chelsea School District's Net Position

ASSETS	2023	2022
<i>Current Assets</i>		
Cash and investments	\$ 32,594,716	\$ 15,399,698
Receivables	7,148,359	6,399,368
Inventory and prepaid items	13,819	55,431
<i>Total Current Assets</i>	39,756,894	21,854,497
<i>Noncurrent Assets</i>		
Capital assets, net	82,434,822	72,537,568
<i>Total Assets</i>	122,191,716	94,392,065
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	21,016,540	9,489,616
OPEB related	5,130,677	3,712,964
Charge on bond refunding	130,086	146,347
<i>Total Deferred Outflows of Resources</i>	26,277,303	13,348,927
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	5,905,147	2,129,984
Accrued expenses	2,240,243	1,375,717
Salaries payable	2,103,421	1,992,368
Unearned revenue	862,861	665,621
Interest payable	369,203	246,458
Current portion of long-term debt	7,050,754	6,149,335
<i>Total Current Liabilities</i>	18,531,629	12,559,483
<i>Noncurrent Liabilities</i>		
Long-term debt	50,029,062	32,557,848
Net OPEB liability	69,671,439	43,450,147
Net pension liability	3,944,525	2,800,872
<i>Total Liabilities</i>	142,176,655	91,368,350
DEFERRED INFLOWS OF RESOURCES		
Pension related	361,137	14,527,144
OPEB related	8,105,849	10,577,344
Gain on bond refunding	102,172	114,943
Lease revenue	105,439	175,489
<i>Total Deferred Inflows of Resources</i>	8,674,597	25,394,920
NET POSITION		
Net investment in capital assets	42,149,920	39,100,127
Restricted	5,474,804	3,875,632
Unrestricted	(50,006,957)	(51,998,037)
<i>Total Net Position</i>	\$ (2,382,233)	\$ (9,022,278)

The results of the fiscal year's operations for the School District as a whole are presented in the statement of activities, which shows the change in total net position for the year. This schedule shows the changes in net position for the past two fiscal years.

Chelsea School District's Changes in Net Position

Revenues	2023	2022
Program Revenues		
Charges for services	\$ 2,952,215	\$ 1,655,146
Operating grants and contributions	15,401,256	14,055,117
Total Program Revenues	18,353,471	15,710,263
General Revenues		
Property taxes	14,300,404	13,881,557
Unrestricted state sources	15,886,478	14,931,825
Unrestricted investment earnings	850,806	763,255
Total General Revenues	31,037,688	29,576,637
Total Revenues	49,391,159	45,286,900
Expenses		
Instruction	19,784,995	16,838,480
Supporting services	15,805,786	14,771,663
Community services	1,530,823	823,345
Food services	1,270,043	1,384,515
Athletics	962,201	770,757
Interest and other related costs on long-term debt	1,748,457	1,699,846
Unallocated depreciation	1,648,809	1,541,510
Total Expenses	42,751,114	37,830,116
Change in Net Position	6,640,045	7,456,784
<i>Net Position at Beginning of Period</i>	<i>(9,022,278)</i>	<i>(16,479,062)</i>
Net Position at End of Period	\$ (2,382,233)	\$ (9,022,278)

Charges for services increased by \$1,297,069 due in large part to the lack of COVID related restrictions in fiscal year 2023 leading to increases in activity and related charges. An increase of \$1,346,139 can be seen year over year in operating grants and contributions. This increase is primarily related to the 147(c) MPSERS One-time deposit of \$1,870,097 (provided to all school districts) during fiscal year 2023. Property tax increases can be considered mostly as a result of increased taxable value of property within the district. Unrestricted state sources were \$954,653 more than last year as the foundation allowance increased from \$8,700 in the previous year to \$9,150 per student. Interest and investment earnings, exclusive of amounts mentioned previously related to pension and OPEB plans, performed significantly better than in the previous year due mostly to MILAF pooled investments generating a positive return during fiscal 2023; whereas those same investments incurred losses during fiscal 2022.

Changes within instruction and supporting services expenses for the School District were largely caused by the changes in net pension liability - pension expense increased roughly \$3.6 million

compared to the prior year plus an overall increase in activity due to no COVID related restrictions, leading to an overall increase in activity. The lack of COVID restrictions was a key driver for the increases of \$191,444 and \$1,034,123 in athletics and community services costs, respectively. Interest on long-term debt increased during the year mostly to the School District having recently issued a new bond. Lastly, unallocated depreciation expenses increased \$107,299 over the previous year.

Fund Financial Statements

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

The School District utilizes *governmental funds* within this report. Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Financial Analysis of the School District's Funds

The School District uses funds to record and analyze financial information. The School District has four major funds.

The ***general fund*** is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,124,036. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 15.9% of total general fund expenditures and transfers out.

The fund balance of the School District's general fund increased by \$99,691 for a total fund balance of \$5,764,848. The increase was primarily caused by an increase in instruction and supporting services expenditures due to resumed activities within the School District.

The ***sinking fund***, a major fund, had an increase of \$711,434 in fund balance for an ending balance of \$2,917,862. The increase in fund balance was driven by property tax revenue from the sinking fund millage being greater than capital outlay purchased from the fund.

The ***2022 capital projects fund***, a major fund, had an increase of \$15,598,667 in fund balance during the year, mostly a result of the School District's new bond issuance of \$24,220,000.

General Fund Budgetary Highlights

During the year the School District revised its budget to attempt to match changes in the School District funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations.

Original budget compared to final budget. There were significant amendments made to the original budget for both the original estimated revenues and the original appropriated expenditures. The required supplementary information section houses the budgetary comparison schedule for the general fund, as listed in the table of contents. Results for budgeted to actual results can be examined there in detail.

Final budget compared to actual results. The School District had the following minor expenditure in excess of the amount appropriated during the year ended June 30, 2023:

<u>Fund / Function / Department</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
General fund			
<i>Instruction</i>			
Added needs	\$ 3,511,226	\$ 3,511,347	\$ (121)
<i>Supporting services</i>			
Pupil	3,888,094	3,922,925	(34,831)
School administration	1,720,632	1,731,302	(10,670)
Business	598,397	599,787	(1,390)
<i>Athletics</i>	948,937	962,201	(13,264)
<i>Transfers out</i>	118,668	223,370	(104,702)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2023, the School District had \$82,434,822 invested in capital assets, a 13.6% increase in the amount reported from the prior year. This net increase of \$9,897,254 consisted of capital asset purchases of \$14,164,839 less depreciation expense of \$4,226,196 and net disposal of capital assets of \$41,389.

The School District's current year major purchases consisted of \$11,064,452 for the building and site construction projects as well as an additional \$3,100,387 of various other assets that were put into service during the year.

More detailed information about the School District's capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt

At year-end, the School District had total long-term debt of \$57,079,816, up from \$38,707,183 in the prior year.

- The School District issued \$24,220,000 of 2022 building and site general obligation bonds.
- The School District continued to pay down its debt, retiring \$5,615,000 of outstanding bonds and loans during the year.

The State limits the amount of general obligation debt that School Districts can issue. The School District is well under the State limit as of June 30, 2023.

