



**CHELSEA SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024**

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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, 2024, 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, 2024, 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 4, 2024, 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 4, 2024

Management's Discussion and Analysis

Chelsea School District
Management's Discussion and Analysis
June 30, 2024

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, 2024. 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, 2024.

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 \$7,524,453 (shown as a deficit *net position*). The School District had a deficit *unrestricted net position* of \$(54,392,496).
- Revenues of \$51,237,187 exceeded expenses of \$41,330,501 leading to an increase in net position of \$9,906,686 during the year.
- During the year, the School District's fund balances decreased by \$5,144,599, for an ending fund balance of \$23,340,500.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,632,727, or 18.5% of the general fund's total expenditures and transfers out. Fund balance of the general fund increased by \$1,501,991 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 decreased by \$9,547,662 during the year being similar to the decrease in governmental fund balance of \$5,144,599, largely due to spending the prior year bond issuance. All components of deferred outflows of resources experienced significant changes during the year; pension and OPEB related outflows decreased by \$4,134,828 and \$1,154,073, respectively, due to investment gains on the respective plans of 8.29% and 7.94% (Pension, OPEB) and 80% of these market gains are being deferred and expensed over the next four years.

Accounts payable decreasing by \$4,989,158 over the previous year is due to significant construction costs being incurred but not paid prior to last year's end. Net OPEB and pension liabilities decreased by \$9,924,283 and \$4,986,444, respectively, due to the aforementioned investment gains.

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	2024	2023
<i>Current Assets</i>		
Cash and investments	\$ 23,047,054	\$ 32,594,716
Receivables	6,822,974	7,148,359
Inventory and prepaid items	31,534	13,819
Total Current Assets	29,901,562	39,756,894
<i>Noncurrent Assets</i>		
Capital assets, net	87,259,042	82,434,822
Net OPEB asset	1,041,919	-
Total Assets	118,202,523	122,191,716
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	16,881,712	21,016,540
OPEB related	3,581,604	5,130,677
Charge on bond refunding	113,825	130,086
Total Deferred Outflows of Resources	20,577,141	26,277,303
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	915,989	5,905,147
Accrued expenses	2,129,973	2,240,243
Salaries payable	2,127,864	2,103,421
Unearned revenue	1,336,583	862,861
Interest payable	282,370	369,203
Current portion of long-term debt	6,735,000	7,050,754
Total Current Liabilities	13,527,779	18,531,629
<i>Noncurrent Liabilities</i>		
Long-term debt	43,294,062	50,029,062
Net OPEB liability	-	3,944,525
Net pension liability	59,747,156	69,671,439
Total Liabilities	116,568,997	142,176,655
DEFERRED INFLOWS OF RESOURCES		
Pension related	6,258,966	361,137
OPEB related	8,302,701	8,105,849
Gain on bond refunding	89,401	102,172
Lease revenue	35,146	105,439
Total Deferred Inflows of Resources	14,686,214	8,674,597
NET POSITION		
Net investment in capital assets	46,399,580	42,149,920
Restricted	15,517,369	5,474,804
Unrestricted	(54,392,496)	(50,006,957)
Total Net Position	\$ 7,524,453	\$ (2,382,233)

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	2024	2023
Program Revenues		
Charges for services	\$ 2,755,061	\$ 2,952,215
Operating grants and contributions	15,901,206	15,401,256
Total Program Revenues	18,656,267	18,353,471
General Revenues		
Property taxes	15,041,642	14,300,404
Unrestricted state sources	16,085,833	15,886,478
Unrestricted investment earnings	1,453,445	850,806
Total General Revenues	32,580,920	31,037,688
Total Revenues	51,237,187	49,391,159
Expenses		
Instruction	18,559,113	19,784,995
Supporting services	15,319,670	15,805,786
Community services	1,481,705	1,530,823
Food services	1,380,551	1,270,043
Athletics	1,002,272	962,201
Interest and other related costs on long-term debt	1,373,214	1,748,457
Unallocated depreciation	2,213,976	1,648,809
Total Expenses	41,330,501	42,751,114
Change in Net Position	9,906,686	6,640,045
<i>Net Position at Beginning of Period</i>	<i>(2,382,233)</i>	<i>(9,022,278)</i>
Net Position at End of Period	\$ 7,524,453	\$ (2,382,233)

An increase of \$499,950 can be seen year over year in operating grants and contributions. This increase is primarily related slight increase in state aid during fiscal year 2024. Property tax increases can be considered mostly as a result of increased taxable value of property within the district. Unrestricted state sources were \$199,355 more than last year due to increases in state aid as well. 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 2024.

Changes within instruction and supporting services expenses for the School District were largely caused by the changes in net pension liability Interest on long-term debt increased during the year mostly to the School District having recently issued a new bond last year. Lastly, unallocated depreciation expenses increased \$565,167 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 \$7,266,839. 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 18.5% of total general fund expenditures and transfers out.

The fund balance of the School District's general fund increased by \$1,501,991 for a total fund balance of \$7,266,839. 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 \$920,745 in fund balance for an ending balance of \$3,838,607. 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 a decrease of \$7,589,810 in fund balance during the year, mostly a result of the School District spending bond proceeds.

