



**FREMONT PUBLIC SCHOOLS
FREMONT, NEWAYGO COUNTY, MICHIGAN**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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FEDERAL FINANCIAL ASSISTANCE

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Independent Auditor's Report

The Board of Education
Fremont Public Schools
Fremont, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Public Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Fremont Public School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Fremont Public Schools as of June 30, 2021, and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 the 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont Public School's basic financial statements. The combining non-major 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.

The combining non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major 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 30, 2021 on our consideration of Fremont Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Fremont Public School's internal control over financial reporting and compliance.

H & S Companies, P.C.

H & S Companies, P.C.
Fremont, MI
October 30, 2021

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

As management of Fremont Public Schools, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities decreased over \$464,843 during the year and amounted to a deficit of \$42.1 million at June 30, 2021.

- General revenues accounted for \$23.8 million, or 78.9%, of all fiscal year 2021 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for nearly \$6.38 million or 21.1% of total fiscal year 2021 revenues. Revenues increased over \$1,358,000 from the prior year. The major changes include an increase in property taxes of about \$190,000, an increase in unrestricted state and federal aid of approximately \$621,000, an increase in operating grants and contributions of \$1,300,000, and a decrease in miscellaneous revenues of \$294,000.

- The District had about \$30.66 million in expenses related to governmental activities; of which nearly \$6.38 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$23.8 million covered 98.1% of the remaining costs of these programs. Expenses increased \$535,000 compared to last year. Instruction expenditures decreased \$100,000 and support services increased \$596,000.

- The General Fund, a major fund for the District, had nearly \$23.95 million in revenues and other financing sources which primarily consisted of state aid and property taxes. The General Fund also had approximately \$23.0 million in expenditures and other uses. The General Fund's fund balance increased by \$1,028,037.

- General Fund revenues increased approximately \$1.4 million while expenditures increased approximately \$835,000 compared to the prior year.

- The Debt Service Fund is a major fund for the District. The Debt Service Fund property taxes increased \$103,000 from the prior year level of \$3.55 million. Expenditures increased from \$400,000 to \$3.8 million. The Debt Fund's fund balance decreased by \$162,000.

- The Capital Projects Sinking Fund is another major fund for the District. The Capital Projects Sinking Fund property taxes was approximately the same as the prior year level of \$1.2 million. Expenditures decreased \$200,000 to \$1.2 million due to fewer capital outlay purchases. The Capital Projects Sinking fund balance decreased \$20,000.

- The Capital Projects-Capital Improvement Fund and the Food Service Fund are non-major funds for the District. Together they accounted for approximately \$1.2 million in revenue and over \$1 million in expenses. The fund balances of these funds increased by nearly \$188,000.

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The District-wide statement of net position and statement of activities are reported using the full accrual basis of accounting. With this method all of the District's assets and liabilities, and all of the current year revenues and expenditures, are reported regardless of when cash is received or paid. These statements provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. For example, the Statement of Activities details how the District's services were financed in the short-term and the amount that remains for future spending. The statement of net position aggregates the District's restricted and unrestricted assets as well as short and long-term obligations recorded in all funds.

The fund-level statements are reported using a modified accrual basis of accounting. That is, only those assets that are "measurable" and "currently available" are reported, and liabilities are recognized to the extent they would normally be paid with current financial resources. Fund financial statements report the School District's operations in more detail than the District-wide financial statements by providing information about the School District's most significant funds – the General Fund, Debt Service Fund, Capital Projects Sinking Fund, as well as its non-major funds - Food Service Fund and Capital Improvements Fund.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 44 of this report.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's *net position* – the difference between assets and liabilities, as reported in the statement of net position, is one way to measure the School District's financial health, or *financial position*. Over time, increases or decreases in the District's net position, as reported in the statement of activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the School District.

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Net Position - The District's combined net position was less on June 30, 2021 than the year before. The following summarizes the net position at fiscal years ended June 30, 2021 and 2020:

	2021	2020
Assets		
Current Assets	\$ 7,568,973	\$ 6,978,277
Noncurrent Assets	43,016,292	44,188,439
Total Assets	50,585,265	51,166,716
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	8,334,245	10,492,560
Deferred Outflows Related to OPEB	3,525,366	2,900,287
Liabilities		
Current Liabilities	3,560,859	3,968,900
Long-Term Liabilities	40,508,570	42,771,802
Net Pension Liability	45,575,041	42,871,243
Net OPEB Liability	7,125,217	9,304,959
Total Liabilities	96,769,687	98,916,904
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	2,278,845	3,420,202
Deferred Inflows Related to OPEB	5,556,534	3,917,804
Net Position		
Net Investment in Capital Assets	(367,535)	(1,703,200)
Restricted	657,442	427,950
Unrestricted	(42,450,097)	(40,420,097)
Total Net Position	\$(42,160,190)	\$ (41,695,347)

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**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Results of Operations

For the fiscal years ended June 30, 2021 and 2020, the District wide results of operations are reported below.

	Year Ended 2021		Year Ended 2020	
	Amount	%	Amount	%
Revenues:				
Program Revenues:				
Charges for Services	\$ 502,637	1.66	\$ 652,958	2.26
Operating Grants/Contr.	5,877,185	19.46	4,857,428	16.84
General Revenues:				
Property Taxes	7,695,409	25.48	7,506,717	26.03
State and Federal Aid	15,828,871	52.42	15,207,879	52.74
Interest and Other	291,980	0.97	612,558	2.12
Total Revenues	<u>30,196,082</u>	100.00	<u>28,837,540</u>	100.00
Expenses:				
Instruction				
Basic Programs	15,125,423	49.33	14,140,580	46.94
Added Needs	3,569,896	11.64	4,616,652	15.32
Adult Education	222,825	0.73	261,679	0.87
Total Instruction	<u>18,918,144</u>	61.70	<u>19,018,911</u>	63.13
Support Services				
Pupil	701,146	2.29	593,812	1.97
Instructional Staff	757,341	2.47	403,445	1.34
General Administration	441,304	1.44	440,135	1.46
School Administration	1,680,879	5.48	1,542,497	5.12
Business	386,669	1.26	411,162	1.36
Operations/Maintenance	1,698,489	5.54	1,596,138	5.30
Pupil Transportation	1,090,288	3.56	1,157,526	3.84
Central	559,128	1.82	574,222	1.91
Total Support Services	<u>7,315,244</u>	23.86	<u>6,718,937</u>	22.30
Community Services	535,405	1.75	383,796	1.27
Food Service	1,029,578	3.36	1,353,835	4.49
Athletics	734,733	2.40	566,224	1.88
Capital Outlay	12,877	0.04	172,694	0.57
Interest on Debt	2,114,944	6.90	1,911,963	6.35
Total Expenses	<u>30,660,925</u>	100.00	<u>30,126,360</u>	100.00
Change in Net Position	(464,843)		(1,288,820)	
Beginning Net Position	<u>(41,695,347)</u>		<u>(40,406,527)</u>	
Ending Net Position	<u><u>\$ (42,160,190)</u></u>		<u><u>\$ (41,695,347)</u></u>	

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Debt Administration

At year-end, the District had nearly \$37.5 million in long-term obligations of which \$1,300,000 is due within one year. The following table presents a summary of the District's outstanding long-term obligations for the fiscal year ended June 30, 2021.

Compensated Absences	\$ 30,846
Bond Issues	<u>37,445,875</u>
	<u><u>\$ 37,476,721</u></u>

Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position.

For fiscal year ended June 30, 2021, the net increase in accumulated depreciation was approximately \$2,200,000. Depreciation expense totaled over \$2,249,674 and there was over \$58,000 removed due to asset disposals.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value.

One way to think of depreciation expense is that in order to maintain net position at the same level, acquisitions of capital outlay and capitalized major maintenance projects would have to equal the annual depreciation expense. In other words, to stay even in net position the District would have had to purchase and capitalize \$2,249,674 in assets during the year.

Capital Outlay Acquisitions

Actual capital outlay acquisitions during the year were over \$1.3 million while over \$58,000 of assets were disposed of for the fiscal year ended June 30, 2021.

Net acquisitions combined with the increase in accumulated depreciation, net investment in capital assets (i.e., net book value) decreased approximately \$900,000 during the year.

Since accumulated depreciation is based on original cost, it does not take into consideration inflation. As a result, the actual investment in capital outlay would have to be more than depreciation expense in order to maintain assets at the same level of maintenance and upkeep.