More detailed information about the School District's long-term debt can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budget and Rates

The School District community has continued to be extremely supportive of the district. One way they do this is by passing bond issues and sinking funds. Because of this we are able to continue to provide additional classroom dollars by maintaining expenditures for buses, a major portion of technology and other furniture and equipment as well as some district repairs within the bond and sinking funds. Therefore, the district has been able to continue not budgeting for these expenditures in the general fund operating budget.

The per pupil Foundation Allowance continues to be a major source of revenue for the General Fund, therefore enrollment shifts could drastically impact funding. The District increased its cap for the number of school of choice students allowed and this should impact overall student enrollment.

The School District will begin preparing plans to account for substantial revenue reductions once all of the American Recovery Plan ESSER Federal funding is exhausted. The 2023/24 preliminary budget represents a portion of this funding being reduced and the rest will be removed in 2024/25.

The current budget is built with a retirement rate estimated at 48.23%. We are concerned about how the future retirement rates will be calculated along with changes in legislation regarding retirees returning to work.

We have one union group for our Teachers. A three year contract was settled with the union group and will expire at the end of the 2025/26 school year.

The School District estimates that approximately \$34.7 million of revenues will be available for appropriation in the general fund in the upcoming budget. The School District continues to review all budget line items for opportunities to reduce expenditures when possible while providing an excellent education to the district it serves. The budget will be monitored during the year to identify any necessary amendments.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Business Office
Chelsea School District
500 Washington Street
Chelsea, MI 48118

Basic Financial Statements

Chelsea School District
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash and investments	\$ 32,594,716
Taxes receivable	87,666
Accounts receivable	2,509,173
Leases receivable	107,143
Due from other governmental units	4,444,377
Inventory	13,819
Total Current Assets	39,756,894
<i>Noncurrent Assets</i>	
Capital assets not being depreciated	6,550,852
Capital assets being depreciated, net	75,883,970
Total Assets	122,191,716
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	21,016,540
OPEB related	5,130,677
Charge on bond refunding	130,086
Total Deferred Outflows of Resources	26,277,303
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	5,905,147
Accrued expenses	2,240,243
Salaries payable	2,103,421
Unearned revenue	862,861
Interest payable	369,203
Current portion of long-term debt	7,050,754
Total Current Liabilities	18,531,629
<i>Noncurrent Liabilities</i>	
Long-term debt	50,029,062
Net pension liability	69,671,439
Net OPEB liability	3,944,525
Total Liabilities	142,176,655
DEFERRED INFLOWS OF RESOURCES	
Pension related	361,137
OPEB related	8,105,849
Gain on bond refunding	102,172
Lease revenue	105,439
Total Deferred Inflows of Resources	8,674,597
NET POSITION	
Net Investment in Capital Assets	42,149,920
<i>Restricted for:</i>	
Food Service	317,051
Scholarships	85,762
Capital Projects	2,963,391
Debt Service	2,108,600
<i>Unrestricted</i>	(50,006,957)
Total Net Position	\$ (2,382,233)

The Notes to the Financial Statements are an integral part of these Financial Statements

Chelsea School District
Statement of Activities
For the Year Ended June 30, 2023

	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental Activities:					
Instruction	\$ 19,784,995	\$ 29,150	\$ 13,929,458	\$ --	\$ (5,826,387)
Supporting services	15,805,786	862,557	286,281	--	(14,656,948)
Community services	1,530,823	1,126,152	594,402	--	189,731
Food services	1,270,043	829,570	549,349	--	108,876
Athletics	962,201	104,786	41,766	--	(1,648,809)
Interest on long-term debt and other related costs	1,748,457	--	--	--	(1,748,457)
Unallocated depreciation	1,648,809	--	--	--	(815,649)
Total Governmental Activities	\$ 42,751,114	\$ 2,952,215	\$ 15,401,256	\$ --	\$ (24,397,643)
General Purpose Revenues:					
Property taxes, levied for general operations					5,407,200
Property taxes, levied for capital projects					1,037,285
Property taxes, levied for debt service					7,855,919
Unrestricted state sources					15,886,478
Unrestricted investment earnings					850,806
Total General Revenues					31,037,688
Change in Net Position					6,640,045
<i>Net Position at Beginning of Period</i>					<i>(9,022,278)</i>
Net Position at End of Period					\$ (2,382,233)

The Notes to the Financial Statements are an integral part of these Financial Statements

**Chelsea School District
Balance Sheet
Governmental Funds
June 30, 2023**

	Capital Projects				Total Governmental Funds
	General	Sinking Fund	2022 Capital Projects	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 4,844,535	\$ 2,622,573	\$ 21,615,294	\$ 3,512,314	\$ 32,594,716
Taxes receivable	4,860	27,964	--	54,842	87,666
Accounts receivable	2,364,900	--	--	144,273	2,509,173
Leases receivable	107,143	--	--	--	107,143
Due from other governmental units	4,431,781	--	--	12,596	4,444,377
Inventory	--	--	--	13,819	13,819
Due from other funds	--	312,854	--	934,733	1,247,587
Total Assets	\$ 11,753,219	\$ 2,963,391	\$ 21,615,294	\$ 4,672,577	\$ 41,004,481
LIABILITIES					
Accounts payable	\$ 78,019	--	\$ 5,766,627	\$ 60,501	\$ 5,905,147
Accrued expenditures	2,225,673	--	--	14,570	2,240,243
Salaries payable	2,064,544	--	--	38,877	2,103,421
Unearned revenue	516,371	--	--	346,490	862,861
Due to other funds	993,465	--	250,000	4,122	1,247,587
Total Liabilities	5,878,072	--	6,016,627	464,560	12,359,259
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - leases	105,439	--	--	--	105,439
Unavailable revenue - property taxes	4,860	45,529	--	4,295	54,684
Total Liabilities and Deferred Inflows of Resources	5,988,371	45,529	6,016,627	468,855	12,519,382
FUND BALANCE					
Nonspendable for:					
Inventory	--	--	--	13,819	13,819
Restricted for:					
Food Service	--	--	--	303,232	303,232
Student Scholarship	--	--	--	85,762	85,762
Debt Service	--	--	--	2,104,305	2,104,305
Capital Projects	--	2,917,862	15,598,667	1,168,333	19,684,862
Committed for:					
Student Activities	--	--	--	528,271	528,271
Assigned for:					
Technology	62,764	--	--	--	62,764
Curriculum	115,495	--	--	--	115,495
Pierce Lake Elementary	462,553	--	--	--	462,553
Unassigned	5,124,036	--	--	--	5,124,036
Total Fund Balance	5,764,848	2,917,862	15,598,667	4,203,722	28,485,099
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 11,753,219	\$ 2,963,391	\$ 21,615,294	\$ 4,672,577	\$ 41,004,481

The Notes to the Financial Statements are an integral part of these Financial Statements