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, 2024:

<u>Fund / Function / Department</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
General fund			
<i>Supporting services</i>			
Pupil	\$ 4,007,583	\$ 4,074,420	\$ (66,837)
Business	544,742	588,004	(43,262)
<i>Athletics</i>	958,582	1,002,272	(43,690)
<i>Transfers out</i>	310,161	348,959	(38,798)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2024, the School District had \$87,259,042 invested in capital assets, a 5.9% increase in the amount reported from the prior 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 \$50,029,062, down from \$57,079,816 in the prior 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, 2024.

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 2024/25 preliminary budget represents a portion of this funding being reduced and the rest will be removed in 2025/26.

The current budget is built with an estimated retirement rate. 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 \$35 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, 2024

ASSETS

Current Assets

Cash and investments	\$ 23,047,054
Taxes receivable	5,191
Accounts receivable	2,071,446
Leases receivable	36,251
Due from other governmental units	4,710,086
Inventory	31,534
Total Current Assets	29,901,562

Noncurrent Assets

Capital assets not being depreciated	2,961,226
Capital assets being depreciated, net	84,297,816
Net OPEB asset	1,041,919
Total Assets	118,202,523

DEFERRED OUTFLOWS OF RESOURCES

Pension related	16,881,712
OPEB related	3,581,604
Charge on bond refunding	113,825
Total Deferred Outflows of Resources	20,577,141

LIABILITIES

Current Liabilities

Accounts payable	915,989
Accrued expenditures	2,129,973
Salaries payable	2,127,864
Unearned revenue	1,336,583
Interest payable	282,370
Current portion of long-term debt	6,735,000
Total Current Liabilities	13,527,779

Noncurrent Liabilities

Long-term debt	43,294,062
Net pension liability	59,747,156
Total Liabilities	116,568,997

DEFERRED INFLOWS OF RESOURCES

Pension related	6,258,966
OPEB related	8,302,701
Gain on bond refunding	89,401
Lease revenue	35,146
Total Deferred Inflows of Resources	14,686,214

NET POSITION

Net Investment in Capital Assets	46,399,580
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Restricted for:

Food Service	456,122
Scholarships	111,690
Capital Projects	12,983,783
Debt Service	1,965,774

Unrestricted

	(54,392,496)
Total Net Position	\$ 7,524,453

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, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 18,559,113	\$ 18,750	\$ 13,541,863	\$ --	\$ (4,998,500)
Supporting services	15,319,670	859,108	889,425	--	(13,571,137)
Community services	1,481,705	1,415,947	151,144	--	85,386
Food services	1,380,551	370,909	1,267,483	--	257,841
Athletics	1,002,272	90,347	51,291	--	(860,634)
Interest on long-term debt and other related costs	1,373,214	--	--	--	(1,373,214)
Depreciation (unallocated)	2,213,976	--	--	--	(2,213,976)
Total Governmental Activities	\$ 41,330,501	\$ 2,755,061	\$ 15,901,206	\$ --	(22,674,234)
General Purpose Revenues:					
					5,879,785
					1,046,452
					8,115,405
					16,085,833
					1,453,445
					<u>32,580,920</u>
					9,906,686
					<u>(2,382,233)</u>
					\$ 7,524,453

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

**Chelsea School District
Balance Sheet
Governmental Funds
June 30, 2024**

	Capital Projects			Other	Total
	General	Sinking Fund	2022 Capital Projects	Governmental Funds	Governmental Funds
ASSETS					
Cash and investments	\$ 7,367,567	\$ 3,781,781	\$ 8,111,576	\$ 3,786,130	\$ 23,047,054
Taxes receivable	4,753	438	--	--	5,191
Accounts receivable	1,785,884	--	--	285,562	2,071,446
Leases receivable	36,251	--	--	--	36,251
Due from other governmental units	4,581,212	--	--	128,874	4,710,086
Inventory	--	--	--	31,534	31,534
Due from other funds	--	56,826	--	396,452	453,278
Total Assets	\$ 13,775,667	\$ 3,839,045	\$ 8,111,576	\$ 4,628,552	\$ 30,354,840
LIABILITIES					
Accounts payable	\$ 777,687	\$ --	\$ 82,538	\$ 55,764	\$ 915,989
Accrued expenditures	2,128,036	--	--	1,937	2,129,973
Salaries payable	2,126,989	--	--	875	2,127,864
Unearned revenue	1,065,270	--	--	271,313	1,336,583
Due to other funds	363,840	--	20,181	69,257	453,278
Total Liabilities	6,461,822	--	102,719	399,146	6,963,687
DEFERRED INFLOWS OF RESOURCES					
Unavailable revnues - leases	35,146	--	--	--	35,146
Unavailable revnues - property taxes	11,860	438	--	3,209	15,507
Total Liabilities and Deferred Inflows of Resources	6,508,828	438	102,719	402,355	7,014,340
FUND BALANCE					
Nonspendable for:					
Inventory	--	--	--	31,534	31,534
Restricted for:					
Food Service	--	--	--	424,588	424,588
Student Scholarship	--	--	--	111,690	111,690
Debt Service	--	--	--	1,968,774	1,968,774
Capital Projects	--	3,838,607	8,008,857	1,136,319	12,983,783
Committed for:					
Student Activities	--	--	--	556,292	556,292
Assigned for:					
Technology	62,764	--	--	--	62,764
Curriculum	115,495	--	--	--	115,495
Pierce Lake Elementary	455,853	--	--	--	455,853
Unassigned	6,632,727	--	--	--	6,632,727
Total Fund Balance	7,266,839	3,838,607	8,008,857	4,226,197	23,340,500
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 13,775,667	\$ 3,839,045	\$ 8,111,576	\$ 4,628,552	\$ 30,354,840