During the fiscal year, the District made the following acquisitions:

- Building improvements in the amount of \$118,364
- Track improvements in the amount of \$1,103,741
- Two new passenger vans in the amount of \$74,002
- a bus in the amount of \$61,000

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

The District has also committed to the purchase of two new busses for the fiscal year 2021-2022 totaling \$129,348.

Property Taxes levied for General Operations (General Fund Property Taxes)

The District levies 18 mills of property tax for operations (General Fund) on Non-Homestead Properties. In 2008, commercial personal property became exempt from the first 12 mills "non-homestead" operating millage levied. This resulted in a decrease in the non-homestead tax levy. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

The District's non-homestead property levy for the 2020-2021 fiscal year was \$2,817,748. The non-homestead tax levy increased by 4.53% from the prior year.

The following summarizes the District's non-homestead levy the past five years:

Fiscal Year	Non-Homestead Levy	% Increase from Prior Year
2020-2021	2,817,748	4.53%
2019-2020	2,695,574	5.52%
2018-2019	2,554,645	1.71%
2017-2018	2,511,601	2.66%
2016-2017	2,446,508	4.35%

State of Michigan Aid, Unrestricted

That State of Michigan aid, unrestricted is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment – Blended at 90% of current year fall count and 10% of prior year winter count
- c. The District's non-homestead levy

Per Student, Foundation Allowance

Annually, the State of Michigan sets the per student foundation allowance. The Fremont Public Schools foundation allowance was \$8,111 per student for the 2020-2021 school year. There was no increase per student compared to the 2019-2020 school year.

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Student Enrollment

The District's student enrollment for the fall count of 2020-2021 was 2,088 students. The following summarizes fall student enrollments in the past five years:

Fiscal Year	Student FTE	FTE Change from Prior Year
2020-2021	2,088	(18)
2019-2020	2,106	(28)
2018-2019	2,134	32
2017-2018	2,102	(27)
2016-2017	2,129	(109)

Property Taxes levied for Debt Service

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) in lieu of taxes, which are essentially taxed at 50% of the regular tax rate.

For 2020-2021 the District's debt millage levy was 7.0 mills, which generated a levy of \$3,662,157.

Food Service Sales to Students & Adults:

The District's local sources of revenues decreased over \$145,000 from the prior school year. State Sources increased over \$24,000 while Federal Sources increased over \$169,000. The total expenditures for Food Service operations decreased over \$295,776 from the prior year. Expenditures exceeded revenues by over \$186,064.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

General Fund Expenditures Budget vs. Actual 5-Year History

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
2016-2017	19,879,004	21,171,605	21,456,149	7.93%	1.34%
2017-2018	20,533,491	20,943,164	21,286,840	3.67%	1.64%
2018-2019	21,684,876	21,992,065	21,524,491	-0.74%	-2.13%
2019-2020	22,358,744	22,298,561	22,079,071	-1.25%	-0.98%
2020-2021	23,320,431	23,137,838	22,914,560	-1.74%	-0.96%
	Five-Year Average Over (Under) Budget			1.57%	-0.22%

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

General Fund Revenues Budget vs. Actual 5-Year History

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual & Original Budget	Revenues Variance Actual & Final Budget
2016-2017	19,820,547	21,272,528	21,527,377	8.61%	1.20%
2017-2018	20,408,974	21,195,501	21,627,484	5.97%	2.04%
2018-2019	21,731,389	22,009,099	21,984,548	1.16%	-0.11%
2019-2020	22,097,774	22,915,302	22,519,860	1.91%	-1.73%
2020-2021	22,519,050	23,956,661	23,842,597	5.88%	-0.48%
Five-Year Average Over (Under) Budget				4.71%	0.18%

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

General Fund Revenues

Total Revenues Original Budget	\$ 23,519,050
Total Revenues Final Budget	<u>23,956,661</u>
Increase in Budgeted Revenues	<u><u>\$ 437,611</u></u>

The District's final general fund revenues differed from the final budget by \$74,171. This is a variance of 0.31%

The Final revenue budget reflects the following changes from the original budget:

- Increase in Local Sources
- Increase in State Sources
- Increase in Federal Sources

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

General Fund Expenditures

Total Expenditures Original Budget	\$ 23,320,431
Total Expenditures Final Budget	<u>23,137,838</u>
Increase in Budgeted Expenditures	<u><u>\$ (182,593)</u></u>

The District's final general fund expenditures differed from the final budget by \$223,278. This is a variance of 0.96%.

The final expenditure budget reflects the following major changes from the original budget:

- Decrease in Operations and Maintenance
- Decrease in Added Needs

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2021-2022 budget. The primary factors include the previous history of declining enrollment and the per pupil foundation allowance. Also considered in the development of the budget is the local economy. These indicators were considered when adopting the budget for fiscal year 2021-2022. Budgeted expenditures in the General Fund are \$22,298,561 which is a decrease of \$615,999 from the 2020-21 actual expenditures. General Fund Revenues were budgeted at \$22,841,788. This is a \$101,809 decrease from the 2020-2021 actual revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have any questions about this report or need additional information, contact the Administration Offices, Fremont Public Schools, 450 E. Pine Street, Fremont, MI 49412.

FREMONT PUBLIC SCHOOLS
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
Assets	
Current Assets:	
Cash and Investments	\$ 3,053,447
Restricted Cash and Investments	1,036,631
Accounts Receivable	40,900
Due From Other Governmental Units	3,348,958
Inventory	79,802
Prepaid Expenses	9,235
Total Current Assets	7,568,973
Noncurrent Assets:	
Land	1,575,257
Capital Assets (net of accumulated depreciation)	41,441,035
Total Noncurrent Assets	43,016,292
Total Assets	50,585,265
Deferred Outflows of Resources	
Deferred Outflows of Resources Related to Pensions	8,334,245
Deferred Outflows of Resources Related to OPEB	3,525,366
Total Deferred Outflows of Resources	11,859,611
Liabilities	
Current Liabilities:	
Accounts Payable	62,147
Salaries and Severance Payable	1,125,441
Retirement Payable	619,654
Fringe Benefits Payable	245,485
Payroll Taxes Payable	76,521
Unearned Revenue	131,611
Current Portion of Long-Term Obligations	1,300,000
Total Current Liabilities	3,560,859
Noncurrent Liabilities:	
Bond Issue Premium (net of amortization)	4,331,849
Noncurrent Portion of Long-Term Obligations	36,176,721
Net Pension Liability	45,575,041
Net OPEB Liability	7,125,217
Total Noncurrent Liabilities	93,208,828
Total Liabilities	96,769,687
Deferred Inflows of Resources	
Deferred Inflows of Resources Related to Pensions	2,278,845
Deferred Inflows of Resources Related to OPEB	5,556,534
Total Deferred Inflows of Resources	7,835,379
Net position	
Net Investment in Capital Assets	(367,535)
Restricted For Debt Service	266,277
Restricted for Food Service	391,165
Unrestricted (Deficit)	(42,450,097)
Total Net Position	\$ (42,160,190)

See Independent Auditor's Report and accompanying notes to the financial statements.

FREMONT PUBLIC SCHOOLS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		Net (Expenses)
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenues</u> <u>Governmental Activities</u>
Governmental Activities				
Instruction:				
Basic Programs	\$ 15,125,423	\$ -	\$ 615,302	\$ (14,510,121)
Added Needs	3,569,896	-	3,064,290	(505,606)
Adult Education	222,825	-	318,417	95,592
Total Instruction	18,918,144	-	3,998,009	(14,920,135)
Support Services:				
Pupil	701,146	-	-	(701,146)
Instructional Staff	757,341	-	-	(757,341)
General Administration	441,304	-	-	(441,304)
School Administration	1,680,879	-	-	(1,680,879)
Business	386,669	-	-	(386,669)
Operations and Maintenance	1,698,489	-	-	(1,698,489)
Pupil Transportation	1,090,288	53,373	-	(1,036,915)
Central	559,128	-	-	(559,128)
Total Support Services	7,315,244	53,373	-	(7,261,871)
Community Services	535,405	327,644	-	(207,761)
Food Services	1,029,578	58,527	1,879,176	908,125
Athletics	734,733	63,093	-	(671,640)
Capital Outlay (Under \$5,000)	12,877	-	-	(12,877)
Interest and Fees on Debt	2,114,944	-	-	(2,114,944)
Total School District	\$ 30,660,925	\$ 502,637	\$ 5,877,185	(24,281,103)

See Independent Auditor's Report and accompanying notes to the financial statements.