Chelsea School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds	\$ 28,485,099
General government capital assets of \$147,151,981, net of accumulated depreciation of \$64,717,159, are not financial resources and, accordingly, are not reported in the funds.	82,434,822
Other post employment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.	(6,919,697)
Long-term liabilities, including bonds, lease obligations, and premium on bonds, are not due and payable in the current period and, therefore, are not reported in the funds.	(57,051,902)
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(369,203)
Net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.	(49,016,036)
Unavailable revenues are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the funds.	54,684
Total Net Position - Governmental Activities	\$ <u>(2,382,233)</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Chelsea School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	Capital Projects				Other Governmental Funds	Total Governmental Funds
	General	Sinking Fund	2022 Capital Projects			
Revenues						
Local sources	\$ 5,990,029	\$ 1,095,187	\$ 431,952	\$	10,729,426	\$ 18,352,558
State sources	23,859,630	19,569	--		486,820	24,324,253
Federal sources	1,995,850	--	--		928,934	2,924,784
Interdistrict sources and other	3,996,931	1,690	--		--	3,998,621
Total Revenues	35,842,440	1,116,446	431,952		12,145,180	49,600,216
Expenditures						
Instruction	21,065,405	--	--		--	21,063,234
Supporting services	13,923,199	--	--		485,736	14,408,935
Community services	68,713	--	--		1,531,785	1,600,498
Food services	--	--	--		1,310,012	1,310,012
Athletics	962,201	--	--		--	962,201
Capital outlay	--	405,012	9,207,184		4,157,858	13,770,054
Debt service, principal	--	--	--		5,615,000	5,615,000
Debt service, interest and other costs	--	--	374,488		2,008,488	2,382,976
Total Expenditures	36,019,518	405,012	9,581,672		15,108,879	61,115,081
Excess of Revenues Over (Under) Expenditures	(177,078)	711,434	(9,149,720)		(2,963,699)	(11,579,063)
Other Financing Sources (Uses)						
Bond proceeds	--	--	24,220,000		--	24,220,000
Bond premium	--	--	528,387		--	528,387
Transfers in	500,139	--	--		223,370	723,509
Transfers out	(223,370)	--	--		(500,139)	(723,509)
Net Other Financing Sources (Uses)	276,769	--	24,748,387		(276,769)	24,748,387
Net Change in Fund Balance	99,691	711,434	15,598,667		(3,240,468)	13,169,324
Fund Balance at Beginning of Period	5,665,157	2,206,428	--		7,444,190	15,315,775
Fund Balance at End of Period	\$ 5,764,848	\$ 2,917,862	\$ 15,598,667		\$ 4,203,722	\$ 28,485,099

The Notes to the Financial Statements are an integral part of these Financial Statements

Chelsea School District
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 13,169,324
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	(528,361)
Repayment of bond and lease obligation principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. Further, issuances of long-term debt are recorded as other financing sources in the funds but are recorded as an increase in long-term debt on the statement of net position. This represents principal payments of \$333,877 net of a lease obligation addition of \$194,442.	(18,605,000)
In the statement of activities, interest and bond discounts and premiums are accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest and amortization of bond premiums and discounts.	106,132
The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions.	2,745,555
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and expensed. This represents the amount by which depreciation expense of \$4,226,196 and net disposals of \$41,389 is exceeded by capital outlay of \$14,164,839.	9,897,254
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources.	(144,859)
Changes in Net Position - Governmental Activities	\$ <u>6,640,045</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

Chelsea School District

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Chelsea School District (the “School District” or “government”) conform to generally accepted accounting principles as applicable to School District. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District’s significant accounting policies are described below:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. 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 District’s reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. The government-wide statements report *governmental activities*, which normally are supported by taxes and intergovernmental revenues.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Chelsea School District

Notes to the Financial Statements

recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

Revenues susceptible to accrual are property taxes, state aid, federal, and inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School District reports the following major funds:

The ***general fund*** is the general operating fund of the School District. It is used to account for all financial resources, except those required to be accounted for in another fund.

The ***sinking fund*** is a capital projects fund that is used to account for capital project activities funded with a sinking fund millage.

The ***2022 capital projects fund*** is used to account for bond proceeds specifically designed for the remodeling and improvements of facilities.

Additionally, the School District reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, and leases) principal, interest, and related costs.

Capital projects funds account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Chelsea School District

Notes to the Financial Statements

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level for special revenue funds and the department level for the general fund. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits the School District to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be reappropriated and honored during the subsequent year.

Property Taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied on December 1 by the City of Chelsea, Dexter Township, Freedom Township, Lima Township, Lyndon Township, Sharon Township, Sylvan Township, Grass Lake Township and Waterloo Township, whose boundaries include property within the School District and are due on February 14. Taxes are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. Delinquent real taxes are advanced to the School District by the Revolving Tax Fund of Washtenaw and Jackson Counties. Assessed values are established annually by the various governmental units within the School District and are equalized by the State of Michigan.

Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Fund Equity

Deposits and Investments

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

State statutes and School District policy authorize the School District to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Chelsea School District

Notes to the Financial Statements

- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

Inventory and Prepaid Items

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the food service fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased.

Chelsea School District

Notes to the Financial Statements

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

Capital Assets

Capital assets, which include land, outside site improvements, buildings and additions, furniture and other equipment, and vehicles are reported in the government-wide financial statements. Assets having a useful life in excess of five years and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, furniture and equipment and vehicles are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	15 - 30
Buildings and improvements	10 - 50
Vehicles	8
Equipment	5 - 25

Deferred Outflows 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 District has two items that qualify for reporting in this category. They are the: 1) pension and other postemployment benefits related items reporting in the government-wide statement of net position and 2) deferred charges associated with bond refundings. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. These amounts are expensed in the year in which they apply.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School District who do not work during the summer when School District is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging

Chelsea School District

Notes to the Financial Statements

their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for the employee health insurance premiums for the months of July and August. The School District pays these insurances for this period as part of the compensation for services rendered in the preceding School District year.

Compensated Absences

Long-term sick and vacation benefits do not accrue or vest and therefore are not recorded as a liability of the School District.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are recorded as a period expense. Bonds payables are reported at the total amount of bonds issued.

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

Pension

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School District Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of

Chelsea School District

Notes to the Financial Statements

employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

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 District has six items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. The fourth item is deferred inflows for the gain on refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. The fifth item is deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease. The governmental funds also report unavailable revenues (the sixth item), which arise only under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the *assigned fund balance* classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education can assign fund balance as it does when appropriating fund balance to cover a gap

Chelsea School District

Notes to the Financial Statements

between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

Fund Balance Flow Assumptions

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

Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated. The School District's actual expenditures and budgeted expenditures for the

Chelsea School District

Notes to the Financial Statements

budgeted funds have been shown at the department level. The approved budgets of the School District for these budgeted funds were also adopted at the department level.

Excess of expenditures over appropriations in budgeted funds – The School District had the following expenditure in excess of the amount appropriated as of June 30, 2023:

<u>Fund / Function / Department</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
General fund			
<i>Instruction</i>			
Added needs	\$ 3,511,226	\$ 3,511,347	\$ (121)
<i>Supporting services</i>			
Pupil	3,888,094	3,922,925	(34,831)
School administration	1,720,632	1,731,302	(10,670)
Business	598,397	599,787	(1,390)
<i>Athletics</i>	948,937	962,201	(13,264)
<i>Transfers out</i>	118,668	223,370	(104,702)

Governmental Activities Deficit

The School District has an unrestricted net position deficit for district-wide activities in the amount of (\$49,940,453) and a deficit total net position of (\$2,315,729) as of June 30, 2023. The primary cause for the unrestricted net position deficit is the School District's net pension liability and net OPEB liability.