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, 2024

Total Fund Balance - Governmental Funds	\$ 23,340,500
General government capital assets of \$155,225,253, net of accumulated depreciation of \$67,966,211, are not financial resources and, accordingly, are not reported in the funds.	87,259,042
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.	(3,679,178)
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.	(50,761,902)
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	474,894
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.	(49,124,410)
Unavailable revenues are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the funds.	15,507
Total Net Position - Governmental Activities	\$ <u>7,524,453</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, 2024

		Capital Projects		Other	Total
	General	Sinking Fund	2022 Capital Projects	Governmental Funds	Governmental Funds
Revenues					
Local sources	\$ 6,546,048	\$ 1,250,726	\$ 1,024,495	\$ 10,483,814	\$ 19,305,083
State sources	24,387,239	20,873	--	1,294,475	25,702,587
Federal sources	1,612,620	--	--	414,288	2,026,908
Interdistrict sources and other	4,241,801	--	--	--	4,241,801
Total Revenues	36,787,708	1,271,599	1,024,495	12,192,577	51,276,379
Expenditures					
Instruction	20,367,900	--	--	--	20,367,900
Supporting services	13,969,504	--	--	507,138	14,476,642
Community services	84,057	--	--	1,496,075	1,580,132
Food services	--	--	--	1,438,785	1,438,785
Athletics	1,002,272	--	--	--	1,002,272
Capital outlay	--	350,854	8,614,305	82,777	9,047,936
Debt service, principal	--	--	--	6,290,000	6,290,000
Debt service, interest and other costs	--	--	--	2,217,311	2,217,311
Total Expenditures	35,423,733	350,854	8,614,305	12,032,086	56,420,978
Excess of Revenues Over					
(Under) Expenditures	1,363,975	920,745	(7,589,810)	160,491	(5,144,599)
Other Financing Sources (Uses)					
Transfers in	486,975	--	--	348,959	835,934
Transfers out	(348,959)	--	--	(486,975)	(835,934)
Net Other Financing Sources (Uses)	138,016	--	--	(138,016)	--
Net Change in Fund Balance	1,501,991	920,745	(7,589,810)	22,475	(5,144,599)
<i>Fund Balance at Beginning of Period</i>	<i>5,764,848</i>	<i>2,917,862</i>	<i>15,598,667</i>	<i>4,203,722</i>	<i>28,485,099</i>
Fund Balance at End of Period	\$ 7,266,839	\$ 3,838,607	\$ 8,008,857	\$ 4,226,197	\$ 23,340,500

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, 2024

Total Net Change in Fund Balances - Governmental Funds	\$ (5,144,599)
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.	(108,374)
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 \$6,290,000.	6,290,000
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.	844,097
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.	3,240,519
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 \$4,544,937 and net disposals of \$119,544 is exceeded by capital outlay of \$9,488,701.	4,824,220
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources.	(39,177)
Changes in Net Position - Governmental Activities	\$ <u>9,906,686</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, 2024:

Fund / Function / Department	Final Budget	Actual Amount	Negative Variance
General fund			
<i>Supporting services</i>			
Pupil	\$ 4,007,583	\$ 4,074,420	\$ (66,837)
Business	544,742	588,004	(43,262)
<i>Athletics</i>	958,582	1,002,272	(43,690)
<i>Transfers out</i>	310,161	348,959	(38,798)

Governmental Activities Deficit

The School District has an unrestricted net position deficit for district-wide activities in the amount of (\$54,392,496) as of June 30, 2024. 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>\$ 23,047,054</u>
Deposits and Investments	
Checking and savings accounts	\$ 10,972,555
Pooled investments (MILAF)	12,058,229
Cash on hand	<u>16,270</u>
Total Deposits and Investments	<u>\$ 23,047,054</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, \$11,831,510 of the School District's bank balance of \$12,081,510 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, 2024, 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 \$12,058,229, as of June 30, 2024.

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 \$12,058,229.

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, 2024, the fair value measurements of investments were limited to the Michigan Liquid Asset Fund assets with a fair market value of \$12,058,229 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, 2024, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental funds	General	\$ 307,014
Nonmajor governmental funds	2022 Capital Projects	20,181
Nonmajor governmental funds	Nonmajor governmental funds	69,257
Sinking Fund	General	56,826

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, 2024, interfund transfers consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 138,016

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, 2024, 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 \$1,336,583.

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 48.5% of the total revenues to the School District during the June 30, 2024 fiscal year.