FREMONT PUBLIC SCHOOLS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

General Revenues

Property Taxes	
General Purposes	\$ 2,818,947
Debt Services	3,662,157
Sinking Fund	1,214,305
State and Federal Aids Not Restricted To	
Specific Functions:	
General	15,828,871
Interest and Investment Earnings	5,200
Miscellaneous	27,443
Gain on Disposition of Capital Assets	18,679
Amortized Bond Premium	240,658
Total General Revenues	<u>23,816,260</u>
Change in Net Position	(464,843)
Net Position - Beginning of Year	<u>(41,695,347)</u>
Net Position - End of Year	<u><u>\$ (42,160,190)</u></u>

See Independent Auditor's Report and accompanying notes to the financial statements.

FREMONT PUBLIC SCHOOLS
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2021

	General Fund	Debt Service Fund	Capital Projects Sinking Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 2,688,505	\$ -	\$ -	\$ 364,942	\$ 3,053,447
Restricted Cash and Investments	-	266,277	770,354	-	1,036,631
Accounts Receivable	40,900	-	-	-	40,900
Due From Other Funds	1,391	-	-	132,612	134,003
Due From Other Governmental Units	3,348,958	-	-	-	3,348,958
Inventory	66,149	-	-	13,653	79,802
Prepaid Expenditures	9,235	-	-	-	9,235
Total Assets	<u>\$ 6,155,138</u>	<u>\$ 266,277</u>	<u>\$ 770,354</u>	<u>\$ 511,207</u>	<u>\$ 7,702,976</u>
Liabilities and Fund Equity					
Liabilities					
Accounts Payable	\$ 24,243	\$ -	\$ 37,904	\$ -	\$ 62,147
Salaries and Severance Payable	1,125,441	-	-	-	1,125,441
Retirement Payable	619,654	-	-	-	619,654
Fringe Benefits Payable	245,485	-	-	-	245,485
Payroll Taxes Payable	76,521	-	-	-	76,521
Unearned Revenue	112,045	-	-	19,566	131,611
Due to Other Funds	132,612	-	-	1,391	134,003
Total Liabilities	<u>2,336,001</u>	<u>-</u>	<u>37,904</u>	<u>20,957</u>	<u>2,394,862</u>
Fund Equity					
Non-Spendable - Inventory	66,149	-	-	13,653	79,802
Non-Spendable - Prepaid Expenditures	9,235	-	-	-	9,235
Restricted for Debt Service	-	266,277	-	-	266,277
Restricted for Capital Improvements	-	-	732,450	-	732,450
Restricted for Food Service	-	-	-	391,165	391,165
Assigned for Capital Improvements	-	-	-	85,432	85,432
Unassigned	3,743,753	-	-	-	3,743,753
Total Fund Equity	<u>3,819,137</u>	<u>266,277</u>	<u>732,450</u>	<u>490,250</u>	<u>5,308,114</u>
Total Liabilities and Fund Equity	<u>\$ 6,155,138</u>	<u>\$ 266,277</u>	<u>\$ 770,354</u>	<u>\$ 511,207</u>	<u>\$ 7,702,976</u>

See Independent Auditor's Report and accompanying notes to the financial statements.

**FREMONT PUBLIC SCHOOLS
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Governmental Fund Balances \$ 5,308,114

Total net position reported for governmental activities in the statement of net position are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental Capital Assets	\$ 73,017,251	
Governmental Accumulated Depreciation	<u>(30,000,959)</u>	
		43,016,292

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred Outflows of Resources Related to Pensions	8,334,245	
Deferred Outflows of Resources Related to OPEB	3,525,366	
Deferred Inflows of Resources Related to Pensions	(2,278,845)	
Deferred Inflows of Resources Related to OPEB	<u>(5,556,534)</u>	
		4,024,232

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

General Obligation Debt	(41,808,570)	
Net Pension Liability	(45,575,041)	
Net OPEB Liability	<u>(7,125,217)</u>	
		<u>(94,508,828)</u>

Total Net Position - Governmental Activities \$ (42,160,190)

FREMONT PUBLIC SCHOOLS
GOVERNMENTAL FUNDS STATEMENT OF REVENUES
EXPENDITURES AND CHANGE IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Debt Service Fund	Capital Projects Sinking Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Sources	\$ 3,583,055	\$ 3,662,322	\$ 1,214,734	\$ 60,511	\$ 8,520,622
State Sources	17,952,414	-	-	119,988	18,072,402
Federal Sources	2,064,260	-	-	996,700	3,060,960
Other Sources	282,761	-	-	18,572	301,333
Total Revenues	<u>23,882,490</u>	<u>3,662,322</u>	<u>1,214,734</u>	<u>1,195,771</u>	<u>29,955,317</u>
Expenditures					
Instruction					
Basic Programs	10,983,184	-	-	-	10,983,184
Added Needs	3,782,037	-	-	-	3,782,037
Adult Education	223,257	-	-	-	223,257
Support Services:					
Pupil	616,748	-	-	-	616,748
Instructional Staff	716,950	-	-	-	716,950
General Administration	377,931	-	-	-	377,931
School Administration	1,493,417	-	-	-	1,493,417
Business	354,673	-	-	-	354,673
Operations & Maintenance	1,664,696	-	-	-	1,664,696
Pupil Transportation	1,081,981	-	-	-	1,081,981
Central	518,237	-	-	-	518,237
Community Services	515,803	-	-	-	515,803
Athletics	585,646	-	-	-	585,646
Food Services	-	-	-	1,008,150	1,008,150
Capital Outlay	-	-	1,234,982	-	1,234,982
Debt Service	-	3,823,995	-	-	3,823,995
Total Expenditures	<u>22,914,560</u>	<u>3,823,995</u>	<u>1,234,982</u>	<u>1,008,150</u>	<u>28,981,687</u>
Excess Revenues Over (Under)					
Expenditures	967,930	(161,673)	(20,248)	187,621	973,630
Other Financing Sources (Uses)					
Sale of Fixed Assets	107	-	-	-	107
Indirect Cost Allocation	60,000	-	-	-	60,000
Total Other Financing Sources (Uses)	<u>60,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,107</u>
Change in Fund Balances	1,028,037	(161,673)	(20,248)	187,621	1,033,737
Fund Balances - Beginning of Year	<u>2,791,100</u>	<u>427,950</u>	<u>752,698</u>	<u>302,629</u>	<u>4,274,377</u>
Fund Balances - End of Year	<u>\$ 3,819,137</u>	<u>\$ 266,277</u>	<u>\$ 732,450</u>	<u>\$ 490,250</u>	<u>\$ 5,308,114</u>

See Independent Auditor's Report and accompanying notes to the financial statements.

FREMONT PUBLIC SCHOOLS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 1,033,737

Amounts reported for governmental activities in the Statement of Activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense.

Capital outlay reported in governmental fund statements	\$ 1,357,107	
Depreciation expense reported in the Statement of Activities	(2,249,674)	
Amount by which capital outlays are more than depreciation and sale of assets in the current period		(892,567)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities.

The amount of debt principal payments in the current year	1,988,631	
Current year bond issue premium and issuance costs net of amortization	(38,922)	
		1,949,709

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in compensated absences	(1,057)	
Decrease in deferred outflows of resources related to pensions	(2,158,315)	
Increase in deferred outflows of resources related to OPEB	625,079	
Decrease in deferred inflows of resources related to pensions	1,141,357	
Increase in deferred inflows of resources related to OPEB	(1,638,730)	
Increase in net pension liability	(2,703,798)	
Decrease in net OPEB liability	2,179,742	
		(2,555,722)

Change in Net Position - Governmental Activities \$ (464,843)

**FREMONT PUBLIC SCHOOLS
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2021**

	<u>Custodial Fund</u>
Assets	
Cash and Investments	\$ 461,922
	<u>461,922</u>
Liabilities and Net Position	
Liabilities	
Due to Outside Organizations	461,922
	<u>461,922</u>
Net Position	\$ -
	<u>-</u>

See Independent Auditor's Report and accompanying notes to the financial statements.

FREMONT PUBLIC SCHOOLS
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - FIDUCIARY FUND
JUNE 30, 2021

	<u>Custodial Fund</u>
Additions	
Miscellaneous	\$ 268,721
Deductions	
Miscellaneous	268,721
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

See Independent Auditor's Report and accompanying notes to the financial statements.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Fremont Public School District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

1. Reporting Entity

Fremont Public Schools (the District) was organized under the School Code of the State of Michigan and services a population of approximately 2,100 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, vocational education, community services, and general administrative services. The accounting policies of Fremont Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the more significant policies.