Sinking Fund Compliance

The sinking fund records capital project activities funded with a sinking fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

Capital Projects Fund Compliance

The 2018 capital projects fund, 2020 capital projects fund, and 2022 capital projects fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

Chelsea School District

Notes to the Financial Statements

Note 3 - Deposits and Investments

A reconciliation of cash and investments as shown on the statement of net position follows:

Statement of Net Position	
Cash and investments	<u>\$ 32,594,716</u>
Deposits and Investments	
Checking and savings accounts	\$ 11,412,430
Pooled investments (MILAF)	21,176,165
Cash on hand	<u>6,121</u>
Total Deposits and Investments	<u>\$ 32,594,716</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be returned. State law does not require, and the School District does not have a policy for deposit custodial credit risk. As of year-end, \$13,894,398 of the School District's bank balance of \$14,144,398 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the School District believes it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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 District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, School District policy limits the types of investments and pre-qualifies financial institutions. As of June 30, 2023, none of the School District's investments were exposed to custodial credit risk since the securities are held in the School District's name by the counterparty. The School District's investments consisted of the Michigan Liquid Asset Fund in the amount of \$21,176,165, as of June 30, 2023.

Credit Risk. State law limits investments to specific government securities, certificates of deposits, and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The School District's investment policy does not have specific limits in excess of state law on investment credit risk. The School District's only investment, the Michigan Liquid Asset Fund, is rated AAAM by the S&P with a fair market value of \$21,176,165.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant

Chelsea School District

Notes to the Financial Statements

accounting policies. The School District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The School District has no investments with maturities.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the School District's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The School District's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a percentage of the total investment portfolio. All investments held at year-end are reported above.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

As of June 30, 2023, the fair value measurements of investments were limited to the Michigan Liquid Asset Fund assets with a fair market value of \$21,176,165 and were all classified as Level 2.

Chelsea School District

Notes to the Financial Statements

Note 4 - Interfund Receivables, Payables, and Transfers

At June 30, 2023, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental funds	General	\$ 680,611
Nonmajor governmental funds	2022 Capital Projects	250,000
Nonmajor governmental funds	Nonmajor governmental funds	4,122
Sinking Fund	General	312,854

Interfund balances resulted primarily from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

For the year ending June 30, 2023, interfund transfers consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Food Service	\$ 88,000
Community Education	General	223,370
General	Community Education	412,139

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

For the year ended June 30, 2023, the School District's general fund transferred funds primarily to subsidize the community service program and received funds from its food service operation and community education programs for indirect costs.

Note 5 - Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue include charges for services payments received prior to meeting all eligibility requirements in the amount of \$862,861.

Chelsea School District

Notes to the Financial Statements

Note 6 - State of Michigan School District Aid

The School District reports State of Michigan school aid in the fiscal year in which the School District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding provided approximately 49.5% of the total revenues to the School District during the June 30, 2023 fiscal year.

Note 7 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not Being Depreciated:				
Land	\$ 1,243,761	\$ -	\$ -	\$ 1,243,761
Construction in progress	1,662,351	3,683,726	(38,986)	5,307,091
Subtotal	2,906,112	3,683,726	(38,986)	6,550,852
Capital Assets Being Depreciated:				
Land improvements	12,132,349	7,380,726	(10,361)	19,502,714
Buildings and improvements	102,227,573	385,865	-	102,613,438
Vehicles	3,180,826	58,000	-	3,238,826
Equipment	12,601,566	2,656,522	(11,937)	15,246,151
Subtotal	130,142,314	10,481,113	(22,298)	140,601,129
Less Accumulated Depreciation:				
Land improvements	6,738,351	757,585	(9,325)	7,486,611
Buildings and improvements	44,733,456	2,410,044	-	47,143,500
Vehicles	2,432,647	140,449	-	2,573,096
Equipment	6,606,404	918,118	(10,570)	7,513,952
Subtotal	60,510,858	4,226,196	(19,895)	64,717,159
Capital Assets Being Depreciated, Net	69,631,456	6,254,917	(2,403)	75,883,970
Capital Assets, Net	\$ 72,537,568	\$ 9,938,643	\$ (41,389)	\$ 82,434,822

Depreciation expense for the fiscal year amounted to \$4,226,196 with \$2,573,096 allocated to supporting services, \$4,291 to food service, and the remaining \$1,648,809 unallocated as the School District determined that it was impractical to allocate all depreciation expense to the various government activities as the capital assets serve multiple functions.

Note 8 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

Chelsea School District

Notes to the Financial Statements

General obligation direct placement bonds payable at June 30, 2023, consists of the following:

\$5,665,000 2016 Refunding Bonds, due in annual installments of \$110,000 to \$1,545,000 through May 1, 2025; interest ranging from 2.00% to 5.00%.	\$ 3,075,000
\$13,725,000 2018 Building and Site and Refunding Bonds, due in annual installments of \$1,405,000 to \$2,370,000 through May 1, 2025; interest charged at 4.00%.	2,855,000
\$23,725,000 2020 Building and Site Bonds, due in annual installments of \$1,000,000 to \$2,575,000 through May 1, 2039; interest charged at 4.00% to 5.00%.	21,125,000
\$24,220,000 2022 Building and Site Bonds, due in annual installments of \$1,220,000 to \$1,500,000 through May 1, 2041; interest charged at 4.00% to 4.25%.	24,020,000
<i>Total general obligation bonded debt</i>	<u>\$ 51,075,000</u>

Long-term debt activity for the year ended June 30, 2023, was as follows:

Bonds Payable	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Direct Placement Bonds</i>					
2016 Refunding Bonds	\$ 4,595,000	\$ -	\$ (1,520,000)	\$ 3,075,000	\$ 1,545,000
2018 Building and Site Bonds	5,225,000	-	(2,370,000)	2,855,000	1,450,000
2020 Building and Site Bonds	22,650,000	-	(1,525,000)	21,125,000	2,075,000
2022 Building and Site Bonds	-	24,220,000	(200,000)	24,020,000	1,220,000
<i>Total Bonds</i>	<u>32,470,000</u>	<u>24,220,000</u>	<u>(5,615,000)</u>	<u>51,075,000</u>	<u>6,290,000</u>
Bond Premiums and Discounts					
Unamortized Premiums	6,237,183	528,387	(760,754)	6,004,816	760,754
<i>Total Bonds Payable</i>	<u>\$ 38,707,183</u>	<u>\$ 24,748,387</u>	<u>\$ (6,375,754)</u>	<u>\$ 57,079,816</u>	<u>\$ 7,050,754</u>

Chelsea School District

Notes to the Financial Statements

Annual debt service requirements, exclusive of bond premiums and discounts, for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 6,290,000	\$ 2,089,418	\$ 8,379,418
2025	6,735,000	1,828,918	8,563,918
2026	2,050,000	1,648,218	3,698,218
2027	2,125,000	1,554,593	3,679,593
2028	2,200,000	1,457,718	3,657,718
2029-2033	11,575,000	5,758,590	17,333,590
2034-2038	12,875,000	3,021,590	15,896,590
2039-2041	7,225,000	530,578	7,755,578
Totals:	\$ 51,075,000	\$ 17,889,623	\$ 68,964,623

Note 9 - Net Investment in Capital Assets

As of June 30, 2023, net investment in capital assets was comprised of the following:

Capital assets, net of depreciation	\$ 82,434,822
Capital related debt:	
Bonds payable	(51,075,000)
Unamortized bond premium	(6,004,816)
Deferred charge on bond refunding	130,086
Deferred gain on bond refunding	(102,172)
Unexpended bond proceeds in capital projects funds	16,767,000
Total capital related debt	(40,284,902)
Net investment in capital assets	\$ 42,149,920

Chelsea School District

Notes to the Financial Statements

Note 10 - Leases

The School District is involved in an agreement as a lessor that qualifies as a long-term lease agreement. Below is a summary of the agreement. The agreement qualifies as a long-term lease agreement as the School District will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended June 30, 2023 was \$70,292.