Note 7 - Capital Assets

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

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not Being Depreciated:					
Land	\$ 1,243,761	\$ -	\$ -	\$ -	\$ 1,243,761
Construction in progress	5,307,091	94,100	-	(3,683,726)	1,717,465
Subtotal	6,550,852	94,100	-	(3,683,726)	2,961,226
Capital Assets Being Depreciated:					
Land improvements	19,502,714	7,353,267	-	3,683,726	30,539,707
Buildings and improvements	102,613,438	916,852	27,075	-	103,503,215
Vehicles	3,238,826	72,825	483,365	-	2,828,286
Equipment	15,246,151	1,051,657	904,989	-	15,392,819
Subtotal	140,601,129	9,394,601	1,415,429	3,683,726	152,264,027
Less Accumulated Depreciation:					
Land improvements	7,486,611	1,020,851	-	-	8,507,462
Buildings and improvements	47,143,500	2,525,925	12,182	-	49,657,243
Vehicles	2,573,096	188,602	435,029	-	2,326,669
Equipment	7,513,952	809,559	848,674	-	7,474,837
Subtotal	64,717,159	4,544,937	1,295,885	-	67,966,211
Capital Assets Being Depreciated, Net	75,883,970	4,849,664	119,544	3,683,726	84,297,816
Capital Assets, Net	\$ 82,434,822	\$ 4,943,764	\$ 119,544	\$ -	\$ 87,259,042

Depreciation expense for the fiscal year amounted to \$4,544,937 with \$2,326,670 allocated to supporting services, \$4,291 to food service, and the remaining \$2,213,976 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, 2024, 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%.	\$ 1,530,000
\$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%.	1,405,000
\$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%.	19,050,000
\$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%.	22,800,000
<i>Total general obligation bonded debt</i>	<u>\$ 44,785,000</u>

Long-term debt activity for the year ended June 30, 2024, was as follows:

Bonds Payable	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Direct Placement Bonds</i>					
2016 Refunding Bonds	\$ 3,075,000	\$ -	\$ (1,545,000)	\$ 1,530,000	\$ 1,530,000
2018 Building and Site Bonds	2,855,000	-	(1,450,000)	1,405,000	1,405,000
2020 Building and Site Bonds	21,125,000	-	(2,075,000)	19,050,000	2,575,000
2022 Building and Site Bonds	24,020,000	-	(1,220,000)	22,800,000	1,225,000
<i>Total Bonds</i>	<u>51,075,000</u>	<u>-</u>	<u>(6,290,000)</u>	<u>44,785,000</u>	<u>6,735,000</u>
Bond Premiums and Discounts					
Unamortized Premiums	6,004,816	-	(760,754)	5,244,062	-
<i>Total Bonds Payable</i>	<u>\$ 57,079,816</u>	<u>\$ -</u>	<u>\$ (7,050,754)</u>	<u>\$ 50,029,062</u>	<u>\$ 6,735,000</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
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	2,250,000	1,357,968	3,607,968
2030-2034	11,775,000	5,233,465	17,008,465
2035-2039	13,175,000	2,436,715	15,611,715
2040-2041	4,475,000	282,610	4,757,610
Totals:	\$ 44,785,000	\$ 15,800,205	\$ 60,585,205

Note 9 - Net Investment in Capital Assets

As of June 30, 2024, net investment in capital assets was comprised of the following:

Capital assets, net of depreciation	\$ 87,259,042
Capital related debt:	
Bonds payable	(44,785,000)
Unamortized bond premium	(5,244,062)
Deferred charge on bond refunding	113,825
Deferred gain on bond refunding	(89,401)
Unexpended bond proceeds in capital projects funds	9,145,176
Total capital related debt	(40,859,462)
Net investment in capital assets	\$ 46,399,580

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, 2024 was \$70,892.

<u>Asset Type</u>	<u>Remaining Term of Agreements</u>
Cafeteria	2 years

Lease receivable activity for the year ended June 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Leases receivable	\$ 107,143	\$ -	\$ (70,892)	\$ 36,251

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, 2022, valuation will be amortized over a 16-year period beginning Oct. 1, 2022 and ending September. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2023:

<u>Benefit Structure</u>	<u>Member</u>	<u>Non-Universities</u>
Basic	0.0 - 4.0%	20.16%
Member investment plan	3.0 - 7.0%	20.16%
Pension plus	3.0 - 6.4%	17.24%
Pension plus 2	6.2%	19.95%
Defined contribution	0.0%	13.75%

Chelsea School District

Notes to the Financial Statements

Required contributions to the pension plan from the School District were \$6,653,122 for the year ended September 30, 2023.

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

At June 30, 2024, the School District reported a liability of \$59,747,156 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. 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, 2023, the School District's proportion was 0.1846 percent, which was a decrease of .00066 percent from its proportion measured as of September 30, 2022.

For the year ending June 30, 2024, the School District recognized pension expense of \$7,518,247. At June 30, 2024, 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	\$ 1,886,035	\$ 91,523
Changes of assumptions	8,096,012	4,667,976
Net difference between projected and actual earnings on pension plan investments	-	1,222,620
Changes in proportion and differences between employer contributions and proportionate share of contributions	306,464	276,847
Employer contributions subsequent to the measurement date	6,593,201	-
Total	\$ 16,881,712	\$ 6,258,966

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, 2025. 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:
2024	\$ 1,337,674
2025	966,256
2026	2,612,595
2027	(886,980)

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, 2022
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:	PubT-2010 Male and Female Healthy Annuitant Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

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, 2023, is based on the results of an actuarial valuation date of September 30, 2022, 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 2023 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, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.8%
Private equity pools	16.0	9.6
International equity pools	15.0	6.8
Fixed income pools	13.0	1.3
Real estate and infrastructure pools	10.0	6.4
Absolute return pools	9.0	4.8
Real return/opportunistic pools	10.0	7.3
Short-term investment pools	2.0	0.3
<i>Total</i>	100.0%	

*Long-term rates of return are net of administrative expenses and 2.7% inflation.

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29%. 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%
\$80,718,233	\$59,747,156	\$42,287,977

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, 2022, valuation will be amortized over a 16-year period beginning Oct. 1, 2022 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2023:

Benefit Structure	Member	Non-Universities
Premium subsidy	3.00%	8.07%
Personal healthcare fund (PHF)	0.00%	7.21%

Required contributions to the OPEB plan from the School District were \$1,434,775 for the year ended September 30, 2023.

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

At June 30, 2024, the School District reported an asset of \$1,041,919 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability (asset) was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation rolled forward from September 2022. The School District's proportion of the net OPEB liability (asset) 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, 2023, the School District's proportion was 0.18418%, which was a decrease of 0.00205% from its proportion measured as of October 1, 2022.

Chelsea School District

Notes to the Financial Statements

For the year ending June 30, 2024, the School District recognized OPEB expense of negative (\$1,782,780). At June 30, 2024, 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	\$ -	\$ 7,873,274
Changes of assumptions	2,319,493	279,311
Net difference between projected and actual earnings on pension plan investments	3,177	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	145,125	150,116
Employer contributions subsequent to the measurement date	1,113,809	-
Total	\$ 3,581,604	\$ 8,302,701

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 (asset) in the year ended June 30, 2025. 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:
2024	(1,891,465)
2025	(1,788,976)
2026	(700,522)
2027	(657,971)
2028	(524,980)
Thereafter	(270,992)

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, 2022
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; Post-65: 5.25% Year 1 graded to 3.5% Year 15
Mortality:	
Retirees:	PubT-2010 Male and Female Healthy Annuitant Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
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, 2023, is based on the results of an actuarial valuation date of September. 30, 2022, 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.

Chelsea School District

Notes to the Financial Statements

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2023 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, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.8%
Private equity pools	16.0	9.6
International equity pools	15.0	6.8
Fixed income pools	13.0	1.3
Real estate and infrastructure pools	10.0	6.4
Absolute return pools	9.0	4.8
Real return/opportunistic pools	10.0	7.3
Short-term investment pools	2.0	0.3
Total	100.0%	

*Long-term rates of return are net of administrative expenses and 2.7% inflation.

Rate of Return

For the fiscal year ended September. 30, 2023, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94%. 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

Chelsea School District

Notes to the Financial Statements

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

1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$ 1,080,157	\$ (1,041,919)	\$ (2,865,635)

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 (asset) calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability (asset) 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
\$ (2,870,182)	\$ (1,041,919)	\$ 936,861

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2023 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

Chelsea School District

Notes to the Financial Statements

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.

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 \$12,975 in reduced School District tax revenues for the year ended June 30, 2024.

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 \$0 in reduced School District tax revenues for the year ended June 30, 2024.

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 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, 2024

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Local sources	\$ 6,034,587	\$ 6,431,466	\$ 6,546,048	\$ 114,582
State sources	23,693,074	24,460,886	24,387,239	(73,647)
Federal sources	1,014,730	1,621,973	1,612,620	(9,353)
Interdistrict sources and other	3,959,122	4,152,961	4,241,801	88,840
Total Revenues	34,701,513	36,667,286	36,787,708	120,422
Other Financing Sources				
Transfers in	--	486,975	486,975	--
Total Revenues and Other Financing Sources	34,701,513	37,154,261	37,274,683	120,422
Expenditures				
Instruction				
Basic programs	16,636,832	17,131,751	16,591,047	540,704
Added needs	3,330,202	3,779,155	3,776,853	2,302
Total instruction	19,967,034	20,910,906	20,367,900	543,006
Supporting services				
Pupil	4,021,105	4,007,583	4,074,420	(66,837)
Instructional services	843,930	893,590	826,449	67,141
General administration	571,269	650,356	631,540	18,816
School administration	1,772,534	1,773,231	1,773,123	108
Business	584,052	544,742	588,004	(43,262)
Operations and maintenance	3,350,940	3,260,636	3,258,916	1,720
Pupil transportation services	1,274,874	1,437,868	1,269,589	168,279
Central	1,372,213	1,586,032	1,547,463	38,569
Total supporting services	13,790,917	14,154,038	13,969,504	184,534
Community services	72,263	84,463	84,057	406
Athletics	997,346	958,582	1,002,272	(43,690)
Total Expenditures	34,827,560	36,107,989	35,423,733	684,256
Other Financing Uses				
Transfers out	122,836	310,161	348,959	(38,798)
Total Expenditures and Other Financing Uses	34,950,396	36,418,150	35,772,692	645,458
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(248,883)	736,111	1,501,991	765,880
Net Change in Fund Balance	(248,883)	736,111	1,501,991	765,880
Fund Balance at Beginning of Period	5,764,848	5,764,848	5,764,848	--
Fund Balance at End of Period	\$ 5,515,965	\$ 6,500,959	\$ 7,266,839	\$ 765,880

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Portion of Net Pension Liability (%)	0.18460%	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	\$ 59,747,156	\$ 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	\$ 18,524,625	\$ 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	322.53%	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	65.91%	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 Ten School District Fiscal Years (amounts determined as of June 30 of each year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 6,653,122	\$ 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	<u>(6,653,122)</u>	<u>(6,305,260)</u>	<u>(6,293,431)</u>	<u>(5,433,485)</u>	<u>(5,091,007)</u>	<u>(4,858,477)</u>	<u>(5,021,227)</u>	<u>(4,246,859)</u>	<u>(3,985,581)</u>	<u>(3,316,341)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 18,748,196	\$ 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	35.49%	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 Seven Fiscal Years (amounts were determined as of September 30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (%)	0.18418%	0.18623%	0.18350%	0.18480%	0.18532%	0.18339%	0.18230%
School District's Proportionate Share of Net OPEB Liability	\$ (1,041,919)	\$ 3,944,525	\$ 2,800,872	\$ 9,900,190	\$ 13,301,886	\$ 14,577,777	\$ 16,143,461
School District's Covered Payroll	\$ 18,524,625	\$ 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	-5.62%	21.71%	16.85%	60.34%	82.03%	93.31%	103.36%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	105.04%	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 Seven School District Fiscal Years (amounts determined as of June 30 of each year)

	<u>2023</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 1,434,775	\$ 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	<u>(1,434,775)</u>	<u>(1,418,597)</u>	<u>(1,415,493)</u>	<u>(1,322,018)</u>	<u>(1,315,546)</u>	<u>(1,257,478)</u>	<u>(1,156,361)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 18,748,196	\$ 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	7.65%	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, 2024**

	Special Revenue			
	Community Education	Food Service	Student Scholarship	Student Activity
ASSETS				
Cash and investments	\$ 350	\$ 46,716	\$ 73,952	\$ 553,983
Accounts receivable	138,366	133,796	11,091	2,309
Due from other governmental units	--	128,874	--	--
Inventory	--	31,534	--	--
Due from other funds	136,089	158,723	26,647	--
<i>Total Assets</i>	\$ 274,805	\$ 499,643	\$ 111,690	\$ 556,292
LIABILITIES				
Accounts payable	\$ 680	\$ 43,521	\$ --	\$ --
Accrued expenditures	1,937	--	--	--
Salaries payable	875	--	--	--
Unearned revenue	271,313	--	--	--
Due to other funds	--	--	--	--
<i>Total Liabilities</i>	274,805	43,521	--	--
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	274,805	43,521	--	--
FUND BALANCE				
Nonspendable	--	31,534	--	--
Restricted	--	424,588	111,690	--
Committed	--	--	--	556,292
Unassigned	--	--	--	--
<i>Total Fund Balance</i>	--	456,122	111,690	556,292
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 274,805	\$ 499,643	\$ 111,690	\$ 556,292

**Chelsea School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024**

	Debt Service				Capital Projects		Total Nonmajor Governmental Funds
	2016 Debt Service	2020 Debt Service	2018 Debt Service	2022 Debt Service	2018 Capital Projects	2020 Capital Projects	
ASSETS							
Cash and investments	\$ 205,309	\$ 807,851	\$ 268,862	\$ 681,225	\$ 946,729	\$ 201,153	\$ 3,786,130
Accounts receivable	--	--	--	--	--	--	285,562
Due from other governmental units	--	--	--	--	--	--	128,874
Inventory	--	--	--	--	--	--	31,534
Due from other funds	--	31,557	--	43,436	--	--	396,452
Total Assets	\$ 205,309	\$ 839,408	\$ 268,862	\$ 724,661	\$ 946,729	\$ 201,153	\$ 4,628,552
LIABILITIES							
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 11,563	\$ 55,764
Accrued expenditures	--	--	--	--	--	--	1,937
Salaries payable	--	--	--	--	--	--	875
Unearned revenue	--	--	--	--	--	--	271,313
Due to other funds	2,832	--	66,425	--	--	--	69,257
Total Liabilities	2,832	--	66,425	--	--	11,563	399,146
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	642	1,220	545	802	--	--	3,209
Total Liabilities and Deferred Inflows of Resources	3,474	1,220	66,970	802	--	11,563	402,355
FUND BALANCE							
Nonspendable	--	--	--	--	--	--	31,534
Restricted	201,835	838,188	201,892	723,859	946,729	189,590	3,638,371
Committed	--	--	--	--	--	--	556,292
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	201,835	838,188	201,892	723,859	946,729	189,590	4,226,197
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 205,309	\$ 839,408	\$ 268,862	\$ 724,661	\$ 946,729	\$ 201,153	\$ 4,628,552

Chelsea School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue			
	Community Education	Food Service	Student Scholarship	Student Activity
Revenues				
Local sources	\$ 1,415,947	\$ 377,373	\$ 76,418	\$ 484,669
State sources	151,144	853,195	--	--
Federal sources	--	414,288	--	--
Total Revenues	1,567,091	1,644,856	76,418	484,669
Expenditures				
Supporting services	--	--	50,490	456,648
Community services	1,496,075	--	--	--
Food services	--	1,438,785	--	--
Capital outlay	--	--	--	--
Debt service, principal	--	--	--	--
Debt service, interest and other costs	--	--	--	--
Total Expenditures	1,496,075	1,438,785	50,490	456,648
Excess of Revenues Over (Under) Expenditures	71,016	206,071	25,928	28,021
Other Financing Sources (Uses)				
Transfers in	348,959	--	--	--
Transfers out	(419,975)	(67,000)	--	--
Net Other Financing Sources (Uses)	(71,016)	(67,000)	--	--
Net Change in Fund Balance	--	139,071	25,928	28,021
<i>Fund Balance at Beginning of Period</i>	<i>--</i>	<i>317,051</i>	<i>85,762</i>	<i>528,271</i>
Fund Balance at End of Period	\$ --	\$ 456,122	\$ 111,690	\$ 556,292

Chelsea School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Debt Service				Capital Projects		Total Nonmajor Governmental Funds
	2016 Debt Service	2020 Debt Service	2018 Debt Service	2022 Debt Service	2018 Capital Projects	2020 Capital Projects	
Revenues							
Local sources	\$ 1,609,500	\$ 3,070,041	\$ 1,358,808	\$ 2,040,295	\$ 37,122	\$ 13,641	\$ 10,483,814
State sources	58,027	110,340	49,235	72,534	--	--	1,294,475
Federal sources	--	--	--	--	--	--	414,288
Total Revenues	1,667,527	3,180,381	1,408,043	2,112,829	37,122	13,641	12,192,577
Expenditures							
Supporting services	--	--	--	--	--	--	507,138
Community services	--	--	--	--	--	--	1,496,075
Food services	--	--	--	--	--	--	1,438,785
Capital outlay	--	--	--	--	--	82,777	82,777
Debt service, principal	1,545,000	2,075,000	1,450,000	1,220,000	--	--	6,290,000
Debt service, interest and other costs	123,518	1,010,285	114,716	968,792	--	--	2,217,311
Total Expenditures	1,668,518	3,085,285	1,564,716	2,188,792	--	82,777	12,032,086
Excess of Revenues Over (Under) Expenditures	(991)	95,096	(156,673)	(75,963)	37,122	(69,136)	160,491
Other Financing Sources (Uses)							
Transfers in	--	--	--	--	--	--	348,959
Transfers out	--	--	--	--	--	--	(486,975)
Net Other Financing Sources (Uses)	--	--	--	--	--	--	(138,016)
Net Change in Fund Balance	(991)	95,096	(156,673)	(75,963)	37,122	(69,136)	22,475
<i>Fund Balance at Beginning of Period</i>	<i>202,826</i>	<i>743,092</i>	<i>358,565</i>	<i>799,822</i>	<i>909,607</i>	<i>258,726</i>	<i>4,203,722</i>
Fund Balance at End of Period	\$ 201,835	\$ 838,188	\$ 201,892	\$ 723,859	\$ 946,729	\$ 189,590	\$ 4,226,197



**CHELSEA SCHOOL DISTRICT
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2024**

Chelsea School District
Schedule of Expenditures of Federal Awards
June 30, 2024

<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, 2023</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued (Unearned) Revenue at June 30, 2024</i>
U.S. Department of Agriculture:								
Child Nutrition Cluster:								
221960 National School Lunch Program	10.555	MDE	\$ -	\$ 26,837	\$ -			\$ -
231960 National School Lunch Program	10.555	MDE	37,478	197,098	7,698	37,478	29,780	-
231980 National School Lunch Program	10.555	MDE	125			125	125	-
240910 National School Lunch Program	10.555	MDE	60,706			60,706	60,706	-
241960 National School Lunch Program	10.555	MDE	166,206			166,206	201,504	35,298
241980 National School Lunch Program	10.555	MDE	1,221			1,221	1,357	136
221970 School Breakfast Program	10.553	MDE	-	1,466	-			-
231970 School Breakfast Program	10.553	MDE	5,343	18,293	717	5,343	4,626	-
241970 School Breakfast Program	10.553	MDE	34,771			34,771	42,744	7,973
220910 Food Service Supply Chain Grant	10.555	MDE	-	90,618	-			-
230910 Food Service Supply Chain Grant	10.555	MDE	-	25,455	-			-
231980 Supply Chain Assistance	10.555	MDE	-	92	-			-
Bonus Commodities - 2223	10.555	MDE	-	6,443	-	23	23	-
Entitlement Commodities - 2223	10.555	MDE	-	78,636	-	69,457	69,457	-
Total Child Nutrition Cluster			305,850	444,938	8,415	375,330	410,322	43,407
221920 CACFP Meals	10.558	MDE	-	464	-			-
231920 CACFP Meals	10.558	MDE	702			702	702	-
232010 CACFP Meals	10.558	MDE	63			63	63	-
241920 CACFP Meals	10.558	MDE	2,138	3,180	300	2,138	2,469	631
242010 CACFP Meals	10.558	MDE	313			313	380	67
230985 Local Food for Schools	10.185	MDE	352	10,546	-	352	352	-
220980 Pandemic EBT Local Level Costs	10.649	MDE	-	628	-			-
Total U.S. Department of Agriculture			309,418	459,756	8,715	378,898	414,288	44,105
U.S. Department of Education:								
Title I, Part A - Educationally Deprived								
231530 2223	84.010	MDE	68,926	68,926	10,045	10,045	-	-
251530 2324	84.01	MDE	59,968	-	-	-	59,968	59,968
Total Title I, Part A			128,894	68,926	10,045	10,045	59,968	59,968
Special Education Cluster								
Handicapped Programs IDEA Flow-through - 220450-2122	84.027A	WISD	-	16,923	-			-
Handicapped Programs IDEA Flow-through - 230450-2223	84.027A	WISD	445,492	444,228	444,228	445,492	1,264	-
Handicapped Programs IDEA Flow-through - 240450-2324	84.027A	WISD	465,172	-	-	-	464,320	464,320
IDEA Pre-school Grant - 2223	84.173A	WISD	-	3,538	-		-	-
IDEA Pre-school Grant - 2324	84.173A	WISD	-	-	-	5,456	5,456	-
Total Special Education Cluster			910,664	464,689	444,228	450,948	471,040	464,320
Title III, Part A - Immigrant Students								
Immigrant Students 22-23	84.365A	MISD	3,240	3,240	3,240	3,240	-	-
Immigrant Students 23-24	84.365A	MISD	2,860	-	-	-	2,860	2,860
English Learners - 240580-2324	84.365	MDE	2,918	-	-	-	2,918	2,918
Total Title III, Part A - Immigrant Students			9,018	3,240	3,240	3,240	5,778	5,778

See Notes to the Schedule of Expenditures of Federal Awards

Chelsea School District
Schedule of Expenditures of Federal Awards
June 30, 2024

<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, 2023</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued (Unearned) Revenue at June 30, 2024</i>
U.S. Department of Education (continued):								
Title II, Part A - Improving Teacher Quality State Grants								
230520 2223	84.367	MDE	34,330	34,330	10,299	10,299	-	\$ -
240520 2324	84.367	MDE	34,512	-	-	-	34,512	34,512
Total Title II, Part A			68,842	34,330	10,299	10,299	34,512	34,512
Title IV								
230750 Part A - Student Support and Academic Enrichment 2223	84.424	MDE	10,000	10,000	3,000	3,000	-	-
240750 Part A - Student Support and Academic Enrichment 2324	84.424	MDE	10,000	-	-	-	10,000	10,000
230775 Effective Use of Technology - 2024	84.424A	MDE	10,000	4,962	4,962	4,962	2,119	2,119
Total Title IV, Part A			30,000	14,962	7,962	7,962	12,119	12,119
Elementary and Secondary School Emergency Relief (ESER) Fund:								
COVID-19 - 213712 2021 - ESSER II Formula	84.425D	MDE	-	75,000	75,000	75,000	-	-
COVID-19 - 213742 2122 - ESSER II 23b(2b) Credit Recovery	84.425D	MDE	-	17,796	-	-	-	-
COVID-19 - 213713 2122 - ARP/ESSER III Formula	84.425U	MDE	487,910	12,078	12,078	12,078	-	-
COVID-19 - 213723 2122 - ARP/ESSER III 11t Equalization	84.425U	MDE	2,135,334	1,198,325	323,499	973,433	937,009	287,075
Total ESSER			2,623,244	1,303,199	410,577	1,060,511	937,009	287,075
COVID-19 - American Rescue Plan Homeless I & II - 2122	84.425W	MDE	12,180	6,504	6,504	6,504	2,798	2,798
Total U.S. Department of Education			3,782,842	1,895,850	892,855	1,549,509	1,523,224	866,570
U.S. Department of Health and Human Services:								
MSHHA Health Resource Advocate HRA 2223	93.323	WISD	-	100,000	100,000	100,000	-	-
MSHHA Health Resource Advocate HRA 2324	93.323	WISD	-	-	-	-	89,396	89,396
Total U.S. Department of Health and Human Services			-	100,000	100,000	100,000	89,396	89,396
Total Federal Financial Assistance			\$ 4,092,260	\$ 2,455,606	\$ 1,001,570	\$ 2,028,407	\$ 2,026,908	\$ 1,000,071

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, 2024. 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, 2024 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	\$ 2,026,908
<i>Expenditures per schedule of expenditures of federal awards</i>	<u>\$ 2,026,908</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, 2024, 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 4, 2024.

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 4, 2024

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, 2024. 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, 2024.

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 4, 2024

Chelsea School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

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 4, 2024

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, 2024. 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 April 24, 2024. 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, 2024. 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 4, 2024.

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 4, 2024.

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 clearly visible.

Gabridge & Company, PLC
Grand Rapids, MI