In accordance with the provisions of the Governmental Accounting Standard's Board (GASB) Statement #14, "The Financial Reporting Entity" as amended by GASB Statement #39, "Determining Whether Certain Organizations are Component Units", the financial statements of the District contain all the funds and account groups that are controlled by, or dependent on, the District's Board of Education, including all activities considered by the Michigan Department of Education and state law to be a part of the operations of the District. Control by, or dependence on, the District was determined on the basis of appointment of governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligation of the District to finance any deficits that may occur, receipt of significant subsidies from the District, disposition of surplus funds, and scope of public service.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

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, State and County aid, and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service resources are provided during the current year for payment of general long-term debt principal and interest due early in the following year and, therefore, the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

Property taxes, federal, state and county aid and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Food services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received. Grants and similar awards are recognized as revenues as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

General Fund - The General Fund accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. Expenditures are classified in accordance with the Michigan School Accounting Manual, issued by the Michigan Department of Education as follows:

Instruction - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom; in another location, such as in a home or hospital and in other situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and machines, which assist directly in the instructional process.

Supporting Services - Supporting Services are those services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Community Services - Community Services consist of those activities that are not directly related to providing education for pupils in a school system. These include services provided by the school system for the community as a whole or some segment of the community, such as community recreation programs, civic activities, public libraries, programs of custody and care of children, and community welfare activities.

Interdistrict - Interdistrict transactions consist of conduit-type (outgoing transfer) payments to other school districts or administrative units in the state or in another state not identified in the above classifications.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - Sinking Fund - The Sinking Fund is used to account for financial resources to be used for the acquisition, construction, renovation or repair of major capital facilities. The Sinking Fund Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School district has complied with the applicable provisions of Sec. 1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of bonded Construction Funds and of Sinking Funds in Michigan.

The District also reports the following non-major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes.

School Service Funds - School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The School Service Fund maintained by the District is the Food Service Fund.

Capital Improvement Fund - The Capital Improvement Fund is used to account for financial resources to be used for the acquisition, construction, renovation or repair of major capital facilities. The Capital Improvement Fund records capital project activities funded by transfers from other funds of the District.

Additionally, the District also reports Fiduciary Funds. Fiduciary funds account for assets held by the district in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

Custodial Fund - The Fiduciary Fund accounts the for assets held by the District on behalf of others and include the Student Activities Fund. This fund accounts for monies raised by students to finance student clubs and organizations.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

4. Deposits and Investments

The 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.

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Investment income is composed of interest and net changes in the fair value of applicable investments and is included in other local revenue in the fund financial statements.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Property tax levies are obtained by applying tax rates against the taxable valuation. Taxable valuation is based upon the property’s state equalized value (which approximates ½ actual value). However, the taxable valuation is limited to a 5% increase from the previous year, while there is no limit to the increase in property values for state equalized valuation.

The State of Michigan utilizes a foundation allowance funding approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state’s School Aid Fund and is recognized as revenue in accordance with state law.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Federal revenues are recorded as they are earned by the District under terms of specific grants.

Receivables as of year end for the District’s individual major funds and non-major funds in aggregate are as follows:

	General Fund	Debt Service Fund	Capital Projects Sinking Fund	Total
Accounts Receivable	\$ 40,900	\$ -	\$ -	\$ 40,900
Due from Other Governments	3,348,958	-	-	3,348,958
	<u>\$ 3,389,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,389,858</u>

6. Inventory and Prepaid Items

Inventories are stated at cost using the first-in, first-out method. Inventory in the General Fund consists of copy center supplies and operating supplies for the bus garage. The Food Service Fund inventory consists of food and other nonperishable supplies.

The inventories of the General Fund and Food Service are accounted for as expenditures at the time of purchase. Inventories reported for the General Fund and Food Service on the financial statements are offset by an equal fund balance reserve. Following is a schedule of the basic components in ending inventory:

	General Fund	Food Service
Operating Supplies	\$ 66,149	\$ -
Food and Non-Food Supplies	-	13,653
Total Inventories	<u>\$ 66,149</u>	<u>\$ 13,653</u>

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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. Prepaid items are recorded as expenses when consumed.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

7. Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer 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 deferred revenue are as follows:

	Unavailable		Unearned
Grants	\$ -		\$ 131,611

8. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, furniture, equipment and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital Assets are depreciated using the straight-line method over the following useful lives:

Land Improvements	20 - 25 Years
Buildings and Improvements	20 - 50 Years
Vehicles, Furniture and Equipment	5 - 15 Years

9. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities on the statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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 issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category, which are related to the pension and other postemployment benefit plans for its employees. Details can be found in footnote G.

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 a acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District has two items that qualify for reporting in this category, which are related to the pension and other postemployment benefit plans for its employees. Details can be found in footnote H.

11. Defined Benefit Plans

For purposes of measuring the net pension and OPEB liabilities, deferred outflows or resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

12. Net Position Flow Assumption

Sometimes the 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

13. Fund Balance Flow Assumptions

Sometimes the 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 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 the 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.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

14. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitation requiring the use of resources for specific purposes. The District itself can establish limitation 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 used for specific purposes determined by a formal action by of the District's highest level of decision-making authority. The governing board 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 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 District for specific purposed but do not meet the criteria to be classified as committed. The board may assign fund balance as it does when appropriating fund balance to cover a gap 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.

15. Encumbrances

Encumbrance accounting is used for the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported in the appropriate fund balance classification based on the definition and criteria for fund balance classifications. Encumbrances lapse at the close of the fiscal year and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

16. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

17. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

18. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay and vacation time benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

19. Restricted Assets

Certain resources of the Debt Service Fund and Capital Projects Sinking Fund which are set aside for capital outlay are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Violations of Legal or Contractual Provisions

Note D.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2021.

NOTE C DEPOSITS AND INVESTMENTS

As of June 30, 2021, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Stand & Ratin</u>
Michigan Liquid Asset Fund *	\$ 2,242,468	N/A	AAA
Michigan CLASS	294,995	N/A	AAA
Total Fair Value	<u>\$ 2,537,463</u>		

* Securities are valued at amortized cost rather than fair value.

The District voluntarily invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2021, the fair value of the District's investments is the same as the value of the pool shares. MILAF, as defined by the GASB, is recorded at amortized cost which approximates fair value. These funds are not subject to fair value disclosures.

The other fund is Michigan Cooperative Liquid Assets Securities System (Michigan CLASS) which is considered a local government investment pool of "qualified" investments for Michigan school districts. Michigan CLASS is not regulated nor is it registered with the SEC. Michigan CLASS reports as of June 30, 2021, the fair value of the District's investments is the same as the value of the pooled shares. Michigan CLASS does not meet all of the criteria to report investments at amortized cost, therefore, it is recorded at fair value and is subject to fair value measurement at level 2.

Fair Value Measurement - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described as follows:

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

- 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 prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the District will not be able to recover its deposits. The District's investment policy does not specifically address custodial credit risk for deposits.

As of June 30, 2021, \$1,369,582 of the District's bank balance of \$2,492,818 was exposed to custodial credit risk as follows:

Insured or Collateralized	\$	1,123,236
Uninsured and collateral held by pledging bank's trust department not in District's name.		1,369,582
Total Bank Balance	\$	2,492,818

Credit Risk - Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District's Michigan CLASS and Michigan Investment Liquid Asset Fund have ratings of AAAM from Standard & Poor's.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it may be impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level of risk level are used as depositories.

The District is authorized by Michigan law to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

Depositories actively used by the District during the year are detailed as follows:

- | | |
|--------------------|-------------------------------|
| 1. Huntington Bank | 4. Michigan Liquid Asset Fund |
| 2. TCF Bank | 5. Michigan CLASS |
| 3. Choice One Bank | 6. Compass Credit Union |

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE D BUDGETARY INFORMATION

1. Budgetary Basis of Accounting

State of Michigan Public Act 621 requires that the General Fund and Special Revenue Funds of the District be under budgetary control and that both budgeted and actual financial results do not incur a deficit. The District's Major Fund, Debt Service, is not required to adopt a budget. The District's Budget Appropriations Act must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from the District's Appropriations Act may occur without a corresponding amendment to the Appropriations Act.

The District has the ability to amend the Appropriations Act provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. The District may also permit the chief administrative or fiscal officer to execute transfers between line items, without prior approval of the Board of Education. The level of control is the function level. All appropriations lapse at the end of the fiscal year.