<u>Asset Type</u>	<u>Remaining Term of Agreements</u>
Cafeteria	3 years

Lease receivable activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Leases receivable	\$ 175,942	\$ -	\$ (68,799)	\$ 107,143

Note 11 - Pension Plan

Plan Description

The Michigan Public School District Employees' Retirement System ("System" or "MPSERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of the State of Michigan ("State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public School District employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School District Employees' Retirement Act (1980 PA 300 as amended).

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

Chelsea School District

Notes to the Financial Statements

The System's financial statements are available on the ORS website at [Michigan.gov/ORSSchool Districts](https://Michigan.gov/ORSSchoolDistricts).

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public School District employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September. 30, 2021, valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending September. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2022:

<u>Benefit Structure</u>	<u>Member</u>	<u>Non-Universities</u>
Basic	0.0 - 4.0%	20.14%
Member investment plan	3.0 - 7.0%	20.14%
Pension plus	3.0 - 6.4%	17.22%
Pension plus 2	6.2%	19.93%
Defined contribution	0.0%	13.73%

Chelsea School District

Notes to the Financial Statements

Required contributions to the pension plan from the School District were \$6,305,260 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$69,671,439 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.18525 percent, which was an increase of 0.00173 percent from its proportion measured as of September 30, 2021.

For the year ending June 30, 2023, the School District recognized pension expense of \$8,625,647. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 696,958	\$ 155,778
Changes of assumptions	11,972,050	-
Net difference between projected and actual earnings on pension plan investments	163,380	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	481,378	205,359
Employer contributions subsequent to the measurement date	7,702,774	-
Total	\$ 21,016,540	\$ 361,137

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended September 30	Amount:
2023	\$ 3,744,248
2024	2,767,231
2025	2,394,419
2026	4,046,731

Chelsea School District

Notes to the Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.00%, net of investment expenses
- Pension Plus Plan:	6.00%, net of investment expenses
- Pension Plus 2 Plan:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Chelsea School District

Notes to the Financial Statements

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.3922 for non-university employers.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchool Districts](https://Michigan.gov/ORSSchoolDistricts).

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.1%
Private equity pools	16.0	8.7
International equity pools	15.0	6.7
Fixed income pools	13.0	(0.2)
Real estate and infrastructure pools	10.0	5.3
Absolute return pools	9.0	2.7
Real return/opportunistic pools	10.0	5.8
Short-term investment pools	2.0	(0.5)
Total	100.0%	

*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return

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

Chelsea School District

Notes to the Financial Statements

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid) 5.00%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 6.00%	1% Increase (Non-Hybrid/Hybrid) 7.00%
\$91,940,416	\$69,671,439	\$51,320,798

Michigan Public School District Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS ACFR, available on the ORS website at [Michigan.gov/ORSSchool Districts](http://Michigan.gov/ORSSchoolDistricts).

Note 12 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School District Employees' Retirement System ("System" or "MPERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of the State of Michigan ("State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the

Chelsea School District

Notes to the Financial Statements

provisions of the System. The board consists of twelve members- eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School District Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at [Michigan.gov/ORSSchool Districts](http://Michigan.gov/ORSSchoolDistricts).

Benefits Provided

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming

Chelsea School District

Notes to the Financial Statements

a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021, valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2022:

Benefit Structure	Member	Non-Universities
Premium subsidy	3.00%	8.09%
Personal healthcare fund (PHF)	0.00%	7.23%

Required contributions to the OPEB plan from the School District were \$1,418,597 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$3,944,525 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.18623%, which was an increase of 0.00273% from its proportion measured as of October 1, 2021.

Chelsea School District

Notes to the Financial Statements

For the year ending June 30, 2023, the School District recognized OPEB expense of negative (\$1,482,160). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 7,725,814
Changes of assumptions	3,515,882	286,283
Net difference between projected and actual earnings on pension plan investments	308,296	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	217,361	93,752
Employer contributions subsequent to the measurement date	1,089,138	-
Total	\$ 5,130,677	\$ 8,105,849

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan Year Ended September 30	Amount:
2023	(1,440,328)
2024	(1,296,481)
2025	(1,192,639)
2026	(92,113)
2027	(49,231)
Thereafter	6,482

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Chelsea School District

Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September. 30, 2018 valuation. The total OPEB liability as of September. 30, 2022, is based on the results of an actuarial valuation date of September. 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.2250 for non-university employers.

Recognition period for assets in years is 5.0000.

Chelsea School District

Notes to the Financial Statements

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchool Districts](https://Michigan.gov/ORSSchoolDistricts).

Long-term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September. 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.1%
Private equity pools	16.0	8.7
International equity pools	15.0	6.7
Fixed income pools	13.0	(0.2)
Real estate and infrastructure pools	10.0	5.3
Absolute return pools	9.0	2.7
Real return/opportunistic pools	10.0	5.8
Short-term investment pools	2.0	(0.5)
Total	100.0%	

*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on

Chelsea School District

Notes to the Financial Statements

these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$6,616,562	\$3,944,525	\$1,694,339

Sensitivity of the School District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$1,651,779	\$3,944,525	\$6,518,179

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS ACFR, available on the ORS website at [Michigan.gov/ORSSchool Districts](https://Michigan.gov/ORSSchoolDistricts).

Note 13 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Chelsea School District

Notes to the Financial Statements

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 14 - Contingent Liabilities

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

Note 15 - Tax Abatements

The School District receives reduced property tax revenues as a result of industrial facilities tax exemptions (IFTs) and brownfield redevelopment agreements granted by cities, villages, townships, and authorities within the School District's boundaries.

The IFTs were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the School District boundaries. The abatements amounted to approximately \$22,961 in reduced School District tax revenues for the year ended June 30, 2023.

Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. These agreements were entered into based upon the Brownfield Redevelopment Act, PA 381 of 1996, as amended. Under this act, a municipality may create a brownfield redevelopment authority to develop and implement brownfield projects. Tax increment financing may be used as a tool for property redevelopment. The abatements amounted to approximately \$5,060 in reduced School District tax revenues for the year ended June 30, 2023.

Operating revenues not paid to the School District because of tax abatement agreements are reimbursed to the School District by the State of Michigan through the per-pupil foundation allowance.

Chelsea School District

Notes to the Financial Statements

Note 16 - Subsequent Events and Commitments

The School District has committed \$14,510,165 for projects using the 2019 bond issuances. As of October 31, 2023, the date these financial statements were issued, \$9,218,901 has been spent, all related to an ongoing project for high school and auditorium improvements.

The Administration and Board of Education is not aware of any other subsequent events that would have a significant impact on the financial condition of the School District.

Required Supplementary Information

Chelsea School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Local sources	\$ 5,903,191	\$ 6,096,714	\$ 6,031,795	\$ (64,919)
State sources	21,058,283	23,517,104	23,817,864	300,760
Federal sources	1,608,859	2,368,457	1,995,850	(372,607)
Interdistrict sources and other	3,562,916	3,938,379	3,996,931	58,552
Total Revenues	32,133,249	35,920,654	35,842,440	(78,214)
Other Financing Sources				
Transfers in	304,817	304,817	500,139	195,322
Total Revenues and Other Financing Sources	32,438,066	36,225,471	36,342,579	117,108
Expenditures				
Instruction				
Basic programs	15,434,542	17,900,029	17,554,058	345,971
Added needs	3,066,905	3,511,226	3,511,347	(121)
Total instruction	18,501,447	21,411,255	21,065,405	345,850
Supporting services				
Pupil	3,796,704	3,888,094	3,922,925	(34,831)
Instructional services	942,841	821,027	814,499	6,528
General administration	556,217	571,970	560,434	11,536
School administration	1,656,249	1,720,632	1,731,302	(10,670)
Business	553,244	598,397	599,787	(1,390)
Operations and maintenance	3,592,461	3,773,919	3,690,167	83,752
Pupil transportation services	1,186,510	1,299,273	1,220,416	78,857
Central	1,252,251	1,412,200	1,383,669	28,531
Total supporting services	13,536,477	14,085,512	13,923,199	162,313
Community services	74,909	78,692	68,713	9,979
Athletics	887,069	948,937	962,201	(13,264)
Total Expenditures	32,999,902	36,524,396	36,019,518	504,878
Other Financing Uses				
Transfers out	102,382	118,668	223,370	(104,702)
Total Expenditures and Other Financing Uses	33,102,284	36,643,064	36,240,717	402,347
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(664,218)	(417,593)	99,691	517,284
Net Change in Fund Balance	(664,218)	(417,593)	99,691	517,284
Fund Balance at Beginning of Period	5,665,157	5,665,157	5,665,157	--
Fund Balance at End of Period	\$ 5,000,939	\$ 5,247,564	\$ 5,764,848	\$ 517,284

Chelsea School District
Schedule of School District's Proportionate Share of Net Pension Liability
Michigan Public School Employee Retirement Plan
Last Nine Fiscal Years (amounts were determined as of September 30 of each fiscal year)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's Portion of Net Pension Liability (%)	0.18525%	0.18352%	0.18455%	0.18370%	0.18352%	0.18256%	0.17500%	0.17436%	0.17416%
School District's Proportionate Share of Net Pension Liability	\$ 69,671,439	\$ 43,450,147	\$ 63,395,980	\$ 60,835,038	\$ 55,170,321	\$ 47,309,103	\$ 43,661,215	\$ 42,586,832	\$ 38,361,904
School District's Covered Payroll	\$ 18,165,667	\$ 16,617,903	\$ 16,407,241	\$ 16,216,444	\$ 15,623,209	\$ 15,618,637	\$ 14,799,458	\$ 13,887,819	\$ 15,186,608
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	383.53%	261.47%	386.39%	375.14%	353.13%	302.90%	295.02%	306.65%	252.60%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Chelsea School District
Schedule of School District's Pension Contributions
Michigan Public School Employee Retirement Plan
Last Nine School District Fiscal Years (amounts determined as of June 30 of each year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contributions	\$ 6,305,260	\$ 6,293,431	\$ 5,433,485	\$ 5,091,007	\$ 4,858,477	\$ 5,021,227	\$ 4,246,859	\$ 3,985,581	\$ 3,316,341
Contributions in Relation to Statutorily Required Contributions	(6,305,260)	(6,293,431)	(5,433,485)	(5,091,007)	(4,858,477)	(5,021,227)	(4,246,859)	(3,985,581)	(3,316,341)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 18,237,260	\$ 18,054,891	\$ 16,270,382	\$ 16,629,707	\$ 16,116,422	\$ 15,604,540	\$ 15,605,703	\$ 14,061,631	\$ 14,840,583
Contributions as a Percentage of Covered Payroll	34.57%	34.86%	33.39%	30.61%	30.15%	32.18%	27.21%	28.34%	22.35%

Chelsea School District
Schedule of School District's Proportionate Share of Net OPEB Liability
Michigan Public School Employee Retirement Plan
Last Six Fiscal Years (amounts were determined as of September 30 of each fiscal year)

	2022	2021	2020	2019	2018	2017
School District's Portion of Net OPEB Liability (%)	0.18623%	0.18350%	0.18480%	0.18532%	0.18339%	0.18230%
School District's Proportionate Share of Net OPEB Liability	\$ 3,944,525	\$ 2,800,872	\$ 9,900,190	\$ 13,301,886	\$ 14,577,777	\$ 16,143,461
School District's Covered Payroll	\$ 18,165,667	\$ 16,617,903	\$ 16,407,241	\$ 16,216,444	\$ 15,623,209	\$ 15,618,637
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	21.71%	16.85%	60.34%	82.03%	93.31%	103.36%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

Chelsea School District
Schedule of School District's OPEB Contributions
Michigan Public School Employee Retirement Plan
Last Six School District Fiscal Years (amounts determined as of June 30 of each year)

	2023	2022	2021	2020	2019	2018
Statutorily Required Contributions	\$ 1,418,597	\$ 1,415,493	\$ 1,322,018	\$ 1,315,546	\$ 1,257,478	\$ 1,156,361
Contributions in Relation to Statutorily Required Contributions	(1,418,597)	(1,415,493)	(1,322,018)	(1,315,546)	(1,257,478)	(1,156,361)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 18,237,260	\$ 18,054,891	\$ 16,270,382	\$ 16,629,707	\$ 16,116,422	\$ 15,604,410
Contributions as a Percentage of Covered Payroll	7.78%	7.84%	8.13%	7.91%	7.80%	7.41%

Combining and Individual Fund Statements and Schedules

Chelsea School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue			
	Community Education	Food Service	Student Scholarship	Student Activity
ASSETS				
Cash and investments	\$ 350	\$ 146,968	\$ 74,649	\$ 528,969
Taxes receivable	--	--	--	--
Accounts receivable	84,514	58,707	--	1,052
Due from other governmental units	--	12,596	--	--
Inventory	--	13,819	--	--
Due from other funds	309,498	126,637	15,978	--
Total Assets	\$ 394,362	\$ 358,727	\$ 90,627	\$ 530,021
LIABILITIES				
Accounts payable	\$ 534	\$ 35,567	\$ 4,865	\$ 135
Accrued expenditures	12,937	1,633	--	--
Salaries payable	34,401	4,476	--	--
Unearned revenue	346,490	--	--	--
Due to other funds	--	--	--	1,615
Total Liabilities	394,362	41,676	4,865	1,750
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	394,362	41,676	4,865	1,750
FUND BALANCE				
Nonspendable	--	13,819	--	--
Restricted	--	303,232	85,762	--
Committed	--	--	--	528,271
Unassigned	--	--	--	--
Total Fund Balance	--	317,051	85,762	528,271
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 394,362	\$ 358,727	\$ 90,627	\$ 530,021