The District follows these procedures in establishing the budget data reflected in the financial statements:

- A. Starting in the spring, administrative personnel and department heads work with the Business Manager to establish a proposed operating budget for the fiscal year commencing the following July 1.
- B. In June a preliminary operating budget is submitted to the Board of Education by the Superintendent of Schools. This budget includes proposed expenditures and the means of financing them.
- C. Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budget.
- D. After the budget is finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- E. The budgets were amended at periodic times during the year to comply with PA 621.
- F. Budgets for the General, Special Revenue, and Debt Service funds are adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.
- G. The budgets shown in these financial statements are as last amended through June 30, 2021.
- H. PA 621 of 1978, section 18(1), as amended, provides that a school district shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2021, there were material variances between the final budget and actual expenditures for several activities within Support Services and Community Services. These variances are shown on Page 45.

2. Excess of Expenditures over Appropriations

	Appropriations	Expenditures
<u>General Fund</u>		
Support Services		
Pupil	\$ 583,598	\$ 616,748
Operations & Maintenance	1,627,862	1,664,696
Community Services	473,397	515,803

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE E INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivables/Payables

Payable Fund	Receivable Fund	Amount
General Fund	Food Service Fund	\$131,221

There were no transfers between funds for the year ended June 30, 2021.

NOTE F GENERAL LONG-TERM OBLIGATIONS

Summary - The long-term obligations include bond issues and compensated absences. Since none of this debt will be retired with current operating resources, they are appropriately included in the government-wide financial statement. All items will be recorded as an expenditure of the year in which they are paid, for fund statement reporting.

Long-term obligations are comprised of the following at June 30, 2021:

	Outstanding Principal 6/30/21	Due Within One Year
\$35,095,000, 2019 General Obligation (Refunding) serial bonds due in annual installments of \$945,000 to \$2,120,000 through 2039; interest payable semiannually at 4.00 to 5.00 percent.	\$ 32,270,000	\$ 1,300,000
\$5,899,506, School Bond Loan Fund loan advance due once property tax millage collection covers annual debt requirements; interest accrues at 3.00 percent.	5,175,875	-
Compensated Absences - At present, Fremont Public School Administrative employees accumulate up to 5 unused vacation days and are reimbursed at their current hourly or salary rate upon retirement.	30,846	-
Total Bonds	\$ 37,476,721	\$ 1,300,000

Advance Refunding

The refunding was undertaken to take advantage of the low interest rates available in 2008 and 2019. The 2008 refunding reduced the District's interest expense approximately \$940,106 through lower debt payments over the following ten years. The 2013 refunding reduced the District's interest expense approximately \$233,388 through lower debt payments over the following eight years. The 2019 refunding reduced the District's interest expense approximately \$2,585,194 through lower debt payments over the following 20 years.

FREMONT PUBLIC SCHOOLS
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The annual requirements to amortize long-term obligations outstanding as of June 30, 2021, including interest detailed as follows:

Year Ended June 30,	2019 Bond Issue	
	Principal	Interest
2022	\$ 1,300,000	\$ 1,613,500
2023	1,355,000	1,548,500
2024	1,410,000	1,480,750
2025	1,465,000	1,410,250
2026	1,505,000	1,337,000
2027-2031	8,670,000	5,481,500
2032-2036	10,035,000	3,635,750
2037-2041	6,335,000	634,250
Total	\$ 32,075,000	\$ 17,141,500

Changes in Long-Term Obligations - The following is a summary of debt transactions of the District for the year ended June 30, 2021:

Governmental-Type Activities	Compensated Absences/Early Retirement Payable		Total
Debt Outstanding - July 1, 2020	\$ 29,789	\$	29,789
Debt Added During Year	66,199		66,199
Debt Retired During Year	(65,142)		(65,142)
Debt Outstanding - June 30, 2021	\$ 30,846	\$	30,846
Amount Due Within One Year	\$ -	\$	-

NOTE G PROPERTY TAXES

Properties are assessed as of December 31, and the related taxes become a lien on December 1 of the following year. These taxes are due on September 14 and February 14 with the final collection date of February 28 before they are added to the County tax rolls. The taxes are collected and remitted to the District by the Treasurers of the City of Fremont and the various Townships within the District. The Counties of Newaygo, Muskegon and Oceana through their Delinquent Tax Revolving Funds, advance all delinquent real property taxes to the District each year.

Property in the District for the 2020 levy had a taxable value of \$482 million. For the 2020 levy, the District's operating tax rate was 18 mills, debt service tax rate was 7 mills and sinking fund tax rate of 2.50 mills.

NOTE H MPSERS PENSION PLAN

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by 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.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
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The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school 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 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 www.michigan.gov/orsschools.

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 member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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, 2019 valuation will be amortized over a 19 year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2020.

Benefit Structure	Pension Contribution Rates	
	Member	Employer
Basic	0.00 - 4.00%	19.41%
Member Investment Plan	3.00 - 7.00%	19.41%
Pension Plus	3.00 - 6.40%	16.46%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

Required contributions to the pension plan from District were \$3,646,061 for the year ended September 30, 2020.

FREMONT PUBLIC SCHOOLS
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Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Non-University

At June 30, 2021, the District reported a liability of \$45,575,041 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The 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, 2020, the District's proportion was .13267423 percent which was an increase of .0032287 percent from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the District recognized total pension expense of \$6,805,216. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Asset Class</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual	\$ 696,349	\$ 97,273
Changes of assumptions	5,050,154	-
Net difference between projected and actual earnings on pension plan investments	191,486	-
Changes in proportion and differences between District contributions and proportionate share of contributions	714,749	451,396
District section 147c revenue related to pension contributions subsequent to the measurement date	-	1,730,176
District contributions subsequent to the measurement date	1,681,507	-
Total	\$ 8,334,245	\$ 2,278,845

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 ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 2,642,357
2022	1,907,499
2023	1,150,847
2024	403,366
	<u>6,104,069</u>

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
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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, 2019
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid)	6.8% net of investment expenses
-Pension Plus Plan (Hybrid)	6.8% net of investment expenses
-Pension Plus 2 Plan	6% net of investment expenses
Projected Salary Increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension
- liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, 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: 4.4892.
 - Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
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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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity Pools	25.00%	5.60%
Private Equity Pools	16.00%	9.30%
International Equity Pools	15.00%	7.40%
Fixed Income Pools	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	4.90%
Absolute Return Pools	9.00%	3.20%
Real Return / Opportunistic Pools	12.50%	6.60%
Short Term Investment Pools	2.00%	-0.10%
Total	<u>100.00%</u>	

*Long term rate of return does not include 2.1% inflation

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. 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 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). This discount rate was based on the long term expected rate of return on pension plan investments of 6.80% (6.80% 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.805% (6.80% for the Hybrid Plan), as well as what the 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 5.80%/5.80%/5.00%	Current Single Discount Rate Assumption 6.80%/6.80%/6.00%	1% Increase 7.80%/67.80%/7.00%
\$ 58,989,160	\$ 45,575,041	\$ 34,457,727

* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
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Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Pension Plan

The amount of payables to a defined benefit pension plan outstanding at the end of the reporting period were \$304,935. The payables were based upon the wages being paid over the period from July 1 through August 31, 2021 which were for services provided prior to June 30, 2021 and therefore legally required contributions to the pension plan.

NOTE I MPERS OPEB PLAN

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by 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 health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School 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 www.michigan.gov/orsschools.

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 limited 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 January 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 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.

**FREMONT PUBLIC SCHOOLS
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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 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 OPEB 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, 2019 valuation will be amortized over a 19 year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for the fiscal year ended September 30, 2020.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the District were \$939,685 for the year ended September 30, 2020.

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

At June 30, 2021, the District reported a liability of \$7,125,217 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2019. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the District's proportion was .13300096 percent which was an increase of .00336477 percent from its proportion measured as of October 1, 2019.

For the year ended June 30, 2021, the District recognized total OPEB benefit of \$196,838. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Asset Class	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ -	\$ 5,308,952
Changes of assumptions	2,349,325	-
Net difference between projected and actual earnings on OPEB plan investments	59,468	-
Changes in proportion and differences between District contributions and proportionate share of contributions	342,605	247,582
District contributions subsequent to the measurement date	773,968	-
Total	\$ 3,525,366	\$ 5,556,534

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 inability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future OPEB Expenses)

Year Ending June 30	Amount
2021	\$ (805,601)
2022	(723,179)
2023	(558,383)
2024	(394,288)
2025	(323,685)
	<u>(2,805,136)</u>

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, 2019
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return	6.95% net of investment expenses
Projected Salary Increases	2.75% - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate	7.00% Year 1 graded to 3.50% Year 12
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt Out Assumptions:	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 periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, 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: 5.6018.
 - Recognition period for assets in years is 5.0000.
 - Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity Pools	25.00%	5.60%
Private Equity Pools	16.00%	9.30%
International Equity	15.00%	7.40%
Fixed Income Pools	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	4.90%
Absolute Return Pools	9.00%	3.20%
Real Return / Opportunistic Pools	12.50%	6.60%
Short Term Investment Pools	2.00%	-0.10%
Total	100.00%	

*Long term rate of return does not include 2.1% inflation

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 6.95% 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 6.95%. 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 school districts 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 District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 9,153,150	\$ 7,125,217	\$ 5,417,866

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.5%), as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 5,352,495	\$ 7,125,217	\$ 9,141,469

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Pension Plan

The amount of payables to the defined benefit OPEB plan outstanding at the end of the reporting period were \$314,719. The payables were based upon the wages being paid over the period from July 1 through August 31, 2021 which were for services provided prior to June 30, 2021 and therefore legally required contributions to the OPEB plan.

NOTE J SHORT TERM NOTE PAYABLE

In November 2019, the District entered into a State Aid Note for \$600,000 with TCF Bank for the purpose of providing money for school operations for the fiscal year ended June 30, 2020. The note bears interest at 1.74% and was repaid in August 2020. The district did not borrow money in the anticipation of State Aid in the fall of 2020.

Short-Term Debt Outstanding, July 1, 2020	\$	600,000
Debt Added During the Year		-
Debt Retired During the Year		(600,000)
Short-Term Debt Outstanding June 30, 2021	\$	-

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE K FIXED ASSETS

Capital asset balances and for the year ended June 30, 2021 were as follows:

Governmental-Type Activities	Balance 6/30/20	Additions	Adjustments/ Deletions	Balance 6/30/21
Capital Assets not being depreciated				
Land	\$ 1,575,257	\$ -	\$ -	\$ 1,575,257
Total Capital Assets, not being depreciated	1,575,257	-	-	1,575,257
Capital Assets Being Depreciated				
Buildings and Improvements	58,445,848	1,222,105	-	59,667,953
Equipment and Vehicles	11,697,224	135,002	(58,185)	11,774,041
Subtotal	70,143,072	1,357,107	(58,185)	71,441,994
Less Accumulated Depreciation for				
Buildings and Improvements	25,027,658	2,103,010	-	27,130,668
Equipment and Vehicles	2,781,812	146,664	(58,185)	2,870,291
Subtotal	27,809,470	2,249,674	(58,185)	30,000,959
Net Capital Assets being depreciated	42,333,602	(892,567)	-	41,441,035
Total Governmental Activities				
Capital Assets - Net of Depreciation	\$ 43,908,859	\$ (892,567)	\$ -	\$ 43,016,292

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 2,103,010
Support Services-Administration	12,361
Operation and Maintenance	2,335
Student Transportation	113,951
Food Services	13,084
Athletics	4,933
Total Depreciation Expense	<u>\$ 2,249,674</u>

NOTE L RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE M ECONOMIC DEPENDENCE

Effective for fiscal year ended June 30, 1995, the revision of the State of Michigan (State) school aid formula for local public schools significantly increased State school aid and the change in property tax laws significantly decreased local property tax revenues. As a result, State of Michigan revenues represent 80.0% percent of total General Fund revenues.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE N SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2021, the most recent balance sheet presented herein, through October 30, 2021, the date these financial statements were available to be issued. See summary below:

Subsequent to year end, the District approved the purchase of new playground equipment in the amount of \$64,000, which is to be covered by a grant. The District also approved improvements to the tennis courts in the amount of \$29,950. No adjustments have been made to the financial statements related to these transactions.

NOTE O COMMITMENTS AND CONTINGENCIES

Prior to June 30, 2021, the District entered into a purchase agreement for two busses in the amount of \$129,348 for the upcoming school year.

NOTE P UNCERTAINTY

The Coronavirus (COVID-19) pandemic, whose effects first became known in January 2020, is having a broad and negative impact on the commerce and financial markets around the world. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on various developments, including the curation and spread of the outbreak and its impacts on the District's employees, vendors, and taxpayers, all of which at present, cannot be reasonably determined. Accordingly, the extent to which COVID-19 may impact the District's financial position and changes in fund balance and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

NOTE Q TAX ABATEMENTS

The District received reduced property tax revenues during the fiscal year ended June 30, 2019 as a result of industrial facilities tax exemptions (IFT's). The IFT's 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 in the county. The abatements amounted to approximately \$75,000 in reduced tax revenues for the year ended June 30, 2021.

NOTE R UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of a governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2021-2022 fiscal year.

**FREMONT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	<u>Original</u>	<u>Final</u>		<u>Actual</u>	<u>Original to Final</u>
Revenues					
Local Sources	\$ 3,602,859	\$ 3,659,129	\$ 3,583,055	\$ 56,270	\$ (76,074)
State Sources	17,658,068	17,930,544	17,952,414	272,476	21,870
Federal Sources	1,978,727	2,090,485	2,064,260	111,758	(26,225)
Other Sources	279,396	276,503	282,761	(2,893)	6,258
Total Revenues	<u>23,519,050</u>	<u>23,956,661</u>	<u>23,882,490</u>	<u>437,611</u>	<u>(74,171)</u>
Expenditures					
Instruction					
Basic Programs	10,925,376	11,028,385	10,983,184	103,009	45,201
Added Needs	3,990,706	3,840,416	3,782,037	(150,290)	58,379
Adult Education	232,073	237,057	223,257	4,984	13,800
Total Instruction	<u>15,148,155</u>	<u>15,105,858</u>	<u>14,988,478</u>	<u>(42,297)</u>	<u>117,380</u>
Support Services:					
Pupil	553,654	583,598	616,748	29,944	(33,150)
Instructional Staff	801,706	824,912	716,950	23,206	107,962
General Administration	393,820	380,400	377,931	(13,420)	2,469
School Administration	1,515,095	1,503,371	1,493,417	(11,724)	9,954
Business	403,006	410,737	354,673	7,731	56,064
Operations & Maintenance	1,716,797	1,627,862	1,664,696	(88,935)	(36,834)
Pupil Transportation	1,103,810	1,114,359	1,081,981	10,549	32,378
Central	541,008	525,882	518,237	(15,126)	7,645
Athletics	615,156	587,462	585,646	(27,694)	1,816
Total Support Services	<u>7,644,052</u>	<u>7,558,583</u>	<u>7,410,279</u>	<u>(85,469)</u>	<u>148,304</u>
Community Services	528,224	473,397	515,803	(54,827)	(42,406)
Total Expenditures	<u>23,320,431</u>	<u>23,137,838</u>	<u>22,914,560</u>	<u>(182,593)</u>	<u>223,278</u>
Excess (deficiency) of Revenue Over Expenditures	198,619	818,823	967,930	620,204	149,107
Other Financing Sources					
Sale of Fixed Assets	-	-	107	-	107
Indirect Cost Allocation	-	-	60,000	-	60,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>60,107</u>	<u>-</u>	<u>60,107</u>
Change in Fund Balance	198,619	818,823	1,028,037	620,204	209,214
Fund Balance - Beginning of Year	<u>2,791,100</u>	<u>2,791,100</u>	<u>2,791,100</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,989,719</u>	<u>\$ 3,609,923</u>	<u>\$ 3,819,137</u>	<u>\$ 620,204</u>	<u>\$ 209,214</u>

FREMONT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. District's proportion of net pension liability (%)	-	-	-	0.13267%	0.12946%	0.13054%	0.13366%	0.13285%	0.12781%	0.12335%
B. District's proportionate share of net pension liability	-	-	-	\$ 45,575,041	\$ 42,871,243	\$ 39,241,349	\$ 34,636,102	\$ 33,144,863	\$ 31,216,635	\$ 27,169,033
C. District's covered-employee payroll	-	-	-	\$ 11,809,756	\$ 11,343,154	\$ 10,903,708	\$ 11,115,805	\$ 11,380,315	\$ 10,622,388	\$ 10,630,504
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	-	-	-	385.91010%	377.94817%	359.88995%	311.59329%	291.24732%	293.87586%	255.57615%
E. Plan fiduciary net position as a percentage of total pension liability	-	-	-	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Notes to the Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms.

Changes of assumptions: There were no changes of assumptions terms.

FREMONT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICTS CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ -	\$ -	\$ -	\$ 2,163,628	\$ 2,156,440	\$ 1,983,061	\$ 2,722,618	\$ 2,760,008	\$ 2,771,111	\$ 3,575,356
B. Contributions in relation to statutorily required contributions *	-	-	-	2,163,628	2,156,440	1,983,061	2,722,618	2,760,008	2,771,111	3,575,356
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. District's covered-employee payroll	\$ -	\$ -	\$ -	\$ 11,582,791	\$ 11,850,404	\$ 11,150,650	\$ 10,880,179	\$ 11,106,943	\$ 10,731,997	\$ 10,725,021
E. Contributions as a percentage of covered-employee payroll				18.68%	18.20%	17.78%	25.02%	24.85%	25.82%	33.34%

* Contributions in relation to statutorily required contributions are the contributions a District actually made to MPERS, which may differ from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

FREMONT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
A. District's proportion of net OPEB liability (%)	0.13354%	0.12799%	0.12964%	0.13300%	-	-	-	-	-	-
B. District's proportionate share of net OPEB liability	\$ 11,825,960	\$ 10,173,764	\$ 9,304,959	\$ 7,125,217	-	-	-	-	-	-
C. District's covered-employee payroll (OPEB)	\$ 11,115,805	\$ 10,903,708	\$ 11,343,154	\$ 11,809,756	-	-	-	-	-	-
D. District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	106.38870%	93.30554%	82.03150%	60.33331%	-	-	-	-	-	-
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39%	42.95%	48.46%	59.44%	-	-	-	-	-	-

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Notes to the Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms.

Changes of assumptions: There were no changes of assumptions terms.

FREMONT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICTS OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
A. Statutorily required OPEB contributions	\$ 872,041	\$ 918,729	\$ 985,497	\$ 990,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B. OPEB contributions in relation to statutorily required contributions *	8.01%	8.24%	8.32%	8.55%	-	-	-	-	-	-
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. District's covered-employee payroll (OPEB)	\$ 10,880,179	\$ 11,150,650	\$ 11,850,404	\$ 11,582,791	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E. OPEB contributions as a percentage of covered-employee payroll	8.01%	8.24%	8.32%	8.55%	-	-	-	-	-	-

* Contributions in relation to statutorily required OPEB contributions are the contributions the District actually made to the OPEB Plan, as distinct from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

**FREMONT PUBLIC SCHOOLS
COMBINING BALANCE SHEET
ALL NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue Food Service	Capital Improvement Fund	Total Non-Major Governmental Funds
Assets			
Cash/Investments	\$ 279,510	\$ 85,432	\$ 364,942
Due From Other Funds	132,612	-	132,612
Inventory	13,653	-	13,653
Total Assets	<u>\$ 425,775</u>	<u>\$ 85,432</u>	<u>\$ 511,207</u>
Liabilities			
Due to Other Funds	\$ 1,391	\$ -	\$ 1,391
Unearned Revenue	19,566	-	19,566
Total Liabilities	20,957	-	20,957
Fund Equity			
Fund Balances			
Non-Spendable	13,653	-	13,653
Assigned	-	85,432	85,432
Restricted	391,165	-	391,165
Total Fund Equity	<u>404,818</u>	<u>85,432</u>	<u>490,250</u>
Total Liabilities and Fund Equity	<u>\$ 425,775</u>	<u>\$ 85,432</u>	<u>\$ 511,207</u>

FREMONT PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Food Service	Capital Improvement Fund	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Local Sources	\$ 58,954	\$ 1,557	\$ 60,511
State Sources	119,988	-	119,988
Federal Sources	996,700	-	996,700
Other Revenue	18,572	-	18,572
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	1,194,214	1,557	1,195,771
Expenditures			
Supporting Services			
Food Service	1,008,150	-	1,008,150
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	1,008,150	-	1,008,150
	<u> </u>	<u> </u>	<u> </u>
Excess Revenues Over (Under)			
Expenditures/Change in Fund Balance	186,064	1,557	187,621
Fund Balance - July 1	218,754	83,875	302,629
	<u> </u>	<u> </u>	<u> </u>
Fund Balance - June 30	<u>\$ 404,818</u>	<u>\$ 85,432</u>	<u>\$ 490,250</u>



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 *Governmental Auditing Standards*

Board of Education
Fremont Public School District
Fremont, 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 Fremont Public Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Fremont Public School's basic financial statements, and have issued our report thereon dated October 30, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify a certain deficiency in internal control that we consider to be a significant deficiency, described as 2021-001.

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 integral control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Fremont Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Fremont Public Schools' Response to Findings

Fremont Public Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Fremont Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

H & S Companies, P.C.

H & S Companies, P.C.
Fremont, MI
October 30, 2021



Independent Auditor's Report on Compliance for Each Major Program
and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education
Fremont Public School District
Fremont, Michigan

Report on Compliance for Each Major Federal Program

We have audited Fremont Public School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fremont Public School's major federal programs for the year ended June 30, 2021. Fremont Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fremont Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fremont Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Fremont Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Fremont Public Schools 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, 2021.



Fremont Public Schools' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Fremont Public Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Fremont Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fremont Public School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fremont Public School's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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.

H & S Companies, P.C.

H & S Companies, P.C.

Fremont, MI

October 30, 2021

**FREMONT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Program Title/Project Number Subrecipient name	Federal CFDA Number	Grant or Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 6/30/20	Adjustments and Transfers	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/21
U.S. Department of Agriculture									
Passed through the Michigan Department of Education:									
<i>Child Nutrition Cluster</i>									
Non-cash assistance (commodities): Entitlement Commodities	10.555	N/A	\$ 74,756	\$ -	\$ -	\$ -	\$ 66,287	\$ 66,287	\$ -
Total non-cash assistance			74,756	-	-	-	66,287	66,287	-
Cash assistance:									
National School Lunch Program - Section 11	10.555	211980	10,514	-	-	-	10,514	10,514	-
National School Lunch Program - Section 11	10.555	201980	1,479	-	-	10,180	1,479	1,479	-
Total CFDA #10.555			11,993	-	-	10,180	11,993	11,993	-
			86,749	-	-	10,180	78,280	78,280	-
COVID-19 Summer Food Service Program									
2020-2021	10.559	200900	98,464	-	-	-	98,464	98,464	-
2020-2021	10.559	210904	819,955	-	-	-	819,955	819,955	-
Total CFDA #10.553			918,419	-	-	-	918,419	918,419	-
Total cash assistance			930,412	-	-	10,180	930,412	930,412	-
Total Michigan Department of Education (cluster total)			1,005,168	-	-	10,180	996,699	996,699	-
Passed through Newaygo County									
National Forest Subsidy	10.665	N/A	2,220	-	-	-	2,220	2,220	-
Total U.S. Department of Agriculture			\$ 1,007,388	\$ -	\$ -	\$ 10,180	\$ 998,919	\$ 998,919	\$ -
U.S. Department of Education									
Passed through the Michigan Department of Education									
Federal Adult Education	84.002	211130-201998	\$ 64,905	\$ -	\$ -	\$ -	\$ 60,426	\$ 60,426	\$ -
Federal Adult Education	84.002	211190-211998	52,500	-	-	-	50,204	50,204	-
Federal Adult Education	84.002	201130-201998	86,914	41,450	-	86,813	-	41,450	-
Federal Adult Education	84.002	201190-201998	70,000	24,289	-	69,999	-	24,289	-
			274,319	65,739	-	156,812	110,630	176,369	-

The accompanying notes are an integral part of this schedule.

FREMONT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Program Title/Project Number Subrecipient name	Federal CFDA Number	Grant or Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 6/30/2020	Adjustments and Transfers	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2021
<u>U.S. Department of Education (Continued)</u>									
Passed through the Michigan Department of Education (Continued)									
Title I Part A 20/21	84.010	211530	\$ 431,217	\$ -	\$ -	\$ -	\$ 431,217	\$ 427,617	\$ 3,600
Title I Part A 19/20	84.010	201530	388,057	40,102	-	388,057	-	40,102	-
			819,274	40,102	-	388,057	431,217	467,719	3,600
Title II Part A 20/21	84.367	210520	105,666	-	-	-	86,465	86,465	-
Title II Part A 19/20	84.367	200520	80,463	8,924	-	58,001	-	8,924	-
			186,129	8,924	-	58,001	86,465	95,389	-
Title IV Part A Student Support & Acad. Enrich 20/21	84.424	210750	32,035	-	-	-	32,035	32,035	-
Title IV Part A Student Support & Acad. Enrich 19/20	84.424	200750	28,122	577	-	24,387	-	577	-
			60,157	577	-	24,387	32,035	32,612	-
Education Stabilization Fund									
COVID-19 Governor's Emergency Education Relief Fund (GEER	84.425	201200-2021	117,280	-	-	-	117,030	117,030	-
COVID-19 Elementary and Secondary School Emergency Relief	84.425	203712	650,083	-	-	-	112,050	112,050	-
Fund (ESSER II)									
COVID-19 Elementary and Secondary School Emergency Relief	84.425	203710	317,587	-	-	289,682	27,318	27,318	-
Fund (ESSER I)			1,084,950	-	-	289,682	256,398	256,398	-
Total Michigan Department of Education			2,424,829	115,342	-	916,939	916,745	1,028,487	3,600
Passed through Newaygo County Regional Educational Service Agency									
Special Education - Grants to States	84.027	210450/2021	289,539	-	-	-	289,539	232,893	56,646
Special Education - Grants to States	84.027	200450/1920	283,997	13,509	-	283,997	-	13,509	-
			573,536	13,509	-	283,997	289,539	246,402	56,646
Total U.S. Department of Education			\$ 2,998,365	\$ 128,851	\$ -	\$ 1,200,936	\$ 1,206,284	\$ 1,274,889	\$ 60,246
<u>U.S. Department of Treasury</u>									
Passed through the Michigan Department of Education									
COVID-19 Coronavirus Relief Fund									
Coronavirus Relief Funds	21.019	11(p)	737,009	-	-	-	737,009	737,009	-
District COVID Costs	21.019	103(2)	25,943	-	-	-	25,943	25,943	-
			762,952	-	-	-	762,952	762,952	-
Total Federal Awards			\$ 4,005,753	\$ 128,851	\$ -	\$ 1,211,116	\$ 2,968,155	\$ 3,036,760	\$ 60,246

The accompanying notes are an integral part of this schedule.

FREMONT PUBLIC SCHOOLS

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021**

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Fremont Public Schools under programs for the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of Fremont Public Schools, it is not intended to and does not present the financial position or changes in net position, or cash flows of Fremont Public Schools.

The District does not pass through federal funds.

(2) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards:

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and in OMB Circular A-87 *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Fremont Public Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) Reconciliation of Grant Auditor Report with Schedule of Expenditures of Federal Awards:

Current cash payments per Cash Management System (CMS)	\$ 1,958,897
Add items not on CMS report:	
Food Distribution Program - Entitlement Commodities	66,287
IDEA Flowthrough Grant	246,402
National Forest Subsidy	2,220
Coronavirus Relief Funds	762,952
Rounding	2
Current year receipts (cash basis) per	
Schedule of Expenditures of Federal Awards	\$ 3,036,760

(4) Reconciliation of Revenues with Expenditures of Federal Award Programs:

Revenues from Governmental Funds - Statement of Revenues,	
Expenditures and Changes in Fund Balance	\$ 3,060,960
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 2,968,155
Add Items Not on SEFA	
Coronavirus Relief Fund - Child Care Relief Fund	\$ 29,869
CARES Child Care Relief Fund	62,935
Rounding	1
	\$ 3,060,960

**FREMONT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report based on the financial statements prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ X Yes _____ No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported with 2 CFR Section 200.516(a) of Uniform Guidance? _____ Yes X No

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559 21.019	Child Nutrition Cluster Coronavirus Relief Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low risk auditee under 2 CFR Section _____ Yes X No

**FREMONT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED JUNE 30, 2021**

Section II - Financial Statement Findings

2021-001 Significant Deficiency - Lack of Segregation of Duties

Criteria - Segregation of Duties

Condition - For effective internal controls, custody, recording and independent reconciliation functions should be separated.

Cause - Due to the limited number of employees in the accounting department an adequate segregation of duties has not been implemented by the District.

Effect - A district employees was able to misappropriate assets without timely discovery.

Recommendation - We recommend that the District review its procedures and consider implementing controls to mitigate and discover any misappropriations, whether intentional or unintentional.

View of Responsible Officials - The District will review its procedures however financial implications will need to be considered prior to adding additional staff in the accounting department.

Corrective Action Plan - Fremont Public Schools will continue to look for cost effective ways to monitor and improve this limitation in internal controls.

Section III - Federal Award Findings and Questioned Costs

None Noted

**FREMONT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section II - Financial Statement Findings

2020-001 Significant Deficiency - Lack of Segregation of Duties

Criteria - Segregation of Duties

Condition - For effective internal controls, custody, recording and independent reconciliation functions should be separated.

Cause - Due to the limited number of employees in the accounting department an adequate segregation of duties has not been implemented by the District.

Effect - A district employees was able to misappropriate assets without timely discovery.

Recommendation - We recommend that the District review its procedures and consider implementing controls to mitigate and discover any misappropriations, whether intentional or unintentional.

View of Responsible Officials - The District will review its procedures however financial implications will need to be considered prior to adding additional staff in the accounting department.

Corrective Action Plan - Fremont Public Schools will continue to look for cost effective ways to monitor and improve this limitation in internal controls.

Section III - Federal Award Findings and Questioned Costs

2020-002 Significant Deficiency and Noncompliance - Eligibility

Program Information - Child Nutrition Cluster, U.S. Department of Agriculture, passed through Michigan Department of Education, CFDA #10.553, 10.555, 10.559.

Criteria - In accordance with Uniform Guidance, the School District is required to determine eligibility based on income levels and family sizes reported on student applications. Federal guidelines provide thresholds to determine if students are eligible for free or reduced lunches.

Condition - During our testing of eligibility, we discovered applications where eligibility was not calculated accurately.

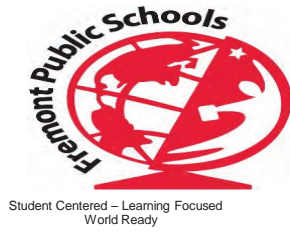
Questioned Costs - None

Cause and Effect - The income was calculated incorrectly on the applications which led to an incorrect eligibility status.

Recommendation - We recommend that the District implement additional controls to ensure that eligibility status is appropriately determined based on the application submitted.

View of Responsible Officials - Management agrees with the finding.

Corrective Action Plan - See attached corrective action plan from management.



Fremont Public Schools
Administration

450 E. Pine Street
Fremont, MI 49412
Phone:
Fax:

(231) 924-2350
(231) 924-5264

Audit Period: For the year ended June 30, 2021

The findings from the June 30, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section II - Financial Statement Findings

2021-001 Significant Deficiency - Lack of Segregation of Duties

Criteria - Segregation of Duties

Condition - For effective internal controls, custody, recording and independent reconciliation functions should be separated.

Cause - Due to the limited number of employees in the accounting department an adequate segregation of duties has not been implemented by the District.

Effect - A district employees was able to misappropriate assets without timely discovery.

Recommendation - We recommend that the District review its procedures and consider implementing controls to mitigate and discover any misappropriations, whether intentional or unintentional.

View of Responsible Officials - The District will review its procedures, however the cost of will need to be considered prior to the addition of staff in the accounting department.

Corrective Action Plan - Fremont Public Schools will continue to look for cost effective ways to monitor and improve this limitation in internal controls.

Person Responsible for Executing Corrective Action - Superintendent

Anticipated Completion Date - N/A as the finding is expected to be repeated.



October 30, 2021

Board of Education
Fremont Public Schools
Fremont, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Public Schools as of and for the year ended June 30, 2021. Professional standards required that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 3, 2021, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Fremont Public Schools solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated October 30, 2021

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.



Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Management has reviewed and approved all journal entries proposed as a result of our audit engagement. Furthermore, an individual with suitable skill, knowledge and experience from management has reviewed the financial statements prepared by the auditor's to ensure compliance with all statutory and regulatory guidance.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Fremont Public Schools is included in Note A to the financial statements. For the year ended June 30, 2021, The District adopted GASB Statement No. 84, *Fiduciary Activities*, changing how the District reports fiduciary activities. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of depreciation expense is based on straight-line method over the useful lives. Management's estimates of unfunded liabilities related to the Michigan Public Employees Retirement System are based on actuarial valuations. We evaluated the key factors and assumptions used to develop the estimates in and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, which were identified by the client for assistance.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Fremont Public Schools' SA financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 30, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Fremont Public Schools, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Fremont Public Schools' auditors.

Over Budget

During our audit of the financial statements, it was discovered that the General Fund was over budget on several line items. We recommend that the District review their budget regularly for any line items that may be over budget prior to year-end.

Accounting records and personnel

We would like to thank the accounting personnel for their assistance during the audit. This season in particular had challenges with the accumulation and transfer of documentation. Despite the additional tasks and requirements placed on the office they were still accommodating and helped ensure we would have a timely filed audit. It is greatly appreciated.

Other Information in Documents Containing Audited Financial Statements

We applied certain limited procedures to the required supplementary information (RSI) which are required to supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other 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 other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the information and use of the board, and management of Fremont Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

H & S Companies, P.C.

H & S Companies, P.C.
Reed City, MI