Chelsea School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Debt Service				Capital Projects		Total Nonmajor Governmental Funds
	2016 Debt Service	2018 Debt Service	2020 Debt Service	2022 Debt Service	2018 Capital Projects	2020 Capital Projects	
ASSETS							
Cash and investments	\$ 146,118	\$ 264,918	\$ 652,459	\$ 757,643	\$ 659,607	\$ 280,633	\$ 3,512,314
Taxes receivable	10,962	23,133	19,950	797	--	--	54,842
Accounts receivable	--	--	--	--	--	--	144,273
Due from other governmental units	--	--	--	--	--	--	12,596
Inventory	--	--	--	--	--	--	13,819
Due from other funds	46,611	71,824	72,006	42,179	250,000	--	934,733
Total Assets	\$ 203,691	\$ 359,875	\$ 744,415	\$ 800,619	\$ 909,607	\$ 280,633	\$ 4,672,577
LIABILITIES							
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 19,400	\$ 60,501
Accrued expenditures	--	--	--	--	--	--	14,570
Salaries payable	--	--	--	--	--	--	38,877
Unearned revenue	--	--	--	--	--	--	346,490
Due to other funds	--	--	--	--	--	2,507	4,122
Total Liabilities	--	--	--	--	--	21,907	464,560
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	865	1,310	1,323	797	--	--	4,295
Total Liabilities and Deferred Inflows of Resources	865	1,310	1,323	797	--	21,907	468,855
FUND BALANCE							
Nonspendable	--	--	--	--	--	--	13,819
Restricted	202,826	358,565	743,092	799,822	909,607	258,726	3,661,632
Committed	--	--	--	--	--	--	528,271
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	202,826	358,565	743,092	799,822	909,607	258,726	4,203,722
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 203,691	\$ 359,875	\$ 744,415	\$ 800,619	\$ 909,607	\$ 280,633	\$ 4,672,577

Chelsea School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue			
	Community Education	Food Service	Student Scholarship	Student Activity
Revenues				
Local sources	\$ 1,126,152	\$ 837,959	\$ 15,363	\$ 555,915
State sources	125,224	89,593	--	--
Federal sources	469,178	459,756	--	--
Total Revenues	1,720,554	1,387,308	15,363	555,915
Expenditures				
Supporting services	--	--	1,666	484,070
Community services	1,531,785	--	--	--
Food services	--	1,310,012	--	--
Capital outlay	--	--	--	--
Debt service, principal	--	--	--	--
Debt service, interest and other costs	--	--	--	--
Total Expenditures	1,531,785	1,310,012	1,666	484,070
Excess of Revenues Over (Under) Expenditures	188,769	77,296	13,697	71,845
Other Financing Sources (Uses)				
Transfers in	223,370	--	--	--
Transfers out	(412,139)	(88,000)	--	--
Net Other Financing Sources (Uses)	(188,769)	(88,000)	--	--
Net Change in Fund Balance	--	(10,704)	13,697	71,845
Fund Balance at Beginning of Period	--	327,755	72,065	456,426
Fund Balance at End of Period	\$ --	\$ 317,051	\$ 85,762	\$ 528,271

Chelsea School District

	Debt Service				Capital Projects		Total Nonmajor Governmental Funds
	2016 Debt Service	2018 Debt Service	2020 Debt Service	2022 Debt Service	2018 Capital Projects	2020 Capital Projects	
Revenues							
Local sources	\$ 1,630,217	\$ 2,492,269	\$ 2,510,834	\$ 1,472,864	\$ 48,616	\$ 39,237	\$ 10,729,426
State sources	54,792	82,971	83,753	50,487	--	--	486,820
Federal sources	--	--	--	--	--	--	928,934
Total Revenues	1,685,009	2,575,240	2,594,587	1,523,351	48,616	39,237	12,145,180
Expenditures							
Supporting services	--	--	--	--	--	--	485,736
Community services	--	--	--	--	--	--	1,531,785
Food services	--	--	--	--	--	--	1,310,012
Capital outlay	--	--	--	--	130,065	4,027,793	4,157,858
Debt service, principal	1,520,000	2,370,000	1,525,000	200,000	--	--	5,615,000
Debt service, interest and other costs	200,339	211,588	1,073,032	523,529	--	--	2,008,488
Total Expenditures	1,720,339	2,581,588	2,598,032	723,529	130,065	4,027,793	15,108,879
Excess of Revenues Over (Under) Expenditures	(35,330)	(6,348)	(3,445)	799,822	(81,449)	(3,988,556)	(2,963,699)
Other Financing Sources (Uses)							
Transfers in	--	--	--	--	--	--	223,370
Transfers out	--	--	--	--	--	--	(500,139)
Net Other Financing Sources (Uses)	--	--	--	--	--	--	(276,769)
Net Change in Fund Balance	(35,330)	(6,348)	(3,445)	799,822	(81,449)	(3,988,556)	(3,240,468)
Fund Balance at Beginning of Period	238,156	364,913	746,537	--	991,056	4,247,282	7,444,190
Fund Balance at End of Period	\$ 202,826	\$ 358,565	\$ 743,092	\$ 799,822	\$ 909,607	\$ 258,726	\$ 4,203,722



**CHELSEA SCHOOL DISTRICT
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2023**

Chelsea School District
Schedule of Expenditures of Federal Awards
June 30, 2023

<i>Federal Grantor / Program / Project Number / Cluster</i>	<i>Assistance Listing Number</i>	<i>Passed Through</i>	<i>Program or Award Amount</i>	<i>Prior Year Expenditures (Memorandum Only)</i>	<i>Accrued Revenue at July 1, 2022</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued (Unearned) Revenue at June 30, 2023</i>
U.S. Department of Agriculture:								
Child Nutrition Cluster:								
221961 Seamless Summer Option-Lunch	10.555	MDE	\$ 895,710	\$ 895,710	\$ 40,323	\$ 40,323	\$ -	\$ -
221960 National School Lunch Program	10.555	MDE	26,837	-	-	26,837	26,837	-
231960 National School Lunch Program	10.555	MDE	189,400	-	-	189,400	197,098	7,698
221971 Seamless Summer Option-Breakfast	10.553	MDE	80,596	80,596	4,783	4,783	-	-
221970 School Breakfast Program	10.553	MDE	1,466	-	-	1,466	1,466	-
231970 School Breakfast Program	10.553	MDE	17,576	-	-	17,576	18,293	717
220910 Food Service Supply Chain Grant	10.555	MDE	90,618	-	(44,928)	45,690	90,618	-
230910 Food Service Supply Chain Grant	10.555	MDE	25,455	-	-	25,455	25,455	-
231980 Supply Chain Assistance	10.555	MDE	92	-	-	92	92	-
Bonus Commodities - 2223	10.555	MDE	6,443	-	-	6,443	6,443	-
Entitlement Commodities - 2223	10.555	MDE	78,636	-	-	78,636	78,636	-
Total Child Nutrition Cluster			1,412,829	976,306	178	436,701	444,938	8,415
221920 CACFP Meals	10.558	MDE	628	1,595	164	628	464	-
231920 CACFP Meals	10.558	MDE	2,880	-	-	2,880	3,180	300
230985 Local Food for Schools	10.185	MDE	10,546	-	-	10,546	10,546	-
220980 Pandemic EBT Local Level Costs	10.649	MDE	628	-	-	628	628	-
Total U.S. Department of Agriculture			1,427,511	977,901	342	451,383	459,756	8,715
U.S. Department of Education:								
Title I, Part A - Educationally Deprived								
221530 2122	84.010	MDE	62,701	51,587	51,587	51,587	-	-
231530 2223	84.010	MDE	68,926	-	-	58,881	68,926	10,045
Total Title I, Part A			131,627	51,587	51,587	110,468	68,926	10,045
Special Education Cluster								
Handicapped Programs IDEA Flow-through - 220450-2122	84.027A	WISD	412,164	395,241	152,550	169,473	16,923	-
Handicapped Programs IDEA Flow-through - 230450-2223	84.027A	WISD	445,282	-	-	-	444,228	444,228
IDEA Pre-school Grant - 2223	84.173A	WISD	3,538	-	-	3,538	3,538	-
COVID-19 - IDEA Pre-school Grant - 221285	84.173A	WISD	2,065	2,065	2,065	2,065	-	-
Total Special Education Cluster			863,049	397,306	154,615	175,076	464,689	444,228
Title III, Part A - Immigrant Students								
Limited English Proficient	84.365A	MISD	4,447	4,447	4,447	4,447	-	-
Limited English Proficient	84.365A	MISD	3,240	-	-	-	3,240	3,240
220570 2122	84.365	MDE	1,064	1,064	1,064	1,064	-	-
Total Title III, Part A - Immigrant Students			8,751	5,511	5,511	5,511	3,240	3,240

See Notes to the Schedule of Expenditures of Federal Awards

Chelsea School District
Schedule of Expenditures of Federal Awards
June 30, 2023

<i>Federal Grantor / Program / Project Number / Cluster</i>	<i>Assistance Listing Number</i>	<i>Passed Through</i>	<i>Program or Award Amount</i>	<i>Prior Year Expenditures (Memorandum Only)</i>	<i>Accrued Revenue at July 1, 2022</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued (Unearned) Revenue at June 30, 2023</i>
U.S. Department of Education (continued):								
Title II, Part A - Improving Teacher Quality State Grants								
220520 2122	84.367	MDE	\$ 39,655	\$ 39,655	\$ 39,655	\$ 39,655	\$ -	\$ -
230520 2223	84.367	MDE	34,330	-	-	24,031	34,330	10,299
Total Title II, Part A			73,985	39,655	39,655	63,686	34,330	10,299
Title IV								
220750 Part A - Student Support and Academic Enrichment 2122	84.424	MDE	10,000	10,000	10,000	10,000	-	-
230750 Part A - Student Support and Academic Enrichment 2223	84.424	MDE	10,000	-	-	7,000	10,000	3,000
230775 Effective Use of Technology - 2024	84.424A	MDE	10,000	-	-	-	4,962	4,962
Total Title IV, Part A			30,000	10,000	10,000	17,000	14,962	7,962
COVID-19 - Education Stabilization Fund:								
Governor's Emergency Education Relief (GEER) Fund:								
COVID-19 - 211202 - GEER II - Teacher & Support Staff Payments	84.425C	MDE	44,500	44,500	44,500	44,500	-	-
COVID-19 - 211222 - GEER II - Benchmark Assessment Funding	84.425C	MDE	18,888	18,635	18,635	18,635	-	-
Total GEER			63,388	63,135	63,135	63,135	-	-
Elementary and Secondary School Emergency Relief (ESER) Fund:								
COVID-19 - 213712 2021 - ESSER II Formula	84.425D	MDE	217,095	142,095	142,095	142,095	75,000	75,000
COVID-19 - 213722 2122 - ESSER II 23b(2a) Summer School	84.425D	MDE	115,500	115,500	115,500	115,500	-	-
COVID-19 - 213742 2122 - ESSER II 23b(2b) Credit Recovery	84.425D	MDE	58,850	41,054	41,054	58,850	17,796	-
COVID-19 - 213752 2122 - ESSER II	84.425U	MDE	25,000	25,000	25,000	25,000	-	-
COVID-19 - 213713 2122 - ARP/ESSER III Formula	84.425U	MDE	487,910	475,932	475,832	475,832	12,078	12,078
COVID-19 - 213723 2122 - ARP/ESSER III 1lt Equalization	84.425U	MDE	2,135,334	-	-	874,826	1,198,325	323,499
Total ESSER			3,039,689	799,581	799,481	1,692,103	1,303,199	410,577
COVID-19 - American Rescue Plan Homeless I & II - 2122	84.425W	MDE	8,467	-	-	-	6,504	6,504
Total U.S. Department of Education			4,218,956	1,366,775	1,123,984	2,126,979	1,895,850	892,855
U.S. Department of Health and Human Services:								
MSHHA Health Resource Advocate HRA	93.323	WISD	100,000	-	-	-	100,000	100,000
Total U.S. Department of Health and Human Services			100,000	-	-	-	100,000	100,000
Total Federal Financial Assistance			\$ 5,746,467	\$ 2,344,676	\$ 1,124,326	\$ 2,578,562	\$ 2,455,606	\$ 1,001,570

See Notes to the Schedule of Expenditures of Federal Awards

Chelsea School District

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the School District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable and have been identified in the Schedule.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both the actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and the end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the grant financial reports. The amounts on the Grant Auditor Report reconcile with this Schedule.

The School District has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The grantee received no noncash assistance during the year ended June 30, 2023 that is not included on the schedule of expenditures of federal awards.

Chelsea School District

Notes to the Schedule of Expenditures of Federal Awards

Note 4 - Reconciliation to the Schedule of Expenditures of Federal Awards

The following schedule reconciles federal sources reported in the governmental funds financial statements to the federal expenditures reported in the Schedule:

Federal revenues as reported in the financial statements	\$ 2,924,784
Less: federal assistance received as beneficiary	<u>(469,178)</u>
<i>Expenditures per schedule of expenditures of federal awards</i>	<u>\$ 2,455,606</u>

Note 5 – Pass-through Agencies

The School District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency	
Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
WISD	Washtenaw Intermediate School District
MISD	Monroe Intermediate School District

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

To the Board of Education
Chelsea School District
Chelsea, 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 Chelsea School District (the "School District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand clearly visible.

Gabridge & Company, PLC
Grand Rapids, MI
October 31, 2023

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

To the Board of Education
Chelsea School District
Chelsea, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of

compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI
October 31, 2023

Chelsea School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Name of Federal Program or Cluster	Assistance Listing Number
Education Stabilization Fund	84.425
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No prior year matters were reported.

October 31, 2023

To the Board of Education
Chelsea School District
Chelsea, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chelsea School District (the "School District") for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the OMB Uniform Guidance, 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 June 12, 2023. 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 the School District are described in Note 1 to the financial statements. There were no new accounting policies adopted during the fiscal year ended June 30, 2023. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension and other post-employment benefits are based on historical trends and industry standards.

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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the OMB Uniform Guidance dated October 31, 2023.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedule, 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 combining and individual nonmajor fund financial statements, along with the schedule of expenditures of federal awards, 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 Education and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI