

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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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 and each major fund and the aggregate remaining fund information of Fremont Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Fremont Public School'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 Fremont Public School'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 and each major fund and the aggregate remaining fund information of Fremont Public Schools as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Changes in Accounting Principles

As discussed in Note Q to the financial statements, Fremont Public Schools implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year. As a result, the financial statements now recognize the District's unfunded defined postemployment benefit obligation as a liability for the first time and more comprehensively and comparably measure the annual costs of postemployment benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 operation, 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 an 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 and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual 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 and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in the material respects in relation to the basic financial statements as a whole.

Independent Auditor's Report (continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018 on our consideration of Fremont Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Fremont Public School's internal control and compliance.

H & S Companies, P.C.

H & S Companies, P.C.

Fremont, MI

October 18, 2018

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, 2018. 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 increased over \$24,000 during the year and amounted to a deficit of \$39.6 million at June 30, 2018.

General revenues accounted for \$21.6 million, or 77.5%, of all fiscal year 2018 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for nearly \$6.3 million

- or 22.5% of total fiscal year 2018 revenues. Revenues increased over \$1.6 million from the prior year. The major changes include an increase in property taxes of \$1.3 million, an increase in state aid of \$340,000 and a decrease in operating grants and contributions of \$345,000.

The District had about \$27.9 million in expenses related to governmental activities; of which nearly \$6.3 million of these expenses were offset by program specific charges for services or grants and contributions.

- General revenues of \$21.7 million covered 100.1% of the remaining costs of these programs. Expenses decreased by \$819,000 compared to last year. Instruction expenditures decreased \$949,000 and support services increased \$96,000.

The General Fund, a major fund for the District, had nearly \$21.7 million in revenue and other financing sources which primarily consisted of state aid and property taxes. The General Fund also had over \$21.3 million in expenditures and other uses. The General Fund's fund balance increased by \$384,000.

- General Fund revenues increased \$167,000 while expenditures decreased \$134,000 compared to the prior year.

The Debt Service Fund is a major fund for the District. The Debt Service Fund property taxes increased \$52,000 from the prior year level of \$3.2 million. The Debt Service Fund also received nearly \$823,000 in

- bond interest credits from the federal government. Expenditures decreased from \$4.77 million to \$4.76 million due to payments on the bonds. After borrowing \$768,000 from the School Bond Loan Fund, the Debt Service fund balance increased \$39,000.

The Capital Projects Sinking Fund is another major fund for the District. The Debt Service Fund property taxes increased \$52,000 from the prior year level of \$3.2 million. The Debt Service Fund also received

- nearly \$823,000 in bond interest credits from the federal government. Expenditures decreased from \$4.77 million to \$4.76 million due to payments on the bonds. After borrowing \$768,000 from the School Bond Loan Fund, the Debt Service fund balance increased \$39,000.

- The Capital Projects-Capital Improvement Fund and the Food Service Fund are non-major funds for the District. Together they accounted for over \$1.09 million in revenue and over \$1.05 million in expenses. The fund balances of these funds increased by over \$43,000.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The Schools' 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, Building & Site Fund, Debt Funds, and Special Services Funds which are comprised of: Food Service and Capital Projects Sinking 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 21 - 46 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.

Net Position - After accounting for adjustments due to the implementation of GASB Statement 75, the District's combined net position was less on June 30, 2018 than the year before. The 2017 figures have not been updated for adoption of GASB 75. The following summarizes the net position at fiscal years ended June 30, 2018 and 2017:

| Net Position Summary | | |
|---------------------------------------|-----------------|-----------------|
| | 2018 | 2017 |
| Assets | | |
| Current Assets | \$ 6,359,835 | \$ 6,147,119 |
| Capital Assets | 69,610,119 | 69,513,707 |
| Less: Accumulated Depreciation | (23,545,686) | (21,560,290) |
| Capital Assets, Net Book Value | 46,064,433 | 47,953,417 |
| Total Assets | 52,424,268 | 54,100,536 |
| Deferred Outflows of Resources | | |
| Deferred Outflows Related to Pensions | 6,790,394 | 5,167,729 |
| Deferred Outflows Related to OPEB | 716,175 | - |
| Liabilities | | |
| Current Liabilities | 5,243,468 | 6,221,201 |
| Long-Term Liabilities | 44,466,649 | 46,060,038 |
| Net Pension Liability | 34,636,102 | 33,144,863 |
| Net OPEB Liability | 11,825,960 | - |
| Total Liabilities | 96,172,179 | 85,426,102 |
| Deferred Inflows of Resources | | |
| Deferred Inflows Related to Pensions | 2,707,311 | 1,011,750 |
| Deferred Inflows Related to OPEB | 703,126 | - |
| Net Position | | |
| Net Investment in Capital Assets | (741,682) | (466,589) |
| Restricted for Debt Service | 198,581 | 238,293 |
| Unrestricted | (39,108,677) | (26,941,292) |
| Total Net Position | \$ (39,651,778) | \$ (27,169,588) |

Results of Operations:

For the fiscal years ended June 30, 2018 and 2017, the District wide results of operations are reported below. The 2017 figures have not been updated for the adoption of GASB 75.

| | Year Ended 2018 | | Year Ended 2017 | |
|-------------------------|-------------------------------|---------------|-------------------------------|---------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$ 859,521 | 3.08 | \$ 808,186 | 3.03 |
| Operating Grants/Contr. | 5,429,067 | 19.42 | 5,774,187 | 21.68 |
| General Revenues: | | | | |
| Property Taxes | 6,838,257 | 24.47 | 5,537,481 | 20.79 |
| State Aid | 14,770,639 | 52.85 | 14,430,657 | 54.17 |
| Interest and Other | 53,030 | 0.19 | 87,137 | 0.33 |
| Total Revenue | <u>27,950,514</u> | <u>100.00</u> | <u>26,637,648</u> | <u>100.00</u> |
| Expenses: | | | | |
| Instruction | | | | |
| Basic Programs | 12,357,485 | 44.25 | 12,978,264 | 45.15 |
| Added Needs | 4,042,248 | 14.47 | 4,335,209 | 15.08 |
| Adult Education | 163,847 | 0.59 | 198,862 | 0.69 |
| Total Instruction | <u>16,563,580</u> | <u>59.31</u> | <u>17,512,335</u> | <u>60.92</u> |
| Support Services | | | | |
| Pupil | 606,841 | 2.17 | 619,593 | 2.16 |
| Instructional Staff | 395,609 | 1.42 | 407,900 | 1.42 |
| General Administration | 463,795 | 1.66 | 417,901 | 1.45 |
| School Administration | 1,366,612 | 4.89 | 1,356,233 | 4.72 |
| Business | 354,997 | 1.27 | 323,025 | 1.12 |
| Operations/Maintenance | 1,639,123 | 5.87 | 1,614,912 | 5.62 |
| Pupil Transportation | 1,115,683 | 4.00 | 1,041,437 | 3.62 |
| Central | 454,560 | 1.63 | 520,164 | 1.81 |
| Total Support Services | <u>6,397,220</u> | <u>22.91</u> | <u>6,301,165</u> | <u>21.92</u> |
| Community Services | 405,395 | 1.45 | 374,073 | 1.30 |
| Food Service | 1,021,161 | 3.66 | 1,023,030 | 3.56 |
| Athletics | 591,138 | 2.12 | 539,983 | 1.88 |
| Capital Outlay | 59,095 | 0.21 | 41,803 | 0.15 |
| Interest on Debt | 2,888,302 | 10.34 | 2,952,314 | 10.27 |
| Total Expenses | <u>27,925,891</u> | <u>100.00</u> | <u>28,744,703</u> | <u>100.00</u> |
| Change in Net Position | 24,623 | | (2,107,055) | |
| Beginning Net Position | <u>(39,676,401)</u> | | <u>(25,062,533)</u> | |
| Ending Net Position | <u><u>\$ (39,651,778)</u></u> | | <u><u>\$ (27,169,588)</u></u> | |

Debt Administration

At year-end, the District had over \$46 million in long-term obligations of which \$2,339,000 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2018.

| | |
|----------------------|----------------------|
| Compensated Absences | \$ 24,943 |
| Early Retirement | 144,000 |
| Bond Issues | 46,604,559 |
| | <u>\$ 46,773,502</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, 2018, the net increase in accumulated depreciation was over \$2,204,000. Depreciation expense totaled over \$1,985,000 and there was \$219,000 removed due to asset disposals.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (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 \$2,204,000 in assets during the year.

Capital Outlay Acquisitions

Actual capital outlay acquisitions during the year were over \$351,000 while over \$219,000 of assets were disposed of for the fiscal year ended June 30, 2018.

Net Acquisitions combined with the increase in accumulated depreciation, net investment in capital assets (i.e., net book value) decreased by \$1,853,000 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.

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 2017-2018 fiscal year was \$2,511,601. The non-homestead tax levy increased by 2.66% 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 |
|-------------|-----------------------|-------------------------------|
| 2017-2018 | 2,511,601 | 2.66% |
| 2016-2017 | 2,446,508 | 2.03% |
| 2015-2016 | 2,397,845 | 2.28% |
| 2014-2015 | 2,344,493 | -1.53% |
| 2013-2014 | 2,381,039 | 9.40% |

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 \$7,631 per student for the 2017-2018 school year. This represented an increase of \$120 per student compared to the allowance of \$7,511 for the 2016-2017 school year.

Student Enrollment:

The District's student enrollment for the fall count of 2017-2018 was 2,102 students. The following summarizes fall student enrollments in the past five years:

| | <u>Student FTE</u> | <u>FTE Change from Prior Year</u> |
|-----------|--------------------|---------------------------------------|
| 2017-2018 | 2,102 | (27) |
| 2016-2017 | 2,129 | (2) |
| 2015-2016 | 2,131 | (107) |
| 2014-2015 | 2,238 | 15 |
| 2013-2014 | 2,223 | 16 |

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 2017-2018 the District's debt millage levy was 7.0 mills, which generated a levy of \$3,022,924.

Food Service Sales to Students & Adults:

The District's local sources of revenues increased over \$7,000 from the prior school year. State Sources decreased \$1,400 while Federal Sources increased over \$15,000. The total expenditures for Food Service operations decreased over \$4,800 from the prior year. Revenues exceeded expenditures by over \$43,000.

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 |
|---------------------------------------|---------------------------------|------------------------------|------------------------------|---------------------------------------------------------|------------------------------------------------------|
| 2013-2014 | 19,141,825 | 19,525,176 | 19,540,207 | 2.08% | 0.08% |
| 2014-2015 | 20,363,343 | 20,335,991 | 20,145,494 | -1.07% | -0.94% |
| 2015-2016 | 20,577,121 | 20,623,108 | 20,696,704 | 0.58% | 0.36% |
| 2016-2017 | 19,879,004 | 21,171,605 | 21,456,149 | 7.93% | 1.34% |
| 2017-2018 | 20,533,491 | 20,943,164 | 21,321,855 | 3.84% | 1.81% |
| Five-Year Average Over (Under) Budget | | | | 2.67% | 0.53% |

General Fund Revenue 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 |
|---------------------------------------|-----------------------------|--------------------------|--------------------------|-----------------------------------------------------|--------------------------------------------------|
| 2013-2014 | 19,201,095 | 19,773,062 | 19,714,627 | 2.67% | -0.30% |
| 2014-2015 | 20,730,096 | 20,829,126 | 20,748,065 | 0.09% | -0.39% |
| 2015-2016 | 20,506,768 | 20,325,525 | 20,691,521 | 0.90% | 1.80% |
| 2016-2017 | 19,820,547 | 21,272,528 | 21,527,377 | 8.61% | 1.20% |
| 2017-2018 | 20,408,974 | 21,195,501 | 21,698,270 | 6.32% | 2.37% |
| Five-Year Average Over (Under) Budget | | | | 3.72% | 0.94% |

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 | \$ 20,408,974 | |
| Total Revenues Final Budget | <u>21,195,501</u> | |
| Increase in Budgeted Revenues | <u>\$ 786,527</u> | 3.85% |

The District's final general fund revenues differed from the final budget by \$502,769. This is a variance of 2.37%.

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

- Increase in Local Sources
- Increase in State Sources

General Fund Expenditures:

| | | |
|------------------------------------|-------------------|-------|
| Total Expenditures Original Budget | \$ 20,533,491 | |
| Total Expenditures Final Budget | <u>20,943,164</u> | |
| Increase in Budgeted Expenditures | <u>\$ 409,673</u> | 2.00% |

The District's final general fund expenditures differed from the final budget by \$370,862. This is a variance of 1.77%.

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

- Increase in Basic Programs
- Increase in Support Services

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 2018-2019 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 2018-2019. Budgeted expenditures in the General Fund are \$21,684,876 which is an increase of \$363,021 from the 2017-2018 actual expenditures. General Fund Revenues were budgeted at \$21,684,876. This is a \$46,513 decrease from the 2017-2018 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

Statement of Net Position
June 30, 2018

| | <u>Governmental Activities</u> |
|---------------------------------------------------------------|--------------------------------|
| Assets | |
| Current Assets: | |
| Cash/Investments | \$ 1,739,563 |
| Accounts Receivable | 81,419 |
| Due from Other Governmental Units | 3,250,118 |
| Inventory | 74,657 |
| Due from Other Funds | 72,091 |
| Restricted Cash/Investments-Capital Projects and Debt Service | 1,141,987 |
| Total Current Assets | <u>6,359,835</u> |
| Noncurrent Assets: | |
| Bond Issuance Costs (net of amortization) | 116,833 |
| Land | 1,575,257 |
| Capital Assets (net of accumulated depreciation) | 44,372,343 |
| Total Noncurrent Assets | <u>46,064,433</u> |
| Total Assets | <u>52,424,268</u> |
| Deferred Outflows of Resources | |
| Deferred Outflows of Resources Related to Pensions | 6,790,394 |
| Deferred Outflows of Resources Related to OPEB | 716,175 |
| Total Deferred Outflows of Resources | <u>7,506,569</u> |
| Liabilities | |
| Current Liabilities: | |
| Accounts Payable | 236,188 |
| Salaries/Severance Payable | 967,305 |
| Retirement Payable | 492,574 |
| Health Insurance Payable | 108,785 |
| Payroll Taxes Payable | 69,135 |
| Unearned Revenue | 30,014 |
| Note Payable - Short Term | 1,000,000 |
| Current Portion of Long-Term Obligations | 2,339,466 |
| Total Current Liabilities | <u>5,243,467</u> |
| Noncurrent Liabilities: | |
| Bond Issue Premium (net of amortization) | 32,612 |
| Noncurrent Portion of Long-Term Obligations | 44,434,037 |
| Net Pension Liability | 34,636,102 |
| Net OPEB Liability | 11,825,960 |
| Total Noncurrent Liabilities | <u>90,928,711</u> |
| Total Liabilities | 96,172,178 |
| Deferred Inflows of Resources | |
| Deferred Inflows of Resources Related to Pensions | 2,707,311 |
| Deferred Inflows of Resources Related to OPEB | 703,126 |
| Total Deferred Inflows of Resources | <u>3,410,437</u> |
| Net position | |
| Net Investment in Capital Assets | (741,682) |
| Restricted For Debt Service | 198,581 |
| Unrestricted | (39,108,677) |
| Total Net Position | <u><u>\$ (39,651,778)</u></u> |

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, 2018

| Functions/Programs | Expenses | Program Revenues | | Net (Expenses) Revenue |
|--------------------------------|---------------|-------------------------|------------------------------------------|---------------------------|
| | | Charges for Services | Operating Grants and Contributions | Government Activities |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Basic Programs | \$ 12,357,485 | \$ - | \$ 512,049 | \$ (11,845,436) |
| Added Needs | 4,042,248 | - | 3,032,983 | (1,009,265) |
| Adult Education | 163,847 | - | 271,946 | 108,099 |
| Total Instruction | 16,563,580 | - | 3,816,978 | (12,746,602) |
| Support Services: | | | | |
| Pupil | 606,841 | - | - | (606,841) |
| Instructional Staff | 395,609 | - | - | (395,609) |
| General Administration | 463,795 | - | - | (463,795) |
| School Administration | 1,366,612 | - | - | (1,366,612) |
| Business | 354,997 | - | - | (354,997) |
| Operations and Maintenance | 1,639,123 | - | - | (1,639,123) |
| Pupil Transportation | 1,115,683 | 97,322 | - | (1,018,361) |
| Central | 454,560 | - | - | (454,560) |
| Total Support Services | 6,397,220 | 97,322 | - | (6,299,898) |
| Community Services | 405,395 | 374,752 | - | (30,643) |
| Food Services | 1,021,161 | 303,708 | 789,191 | 71,738 |
| Athletics | 591,138 | 83,736 | - | (507,402) |
| Capital Outlay (Under \$5,000) | 59,095 | - | - | (59,095) |
| Interest and Fees on Debt | 2,888,299 | - | 822,898 | (2,065,401) |
| Total School District | \$ 27,925,888 | \$ 859,518 | \$ 5,429,067 | \$ (21,637,303) |

FREMONT PUBLIC SCHOOLS

Government Wide Statement of Activities (Continued)
For the Year Ended June 30, 2018

General Revenues

| | |
|-----------------------------------------------------------------|-------------------------------|
| Property Taxes | |
| General Purposes | \$ 2,458,089 |
| Debt Services | 3,300,815 |
| Sinking Fund | 1,079,353 |
| State and Federal Aids Not Restricted To Specific Functions: | |
| General | 14,770,639 |
| Interest and Investment Earnings | 19,135 |
| Miscellaneous | 8,395 |
| Gain (Loss) on Disposition of Capital Assets | 7,829 |
| Amortized Bond Premium | 17,671 |
| Total General Revenues | <u>21,661,926</u> |
| Change in Net Position | 24,623 |
| Restated Net Position - Beginning of Year - See Note J | <u>(39,676,401)</u> |
| Net Position - Ending of Year | <u><u>\$ (39,651,778)</u></u> |

See independent auditor's report and accompanying notes to the financial statements.

FREMONT PUBLIC SCHOOLS

Balance Sheet - All Governmental Funds

June 30, 2018

| | General Fund | Debt Services Fund | Capital Projects Sinking Fund | Non-Major Governmental Funds | Total Governmental Funds |
|------------------------------------|---------------------|-----------------------|-------------------------------------|------------------------------------|--------------------------------|
| Assets | | | | | |
| Cash/Investments | \$ 1,283,787 | \$ 197,824 | \$ 944,163 | \$ 455,776 | \$ 2,881,550 |
| Accounts Receivable | 81,419 | - | - | - | 81,419 |
| Due from Other Funds | - | 757 | 270 | 41,155 | 42,182 |
| Due from Other Governmental Units | 3,250,118 | - | - | - | 3,250,118 |
| Inventory | 67,837 | - | - | 6,820 | 74,657 |
| Prepaid Expenses | 72,091 | - | - | - | 72,091 |
| | <u>\$ 4,755,252</u> | <u>\$ 198,581</u> | <u>\$ 944,433</u> | <u>\$ 503,751</u> | <u>\$ 6,402,017</u> |
| Liabilities and Fund Equity | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 236,188 | \$ - | \$ - | \$ - | 236,188 |
| Salaries/Severance Payable | 967,305 | - | - | - | 967,305 |
| Retirement Payable | 492,574 | - | - | - | 492,574 |
| Benefits Payable | 108,785 | - | - | - | 108,785 |
| FICA Taxes Payable | 69,135 | - | - | - | 69,135 |
| Unearned Revenue | 13,745 | - | - | 16,269 | 30,014 |
| Due to Other Funds | 42,182 | - | - | - | 42,182 |
| Notes Payable | 1,000,000 | - | - | - | 1,000,000 |
| | <u>2,929,914</u> | <u>-</u> | <u>-</u> | <u>16,269</u> | <u>2,946,183</u> |
| Fund Equity | | | | | |
| Non-Spendable - Inventory | 67,837 | - | - | 6,820 | 74,657 |
| Non-Spendable - Prepaid Expenses | 72,091 | - | - | - | 72,091 |
| Assigned | - | 198,581 | 944,433 | 480,662 | 1,623,676 |
| Unassigned | 1,685,410 | - | - | - | 1,685,410 |
| | <u>1,825,338</u> | <u>198,581</u> | <u>944,433</u> | <u>487,482</u> | <u>3,455,834</u> |
| Total Liabilities and Fund Equity | <u>\$ 4,755,252</u> | <u>\$ 198,581</u> | <u>\$ 944,433</u> | <u>\$ 503,751</u> | <u>\$ 6,402,017</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, 2018

| | | |
|----------------------------------|----|-----------|
| Total Governmental Fund Balances | \$ | 3,455,834 |
|----------------------------------|----|-----------|

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 | \$ 69,610,119 | |
| Governmental Accumulated Depreciation | <u>(23,545,686)</u> | |
| | | 46,064,433 |

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 | 6,790,394 | |
| Deferred Outflows of Resources Related to OPEB | 716,175 | |
| Deferred Inflows of Resources Related to Pensions | (2,707,311) | |
| Deferred Inflows of Resources Related to OPEB | <u>(703,126)</u> | |
| | | 4,096,132 |

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 | (46,806,115) | |
| Net Pension Liability | (34,636,102) | |
| Net OPEB Liability | <u>(11,825,960)</u> | |
| | | <u>(93,268,177)</u> |

| | | |
|-----------------------------------------------|----|----------------------------|
| Total Net Position - Governmental Activities: | \$ | <u><u>(39,651,778)</u></u> |
|-----------------------------------------------|----|----------------------------|

FREMONT PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds For the Year Ended June 30, 2018

| | General Fund | Debt Service Fund | Capital Projects Sinking Fund | Non-Major Governmental Funds | Total Governmental Funds |
|------------------------------|-----------------|----------------------|-------------------------------------|------------------------------------|--------------------------------|
| Revenues | | | | | |
| Local Sources | \$ 3,378,236 | \$ 3,302,047 | \$ 1,079,844 | \$ 303,547 | \$ 8,063,674 |
| State Sources | 17,005,104 | - | - | 84,206 | 17,089,310 |
| Federal Sources | 962,507 | 822,898 | - | 704,985 | 2,490,390 |
| Other Sources | 281,637 | - | - | - | 281,637 |
| Total Revenues | 21,627,484 | 4,124,945 | 1,079,844 | 1,092,738 | 27,925,011 |
| Expenditures | | | | | |
| Instruction | | | | | |
| Basic Programs | 9,965,249 | - | - | - | 9,965,249 |
| Added Needs | 3,900,171 | - | - | - | 3,900,171 |
| Adult Education | 170,786 | - | - | - | 170,786 |
| Support Services: | | | | | |
| Pupil | 591,260 | - | - | - | 591,260 |
| Instructional Staff | 384,085 | - | - | - | 384,085 |
| General Administration | 433,998 | - | - | - | 433,998 |
| School Administration | 1,308,232 | - | - | - | 1,308,232 |
| Business | 342,354 | - | - | - | 342,354 |
| Operations & Maintenance | 1,633,858 | - | - | - | 1,633,858 |
| Pupil Transportation | 1,099,311 | - | - | - | 1,099,311 |
| Central | 444,183 | - | - | - | 444,183 |
| Community Services | 398,720 | - | - | - | 398,720 |
| Athletics | 564,249 | - | - | - | 564,249 |
| Food Services | - | - | - | 1,049,662 | 1,049,662 |
| Capital Outlay | - | - | 264,458 | - | 264,458 |
| Debt Service | 85,399 | 4,764,657 | - | - | 4,850,056 |
| Total Expenditures | 21,321,855 | 4,764,657 | 264,458 | 1,049,662 | 27,400,632 |
| Excess Revenues Over (Under) | | | | | |
| Expenditures | 305,629 | (639,712) | 815,386 | 43,076 | 524,379 |

FREMONT PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Change
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

| | General Fund | Debt Service Fund | Capital Projects Sinking Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------------------------|---------------------|----------------------|-------------------------------------|------------------------------------|--------------------------------|
| Other Financing Sources (Uses) | | | | | |
| Transfers to Other School Districts | \$ 7,829 | \$ - | \$ - | \$ - | \$ 7,829 |
| Proceeds from Long-Term Debt | - | 600,000 | - | - | 600,000 |
| Indirect Cost Allocation | 70,786 | - | - | - | 70,786 |
| Total Other Financing Sources (Uses) | <u>78,615</u> | <u>600,000</u> | <u>-</u> | <u>-</u> | <u>678,615</u> |
| Excess Revenues and Other Sources Over (Under) Expend. and Other Uses | 384,244 | (39,712) | 815,386 | 43,076 | 1,202,994 |
| Fund Balances - July 1 | 1,441,094 | 238,293 | 129,047 | 477,451 | 2,285,885 |
| Prior Period Adjustments - See Note K | - | - | - | (33,045) | (33,045) |
| Fund Balances - June 30 | <u>\$ 1,825,338</u> | <u>\$ 198,581</u> | <u>\$ 944,433</u> | <u>\$ 487,482</u> | <u>\$ 3,488,879</u> |

See independent auditor's report and accompanying notes to the financial statements.

FREMONT PUBLIC SCHOOLS

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 1,202,994

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 | \$ 351,630 | |
| Depreciation expense reported in the statement of activities | (2,204,780) | |
| | | |
| Amount by which capital outlays are more than depreciation and sale of assets in the current period. | | (1,853,150) |

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.

| | | |
|-------------------------------------------------------------------------|-----------|-----------|
| Proceeds from debt issues in the current year | (767,913) | |
| The amount of debt principal payments in the current year is: | 2,167,969 | |
| Current year bond issue premium and issuance costs net of amortization. | (20,627) | |
| | | 1,379,429 |

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.

| | | |
|----------------------------------------------------------------|-------------|-----------|
| Decrease in compensated absences | 6,628 | |
| Increase in deferred outflows of resources related to pensions | 1,622,665 | |
| Increase in deferred outflows of resources related to OPEB | 716,175 | |
| Increase in deferred inflows of resources related to pensions | (1,695,561) | |
| Increase in deferred inflows of resources related to OPEB | (703,126) | |
| Increase in net pension liability | (1,491,239) | |
| Decrease in net OPEB liability | 647,808 | |
| | | (896,650) |

| | | |
|----------------------------------------------------------------------------------------------------|--|---------|
| Decrease in post-retirement benefits that are recorded when earned in the statement of activities. | | 192,000 |
| | | |

| | | |
|---------------------------------------------------|--|-----------|
| Change in Net Position - Governmental Activities. | | \$ 24,623 |
| | | |

See independent auditor's report and accompanying notes to the financial statements.

FREMONT PUBLIC SCHOOLS

Statement of Net Position - Fiduciary Funds

June 30, 2018

| | <u>Agency Funds</u> |
|-------------------------------------|---------------------|
| Assets | |
| Cash/Investments | \$ 353,630 |
| Total Assets | <u>\$ 353,630</u> |
| Liabilities and Net Position | |
| Liabilities | |
| Due to Student Groups | <u>\$ 353,630</u> |
| Total Liabilities | 353,630 |
| Net Position | |
| Net Position | <u>-</u> |
| Total Liabilities and Net Position | <u>\$ 353,630</u> |

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, 2018

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 2,200 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 Fremont Public Schools 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 Fremont Public Schools. 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.

See independent auditor's report.

Deferred inflows of resources- The statement of net position and governmental funds balance sheet include a separate section for deferred inflow of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs.

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.

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. Revenue is 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, 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 in cash. Grants and similar awards are recognized as revenue 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.

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 Fund - 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 School District maintains full control of these funds. The School Service Fund maintained by the School 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 the following fund types:

Fiduciary 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.

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 School 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.

Notes to the Financial Statements (continued)

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

Receivables as of year end for the school's individual major fund and nonmajor funds in aggregate are as follows:

| | General Fund | Combined Nonmajor Funds | Total |
|----------------------------|--------------------|-------------------------------|---------------------|
| Accounts Receivable | \$ 81,419 | \$ - | \$ 81,419 |
| Due from Other Governments | 3,250,118 | - | 3,250,118 |
| | <u>\$3,331,537</u> | <u>\$ -</u> | <u>\$ 3,331,537</u> |

6. Inventories

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 | Special Revenue |
|----------------------------|------------------|--------------------|
| Operating Supplies | \$ 67,837 | \$ - |
| Food and Non-Food Supplies | - | 6,820 |
| Total Inventories | <u>\$ 67,837</u> | <u>\$ 6,820</u> |

7. Prepaid Items

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.

8. 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 | \$ - | \$ 30,014 |

9. 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.

See independent auditor's report.

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 |

10. Long-term Obligations

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

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.

11. Pension

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

12. OPEB

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

13. Net Position

Net Position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Fremont Public Schools report three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of Fremont Public Schools debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by Fremont Public Schools.

14. Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Non-spendable - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed - Includes amounts that can only be used for specific purposes determined by a formal action by Board resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board resolution) that was employed when the funds were initially committed.

Assigned - Includes amounts a government intends to use for specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.

Unassigned - Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

Restricted sources are used first when an expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, Fremont Public Schools consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

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.

NOTE B DEPOSITS AND INVESTMENTS

As of June 30, 2018, the District had the following investments:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturities</u> | <u>Standard & Poor's Rating</u> |
|------------------------------|-------------------|-------------------|---------------------------------------------|
| Michigan Liquid Asset Fund * | \$ 260,338 | N/A | AAAm |
| Michigan CLASS | 597,069 | N/A | AAAm |
| Total Fair Value | <u>\$ 857,407</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, 2018, 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, 2018, 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:

- 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.

Notes to the Financial Statements (continued)

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

As of June 30, 2018, \$2,123,669 of the school district's bank balance of \$3,235,235 was exposed to custodial credit risk as follows:

| | |
|-------------------------------------------------------------------------------------------|----------------------------|
| Insured or Collateralized | \$ 1,111,566 |
| Uninsured and Uncollateralized | 1,075,346 |
| Uninsured and collateral held by pledging bank's trust department not in District's name. | <u>1,048,323</u> |
| Total Bank Balance | <u><u>\$ 3,235,235</u></u> |

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 School 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 School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level 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 School during the year are detailed as follows:

- | | |
|---------------------|----------------------------------------|
| 1. Huntington Bank | 4. Michigan Liquid Asset Fund |
| 2. Chemical Bank | 5. Michigan CLASS |
| 3. Fifth Third Bank | 6. Newaygo County Service Employees CU |

NOTE C STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State of Michigan Public Act 621 requires that the General Fund and Special Revenue Funds of the School 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 School District follows these procedures in establishing the budget data reflected in the financial statements:

See independent auditor's report.

Notes to the Financial Statements (continued)

- 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, 2018.
- 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, 2018, the District incurred the following material overexpenditures:

| | Budget | Actual | Variance |
|----------------------------|-----------|-----------|-----------|
| Instruction-Basic Programs | 9,772,919 | 9,965,249 | (192,330) |

NOTE D INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivables/Payables

| | | Due From | | | | Total |
|--------|----------------------|--------------|-------------------|--------------|-------------------|-----------|
| | | General Fund | Food Service Fund | Sinking Fund | Debt Service Fund | |
| Due To | General Fund | \$ - | \$ 41,155 | \$ 270 | \$ 757 | \$ 42,182 |
| | Food Service Fund | - | - | - | - | - |
| | Debt Retirement Fund | - | - | - | - | - |
| | Total | \$ - | \$ 41,155 | \$ 270 | \$ 757 | \$ 42,182 |

See independent auditor's report.

Notes to the Financial Statements (continued)

The general fund collected UAAL funds as well as lunch reimbursements that are owed to the food service fund. Also, the food service fund was charged more indirect costs and owes the general fund a reimbursement. Additionally, the general fund transferred too much property tax revenue to the sinking and debt service funds and the excess was not repaid before June 30, 2018.

Transfers

| | | Transfers From | | | | Total |
|--------------|--------------------------|----------------|-------------------|----------------------|----------------------|-------|
| | | General Fund | Food Service Fund | Building & Site Fund | Capital Improve Fund | |
| Transfers To | General Fund | \$ - | \$ - | \$ - | \$ - | \$ - |
| | Food Service Fund | - | - | - | - | - |
| | Building & Site Fund | - | - | - | - | - |
| | Capital Improvement Fund | - | - | - | - | - |
| | Total | \$ - | \$ - | \$ - | \$ - | \$ - |

There were no transfers between funds for the year ended June 30, 2018.

NOTE E GENERAL LONG-TERM OBLIGATIONS

Summary - The long-term debt includes bond issues and a note payable on 2 school buses. 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 Debt is comprised of the following at June 30, 2018:

| | Outstanding Principal 6/30/2018 | Due Within One Year |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------|
| \$2,210,000, 2013 General Obligation (Refunding) serial bonds due in annual installments of \$235,000 to \$300,000 through 2021; interest payable semiannually at .65 to 1.80 percent. | \$ 840,000 | \$ 295,000 |
| \$43,875,000, 2009 General Obligation (unlimited tax) Build America Bonds due in annual installments of \$650,000 to \$2,150,000 through 2039; interest payable semiannually at 2.71 to 6.89 percent. Fremont Public Schools is eligible for a 35% credit of the interest payment. | 37,225,000 | 1,050,000 |
| \$8,210,000, 2008 General Obligation (Refunding) serial bonds due in annual installments of \$794,144 to \$875,225 through 2021; interest payable semiannually at 3.25 to 5.00 percent. Payments through 2010 are interest only. | 2,505,000 | 820,000 |

See independent auditor's report.

Notes to the Financial Statements (continued)

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| \$165,602, 2015 School Bus Note Payable due in annual installments of \$35,757 to \$36,435 through 2019; interest payable annually at 1.99 percent. | \$ 30,466 | \$ 30,466 |
| \$2,168,800, School Bond Loan Fund loan advance due once property tax millage collection covers annual debt requirements; interest accrues at 3.00 percent. | <u>6,004,093</u> | <u>-</u> |
| Total Bonds & Capital Leases | <u>\$ 46,604,559</u> | <u>\$ 2,195,466</u> |

Advance Refunding

In 1993, the school advance refunded the callable portion (\$2,450,000) of the 1987 General Obligation Bond issue and issued \$2,830,000 of general obligation refunding bonds to provide resources to call the bonds. In 1998, the school advance refunded \$9,285,000 of the 1995 General Obligation Issue and issued \$9,780,000 of General Obligation Refunding Bonds to provide the resources to call the bonds. In 2003, the school advance refunded \$475,000 of the 1993 General Obligation (Refunding) Bonds and \$2,780,000 of the 1995 General Obligation Issue and issued \$3,545,000 of General Obligation Refunding. In 2008, the school advance refunded \$8,630,000 of the 1998 Refunding Bonds and issued \$8,210,000 of General Obligation Refunding Bonds to provide the resources to call the bonds. In 2013, the school advance refunded the callable portion (\$2,130,000) of the 2003 General Obligation Bond issue and issued \$2,210,000 of General Obligation Refunding. As a result, the refunded bonds are considered legally defeased and the liability has been removed from the general long-term debt obligations.

The refunding was undertaken to take advantage of the low interest rates available in 1993, 1998, 2003, 2008, and 2013. The 1993 and 1998 advance refunding saved \$109,000 and \$624,000 respectively spread over 20 years. The 2003 refunding resulted in a net present value savings of \$171,358, and 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.

| | <u>Outstanding Principal 6/30/2018</u> | <u>Due Within One Year</u> |
|--|------------------------------------------------|------------------------------------|
|--|------------------------------------------------|------------------------------------|

Early Retirement Payable

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------|
| In June of 2017, the District adopted a Voluntary Severance Plan to assist eligible teachers who elect to resign. Those that participated were to be paid \$28,000 payable to a tax deferred annuity in two payments of \$16,000 payable in August, 2017 and \$12,000 payable in August, 2018. Twelve employees accepted this offer. At June 30, 2017, the full amount of \$336,000 was outstanding. | \$ 144,000 | 144,000 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------|

Compensated Absences

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Compensated Absences - At present, Fremont Public School Administration accumulate up to 5 unused vacation days and are reimbursed at their current hourly or salary rate upon retirement. | <u>24,943</u> | <u>-</u> |
| Total Early Retirement and Compensated Absences | <u>\$ 168,943</u> | <u>\$ 144,000</u> |

See independent auditor's report.

Notes to the Financial Statements (continued)

The annual requirements to amortize long-term debt outstanding as of June 30, 2018, including interest detailed as follows:

| Year Ended June 30, | 2009 Bond Issue | | 2008 Bond Issue | | 2013 Bond Issue | | 2015 School Bus Note Payable | |
|---------------------|----------------------|----------------------|---------------------|-------------------|-------------------|------------------|------------------------------|---------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | \$ 1,050,000 | \$ 2,468,398 | \$ 820,000 | \$ 100,200 | \$ 295,000 | \$ 13,668 | \$ 30,466 | \$ 659 |
| 2020 | 1,125,000 | 2,410,228 | 835,000 | 67,400 | 280,000 | 9,390 | - | - |
| 2021 | 1,200,000 | 2,345,090 | 850,000 | 34,000 | 265,000 | 4,770 | - | - |
| 2022 | 1,400,000 | 2,272,610 | - | - | - | - | - | - |
| 2023 | 1,450,000 | 2,185,250 | - | - | - | - | - | - |
| 2024-2028 | 8,150,000 | 9,449,390 | - | - | - | - | - | - |
| 2029-2033 | 9,950,000 | 6,502,433 | - | - | - | - | - | - |
| 2034-2038 | 10,750,000 | 2,960,550 | - | - | - | - | - | - |
| 2039-2043 | 2,150,000 | 148,135 | - | - | - | - | - | - |
| Total | \$ 37,225,000 | \$ 30,742,084 | \$ 2,505,000 | \$ 201,600 | \$ 840,000 | \$ 27,828 | \$ 30,466 | \$ 659 |

Changes in Long-Term Debt - The following is a summary of debt transactions of the District for the year ended June 30, 2018.

| Governmental-Type Activities | Bond Issues | Capital Lease & Note Payable | Compensated Absences/Early Retirement Payable | Total |
|-------------------------------------|----------------------|------------------------------|-----------------------------------------------|----------------------|
| Debt Outstanding-July 1 | \$ 47,891,180 | \$ 113,435 | \$ 367,572 | \$ 48,372,187 |
| Debt Added During Year | 767,913 | - | 58,378 | 826,291 |
| Debt Retired During Year | (2,085,000) | (82,969) | (257,007) | (2,424,976) |
| Debt Outstanding-June 30 | <u>\$ 46,574,093</u> | <u>\$ 30,466</u> | <u>\$ 168,943</u> | <u>\$ 46,773,502</u> |
| Amount Due Within One Year | \$ 2,165,000 | \$ 30,466 | \$ 144,000 | \$ 2,339,466 |

NOTE F 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 10 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 School District for the 2017 levy had a taxable value of \$418 million. For the 2017 levy, the School District's operating tax rate was 18 mills and its debt service tax rate was 7 mills.

See independent auditor's report.

NOTE G 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.

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, 2016 valuation will be amortized over a 20 year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for the fiscal year 2017.

| Pension Contribution Rates | | |
|-----------------------------------|---------------|-----------------|
| <u>Benefit Structure</u> | <u>Member</u> | <u>Employer</u> |
| Basic | 0.00 - 4.00% | 19.03% |
| Member Investment Plan | 3.00 - 7.00% | 19.03% |
| Pension Plus | 3.00 - 6.40% | 18.40% |
| Defined Contribution | 0.00% | 15.27% |

Required contributions to the pension plan from District were \$3,134,956 for the year ended September 30, 2017.

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

At June 30, 2018, the District reported a liability of \$34,636,102 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2016. 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, 2017, the District's proportion was .13365658 percent which was an increase of .0807 percent from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the District recognized total pension expense of \$4,076,639. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Financial Statements (continued)

| <u>Asset Class</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual | \$ 301,011 | \$ 169,952 |
| Changes of assumptions | 3,794,660 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,655,834 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 1,215,123 | 66,403 |
| District section 147c revenue related to pension contributions subsequent to the measurement date | - | 815,122 |
| District contributions subsequent to the measurement date | <u>1,479,600</u> | <u>-</u> |
| Total | <u>\$ 6,790,394</u> | <u>\$ 2,707,311</u> |

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, 2019. 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)

| Year Ending <u>June 30</u> | <u>Amount</u> |
|-------------------------------|---------------|
| 2018 | \$ 1,117,547 |
| 2019 | \$ 1,636,977 |
| 2020 | \$ 715,047 |
| 2021 | \$ (50,966) |

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:

See independent auditor's report.

Summary of Actuarial Assumptions

| | |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | September 30, 2016 |
| Actuarial Cost Method | Entry Age, Normal |
| Wage Inflation Rate | 3.5% |
| Investment Rate of Return | |
| -MIP and Basic Plans (Non-Hybrid) | 4.5% |
| -Pension Plus Plan (Hybrid) | 7.0% |
| Projected Salary Increases | 3.5% - 12.3%, including wage inflation at 3.5% |
| Cost-of-Living Pension Adjustments | 3% Annual Non-Compounded for MIP Members |
| Mortality | RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females. |

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, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: 4.5188
 - Recognition period for assets in years is 5.0000
 - Full actuarial assumptions are available in the 2017 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 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, 2017, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return *</u> |
|--------------------------------------|--------------------------|-------------------------------------------------|
| Domestic Equity Pools | 28.00% | 5.60% |
| % Alternative Investment Pools | 18.00% | 8.70% |
| International Equity | 16.00% | 7.20% |
| Fixed Income Pools | 10.50% | -0.10% |
| Real Estate and Infrastructure Pools | 10.00% | 4.20% |
| Absolute Return Pools | 15.50% | 5.00% |
| Short Term Investment Pools | 2.00% | -0.90% |
| Total | <u>100.00%</u> | |

See independent auditor's report.

*Long term rate of return does not include 2.3% inflation

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. 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 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus 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 7.5% (7.0% 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 (Non-Hybrid/Hybrid) * | Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) * | 1% Increase (Non-Hybrid/ Non-Hybrid/Hybrid) * |
|--------------------------------------|---------------------------------------------------------------------|--------------------------------------------------|
| <u>6.5%/6.0%</u> | <u>7.5%/7.0%</u> | <u>8.5%/8.0%</u> |
| \$ 45,119,320 | \$ 34,636,102 | \$ 25,809,899 |

* = The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

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 \$283,155. The payables were based upon the wages being paid over the period from July 1 through August 31, 2018 which were for services provided prior to June 30, 2018 and therefore legally required contributions to the pension plan.

NOTE H MPSERS OPEB 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.

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.

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, 2016 valuation will be amortized over a 20 year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for the fiscal year 2017.

| Pension Contribution Rates | | |
|-----------------------------------|---------------|-----------------|
| <u>Benefit Structure</u> | <u>Member</u> | <u>Employer</u> |
| Premium Subsidy | 3.00% | 5.91% |
| Personal Healthcare Fund (PHF) | 0.00% | 5.69% |

Required contributions to the OPEB plan from the District were \$1,039,697 for the year ended September 30, 2017.

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

At June 30, 2018, the District reported a liability of \$11,825,960 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2016. 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, 2017, the District's proportion was .13354411 percent which was no change from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the District recognized total OPEB expense of \$399,804. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Notes to the Financial Statements (continued)

| <u>Asset Class</u> | Deferred Outflows of <u>Resources</u> | Deferred Inflows of <u>Resources</u> |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------------------------------------|
| Differences between expected and actual | \$ - | \$ 125,912 |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 273,892 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 4,258 | - |
| District section 147c revenue related to OPEB contributions subsequent to the measurement date | - | 303,322 |
| District contributions subsequent to the measurement date | <u>711,917</u> | <u>-</u> |
| Total | <u>\$ 716,175</u> | <u>\$ 703,126</u> |

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, 2019. 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 <u>June 30</u> | <u>Amount</u> |
|-------------------------------|---------------|
| 2018 | \$ (95,661) |
| 2019 | \$ (95,661) |
| 2020 | \$ (95,661) |
| 2021 | \$ (95,661) |
| 2022 | \$ (12,902) |

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:

See independent auditor's report.

Summary of Actuarial Assumptions

| | |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | September 30, 2016 |
| Actuarial Cost Method | Entry Age, Normal |
| Wage Inflation Rate | 3.5% |
| Investment Rate of Return | 7.5% |
| Projected Salary Increases | 3.5% - 12.3%, including wage inflation at 3.5% |
| Healthcare Cost Trend Rate | 7.5% Year 1 graded to 3.5% Year 12 |
| Mortality | RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females. |
| 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 be 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 dependent. |

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, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: 5.4744
 - Recognition period for assets in years is 5.0000
 - Full actuarial assumptions are available in the 2017 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, 2017, are summarized in the following table:

See independent auditor's report.

Notes to the Financial Statements (continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return *</u> |
|--------------------------------------|--------------------------|-------------------------------------------------|
| Domestic Equity Pools | 28.00% | 5.60% |
| % Alternative Investment Pools | 18.00% | 8.70% |
| International Equity | 16.00% | 7.20% |
| Fixed Income Pools | 10.50% | -0.10% |
| Real Estate and Infrastructure Pools | 10.00% | 4.20% |
| Absolute Return Pools | 15.50% | 5.00% |
| Short Term Investment Pools | 2.00% | -0.90% |
| Total | <u>100.00%</u> | |

*Long term rate of return does not include 2.3% inflation

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. 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 7.5% 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 7.5%. 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 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 7.5%, 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 <u>6.50%</u> | Current Discount Rate <u>7.50%</u> | 1% Increase <u>8.50%</u> |
|-----------------------------|---------------------------------------|-----------------------------|
| \$ 13,851,617 | \$ 11,825,960 | \$ 10,106,811 |

See independent auditor's report.

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

| 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---------------|---------------------------------------|---------------|
| <u>6.50%</u> | <u>7.50%</u> | <u>8.50%</u> |
| \$ 10,014,998 | \$ 11,825,960 | \$ 13,882,181 |

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 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 \$134,370. The payables were based upon the wages being paid over the period from July 1 through August 31, 2018 which were for services provided prior to June 30, 2018 and therefore legally required contributions to the OPEB plan.

NOTE I SHORT TERM NOTE PAYABLE (See Also Note N)

In September 2017, the School entered into a State Aid Note for \$1,000,000 with Shelby State Bank for the purpose of providing money for school operations for the fiscal year ending June 30, 2018. The note bears interest at 1.38% and was repaid in August 2018.

| | |
|-------------------------------------------|----------------------------|
| Short-Term Debt Outstanding, July 1, 2017 | \$ 1,700,000 |
| Debt Added During the Year | 1,000,000 |
| Debt Retired During the Year | <u>(1,700,000)</u> |
| Short-Term Debt Outstanding June 30, 2018 | <u><u>\$ 1,000,000</u></u> |

NOTE J RESTATEMENT OF BEGINNING NET POSITION

The beginning net position has been restated for governmental activities due to a change in accounting principles related to GASB 75. The beginning net position was decreased by \$12,473,768 due to this change.

NOTE K PRIOR PERIOD ADJUSTMENT

During the current year, it was determined that the Food Service Fund inventory was overstated due to incorrectly recording undistributed commodities as inventory. In order to correct this error, the Food Service beginning fund balance was decreased by \$33,045.

Notes to the Financial Statements (continued)

NOTE L FIXED ASSETS

Capital asset balances and for the year ended June 30, 2018 were as follows:

| | Balance 6/30/2017 | Additions | Adjustments Deletions | Balance 6/30/2018 |
|-----------------------------------------------------------------------|----------------------|-----------------------|--------------------------|----------------------|
| Governmental-Type Activities | | | | |
| 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 | 56,048,604 | 205,363 | - | 56,253,967 |
| Equipment and Vehicles | 11,737,179 | 146,267 | (219,384) | 11,664,062 |
| Subtotal | 67,785,783 | 351,630 | (219,384) | 67,918,029 |
| Less Accumulated Depreciation for | | | | |
| Buildings and Improvements | 18,685,323 | 2,075,967 | - | 20,761,290 |
| Equipment and Vehicles | 2,874,967 | 128,813 | (219,384) | 2,784,396 |
| Subtotal | 21,560,290 | 2,204,780 | (219,384) | 23,545,686 |
| Net Capital Assets being depreciated | 46,225,493 | (1,853,150) | - | 44,372,343 |
| Total Governmental Activities Capital Assets - Net of Depreciation | <u>\$47,800,750</u> | <u>\$ (1,853,150)</u> | <u>\$ -</u> | <u>\$ 45,947,600</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|---------------------------------|---------------------|
| Instruction | \$ 2,075,967 |
| Support Services-Administration | 13,763 |
| Operation and Maintenance | 3,908 |
| Student Transportation | 93,846 |
| Food Services | 5,317 |
| Athletics | 11,979 |
| Total Depreciation Expense | <u>\$ 2,204,780</u> |

NOTE M RISK MANAGEMENT

The School 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 School 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 N 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 78.6% percent of total General Fund revenues.

See independent auditor's report.

NOTE O 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, 2018, the most recent balance sheet presented herein, through October 18, 2018, the date these financial statements were available to be issued. The following significant events or transactions were identified:

State Aid Note

The School District entered into an additional State Aid Note with Chemical Bank for \$1,000,000 on October 9, 2018. The note will bear interest at 2.49% and mature September 9, 2019.

NOTE P TAX ABATEMENTS

The District did not receive reduced property tax revenues during the fiscal year ended June 30, 2018 as a result of industrial facilities tax exemptions (IFT's). The City of Fremont approved three IFT applications, but the State Tax Commission denied two, and has not yet ruled on the third. If the remaining IFT application were approved, it would likely not be effective until the fiscal year ended June 30, 2019. 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.

NOTE Q ADOPTION OF NEW ACCOUNTING STANDARD

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during the year. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

FREMONT PUBLIC SCHOOLS

Required Supplementary Information
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2018

| | Budget Amounts | | Actual | Variances | |
|----------------------------------------------------------------------------------|---------------------|---------------------|---------------------|----------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| | | | | | |
| Revenues | | | | | |
| Local Sources | \$3,173,990 | \$3,418,786 | \$3,378,236 | \$ 244,796 | \$ (40,550) |
| State Sources | 16,143,832 | 16,546,152 | 17,005,104 | 402,320 | 458,952 |
| Federal Sources | 745,652 | 941,097 | 962,507 | 195,445 | 21,410 |
| Other Sources | 345,500 | 289,466 | 281,637 | (56,034) | (7,829) |
| Total Revenues | <u>20,408,974</u> | <u>21,195,501</u> | <u>21,627,484</u> | <u>786,527</u> | <u>431,983</u> |
| Expenditures | | | | | |
| Instruction | | | | | |
| Basic Programs | 9,652,326 | 9,772,919 | 9,965,249 | 120,593 | (192,330) |
| Added Needs | 3,818,258 | 3,791,295 | 3,900,171 | (26,963) | (108,876) |
| Adult Education | 177,805 | 193,672 | 170,786 | 15,867 | 22,886 |
| Total Instruction | <u>13,648,389</u> | <u>13,757,886</u> | <u>14,036,206</u> | <u>109,497</u> | <u>(278,320)</u> |
| Support Services: | | | | | |
| Pupil | 529,114 | 572,823 | 591,260 | 43,709 | (18,437) |
| Instructional Staff | 307,903 | 386,476 | 384,085 | 78,573 | 2,391 |
| General Administration | 402,189 | 427,471 | 433,998 | 25,282 | (6,527) |
| School Administration | 1,315,701 | 1,284,134 | 1,308,232 | (31,567) | (24,098) |
| Business | 370,975 | 370,923 | 342,354 | (52) | 28,569 |
| Operations & Maintenance | 1,593,266 | 1,550,520 | 1,633,858 | (42,746) | (83,338) |
| Pupil Transportation | 961,420 | 1,094,683 | 1,099,311 | 133,263 | (4,628) |
| Central | 455,731 | 453,151 | 444,183 | (2,580) | 8,968 |
| Athletics | 489,458 | 568,535 | 564,249 | 79,077 | 4,286 |
| Total Support Services | <u>6,425,757</u> | <u>6,708,716</u> | <u>6,801,530</u> | <u>282,959</u> | <u>(92,814)</u> |
| Community Services | 372,575 | 391,163 | 398,720 | 18,588 | (7,557) |
| Debt Service | 86,770 | 85,399 | 85,399 | (1,371) | - |
| Total Expenditures | <u>20,533,491</u> | <u>20,943,164</u> | <u>21,321,855</u> | <u>409,673</u> | <u>(378,691)</u> |
| Excess (deficiency) of Revenue Over Expenditures | (124,517) | 252,337 | 305,629 | 376,854 | 53,292 |
| Other Financing Sources (Uses) | | | | | |
| Transfers to Other School Districts | - | - | 7,829 | - | 7,829 |
| Indirect Cost Allocation | - | - | 70,786 | - | 70,786 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>78,615</u> | <u>-</u> | <u>78,615</u> |
| Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses | (124,517) | 252,337 | 384,244 | 376,854 | 131,907 |
| Fund Balance - July 1 | <u>1,441,094</u> | <u>1,441,094</u> | <u>1,441,094</u> | <u>-</u> | <u>-</u> |
| Fund Balance - June 30 | <u>\$ 1,316,577</u> | <u>\$ 1,693,431</u> | <u>\$ 1,825,338</u> | <u>\$ 376,854</u> | <u>\$ 131,907</u> |

FREMONT PUBLIC SCHOOLS

Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability
 Michigan Public School Employees Retirement Plan
 Last 10 Fiscal Years (Amounts were 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 (%) | - | - | - | - | - | - | 0.13366% | 0.13285% | 0.12781% | 0.12335% |
| B. District's proportionate share of net pension liability | - | - | - | - | - | - | \$ 34,636,102 | \$ 33,144,863 | \$ 31,216,635 | \$ 27,169,033 |
| C. District's covered-employee payroll | - | - | - | - | - | - | \$ 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 (%) | - | - | - | - | - | - | 311.59329% | 291.24732% | 293.87586% | 255.57615% |
| E. Plan fiduciary net position as a percentage of total pension liability | - | - | - | - | - | - | 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 the District's 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,722,618 | \$ 2,760,008 | \$ 2,771,111 | \$ 3,575,356 |
| B. Contributions in relation to statutorily required contributions * | - | - | - | - | - | - | 2,722,618 | 2,760,008 | 2,771,111 | 3,575,356 |
| C. Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| D. District's covered-employee payroll | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,880,179 | \$ 11,106,943 | \$ 10,731,997 | \$ 10,725,021 |
| E. Contributions as a percentage of covered-employee payroll | | | | | | | 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 the Net OPEB Liability
 Michigan Public School Employees Retirement Plan
 Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|-------------------------------------------------------------------------------------------------------------|------|------|------|------|------|------|------|------|------|---------------|
| A. District's proportion of net OPEB liability (%) | - | - | - | - | - | - | - | - | - | 0.13354% |
| B. District's proportionate share of net OPEB liability | - | - | - | - | - | - | - | - | - | \$ 11,825,960 |
| C. District's covered-employee payroll (OPEB) | - | - | - | - | - | - | - | - | - | \$ 11,115,805 |
| D. District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%) | - | - | - | - | - | - | - | - | - | 106.38870% |
| E. Plan fiduciary net position as a percentage of total OPEB liability | - | - | - | - | - | - | - | - | - | 36.39% |

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 the District's OPEB Contributions
 Michigan Public School Employees Retirement Plan
 Last 10 Fiscal Years (Amounts determined as of 6/30 of each fiscal year)

| | 2027 | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---------------------------------------------------------------------------|------|------|------|------|------|------|------|------|------|---------------|
| A. Statutorily required OPEB contributions | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 872,041 |
| B. OPEB contributions in relation to statutorily required contributions * | - | - | - | - | - | - | - | - | - | 872,041 |
| C. Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| D. District's covered-employee payroll (OPEB) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,880,179 |
| E. OPEB contributions as a percentage of covered-employee payroll | | | | | | | | | | 8.01% |

* 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

Comparative Balance Sheet - General Fund
June 30, 2018 and 2017

| | June 30, 2018 | June 30, 2017 |
|----------------------------------------|---------------------|---------------------|
| Assets | | |
| Cash/Investments | \$ 1,283,787 | \$ 1,811,592 |
| Accounts Receivable | 81,419 | 66,731 |
| Due From Other Funds | - | 20,187 |
| Due From Other Governmental Units | 3,250,118 | 3,362,084 |
| Inventory | 67,837 | 54,980 |
| Prepaid Expenses | 72,091 | 62,203 |
| | <hr/> | <hr/> |
| Total Assets | <u>\$ 4,755,252</u> | <u>\$ 5,377,777</u> |
| Liabilities and Fund Equity | | |
| Liabilities | | |
| Accounts Payable | \$ 236,188 | \$ 221,699 |
| Salaries/Severance Payable | 967,305 | 1,002,250 |
| Retirement Payable | 492,574 | 633,492 |
| Health Insurance Payable | 108,785 | 165,290 |
| Payroll Taxes Payable | 69,135 | 67,519 |
| Unearned Revenue | 13,745 | 55,813 |
| Due to Other Funds | 42,182 | 90,620 |
| Notes Payable | 1,000,000 | 1,700,000 |
| | <hr/> | <hr/> |
| Total Liabilities | 2,929,914 | 3,936,683 |
| Fund Equity | | |
| Non-Spendable - Inventory | 67,837 | 54,980 |
| Non-Spendable - Prepaid Expenses | 72,091 | 62,203 |
| Assigned for IFT Payback | - | 392,316 |
| Unassigned | 1,685,410 | 931,595 |
| | <hr/> | <hr/> |
| Total Fund Equity | 1,825,338 | 1,441,094 |
| | <hr/> | <hr/> |
| Total Liabilities and Fund Equity | <u>\$ 4,755,252</u> | <u>\$ 5,377,777</u> |

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues - General Fund For the Years Ended June 30, 2018 and 2017

| | 2018 | 2017 |
|-------------------------------------|---------------|---------------|
| Revenues | | |
| Local Sources | | |
| Property Taxes | \$ 2,458,089 | \$ 2,288,440 |
| Summer School Fees | 700 | 1,000 |
| Adult/Community Education Fees | 280,373 | 276,434 |
| Transportation Fees | 97,322 | 92,938 |
| Interest on Investments | 16,873 | 10,511 |
| Other Facilities | 62,674 | 52,683 |
| Grants and Donations | 340,491 | 402,804 |
| Athletics | 83,736 | 64,499 |
| Other | 37,978 | 80,990 |
| | 3,378,236 | 3,270,299 |
| State Sources | | |
| State School Aid | 13,216,709 | 12,873,203 |
| State School Aid-Supplemental | 1,553,930 | 1,557,454 |
| Special Education | 802,536 | 965,161 |
| Vocational Education | 6,361 | 5,042 |
| Technology Readiness Infrastructure | 5,025 | 1,214 |
| At Risk | 896,556 | 598,546 |
| Adult Education | 271,030 | 424,817 |
| Early Literacy | 24,150 | 21,780 |
| Best Practices/Data Collection | 53,453 | 53,852 |
| Teacher Technology | 2,880 | 30,754 |
| Renaissance Zone | 172,474 | 171,506 |
| | 17,005,104 | 16,703,329 |
| Federal Sources | | |
| Title I, Part A | 429,857 | 476,689 |
| Title II, Part A | 78,312 | 122,466 |
| Title V, Part A | 45,876 | 43,332 |
| Adult Education | 125,014 | 50,000 |
| National Forest Subsidy | 2,122 | 908 |
| Special Education - Flow Through | 281,326 | 257,782 |
| | 962,507 | 951,177 |
| Interdistrict Sources | | |
| Special Education | 281,637 | 535,183 |
| | 281,637 | 535,183 |
| Total Revenues | \$ 21,627,484 | \$ 21,459,988 |

FREMONT PUBLIC SCHOOLS

Comparative Statement of Expenditures - General Fund For the Years Ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---------------------------------------------|--------------|--------------|
| Instruction | | |
| Basic Programs | | |
| Elementary | \$ 4,039,670 | \$ 4,286,400 |
| Middle School | 2,356,739 | 2,509,774 |
| High School | 3,115,868 | 2,989,213 |
| Alternative Education | 452,972 | 387,730 |
| Total Basic Programs | 9,965,249 | 10,173,117 |
| Added Needs | | |
| Special Education | 2,444,026 | 2,655,894 |
| Early Literacy | 24,723 | 21,780 |
| Section 31A / At-Risk | 760,843 | 598,548 |
| Title Programs/Improving Teacher Quality | 533,768 | 620,942 |
| Vocational Education | 136,811 | 124,760 |
| Total Added Needs | 3,900,171 | 4,021,924 |
| Adult Education | 170,786 | 200,200 |
| Total Instruction | 14,036,206 | 14,395,241 |
| Supporting Services | | |
| Pupil | | |
| Guidance | 450,607 | 548,769 |
| Health | 15,998 | 12,660 |
| Social Work | 68,284 | - |
| Homeless Youth | 36,563 | - |
| Other Pupil | 19,658 | - |
| Teacher Consultant - Special Education | 150 | - |
| Total Pupil | 591,260 | 561,429 |
| Instructional Staff | | |
| Special Education | 433 | 49,899 |
| Adult Education | 135,970 | 132,054 |
| Curriculum Coordinator - School Improvement | 102,312 | 21,198 |
| Media Services | 82,810 | 82,628 |
| Instruction Technology | 61,855 | 113,127 |
| Audio-Visual | 705 | 1,114 |
| Total Instructional Staff | 384,085 | 400,020 |
| General Administration | | |
| Board of Education | 101,510 | 89,156 |
| Executive Administration | 332,488 | 303,956 |
| Total General Administration | 433,998 | 393,112 |

Statement of Expenditures - General Fund (continued)

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|-----------------------------|-----------------------------|
| School Administration | | |
| Office of the Principal | 1,239,654 | 1,224,109 |
| Alternative Education | 68,577 | 69,480 |
| Copy Center | 1 | (101) |
| Total School Administration | <u>\$ 1,308,232</u> | <u>\$ 1,293,488</u> |
| | | |
| Business | | |
| Fiscal Services | \$ 271,235 | \$ 248,669 |
| Other Business | 71,119 | 61,506 |
| Total Business | <u>342,354</u> | <u>310,175</u> |
| | | |
| Operations & Maintenance | | |
| Operations and Maintenance | 1,633,858 | 1,599,538 |
| Total Operations & Maintenance | <u>1,633,858</u> | <u>1,599,538</u> |
| | | |
| Transportation | 1,099,311 | 1,037,122 |
| | | |
| Central | | |
| Informational Services | 15,691 | 21,898 |
| Professional Development | 2,258 | 2,610 |
| Technology | 339,227 | 398,114 |
| Computer Information Management | 30,832 | 29,814 |
| Data Collection | 56,175 | 56,591 |
| Total Central | <u>444,183</u> | <u>509,027</u> |
| | | |
| Athletics | 564,249 | 503,424 |
| Total Supporting Services | <u>6,801,530</u> | <u>6,607,335</u> |
| | | |
| Community Services | | |
| Parent Advisory - Title I | 3,965 | 3,290 |
| Day Care | 225,315 | 223,871 |
| Pals & Dads | 58 | - |
| After School Enrichment | 162,284 | 137,773 |
| Private/Parochial - Title II, A | 7,098 | 2,643 |
| Total Community Services | <u>398,720</u> | <u>367,577</u> |
| | | |
| Debt Service | | |
| Principal Retired | 82,969 | 81,876 |
| Interest | 2,430 | 4,120 |
| Total Debt Service | <u>85,399</u> | <u>85,996</u> |
| | | |
| Total Expenditures | <u><u>\$ 21,321,855</u></u> | <u><u>\$ 21,456,149</u></u> |

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet - Debt Service Fund
June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|------------------------------------|--------------------------|--------------------------|
| Assets | | |
| Cash/Investments | \$ 197,824 | \$ 258,256 |
| Due From Other Funds | <u>757</u> | <u>224</u> |
| Total Assets | <u><u>\$ 198,581</u></u> | <u><u>\$ 258,480</u></u> |
| | | |
| Liabilities and Fund Equity | | |
| Liabilities | | |
| Due to Other Funds | <u>\$ -</u> | <u>\$ 20,187</u> |
| Total Liabilities | - | 20,187 |
| | | |
| Fund Equity | | |
| Assigned | <u>198,581</u> | <u>238,293</u> |
| Total Liabilities and Fund Equity | <u><u>\$ 198,581</u></u> | <u><u>\$ 258,480</u></u> |

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues, Expenditures, and Changes
in Fund Balances - Debt Service Fund
For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Revenues | | |
| Local Sources | | |
| Property Taxes | \$ 3,300,815 | \$ 3,249,041 |
| Interest on Investments | 1,232 | 969 |
| Total Local Sources | <u>3,302,047</u> | <u>3,250,010</u> |
| Federal Sources | | |
| Qualified Bonds Credit Payment | <u>822,898</u> | <u>837,771</u> |
| Total Revenues | 4,124,945 | 4,087,781 |
| Expenditures | | |
| Taxes Abated | - | 15 |
| Principal Retired | 2,085,000 | 2,000,000 |
| Interest | 2,678,357 | 2,767,885 |
| Paying Agent | <u>1,300</u> | <u>1,300</u> |
| Total Debt Service | <u>4,764,657</u> | <u>4,769,200</u> |
| Excess Revenues Over(Under)Expenditures | (639,712) | (681,419) |
| Other Financing Sources(Uses) | | |
| Proceeds from Issuance of Long-Term Debt | <u>600,000</u> | <u>720,000</u> |
| Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (39,712) | 38,581 |
| Fund Equity - July 1 | <u>238,293</u> | <u>199,712</u> |
| Fund Equity - June 30 | <u>\$ 198,581</u> | <u>\$ 238,293</u> |

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet - Capital Projects Sinking Fund
June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|----------------------------------------|-------------------|-------------------|
| Assets | | |
| Cash/Investments | \$ 944,163 | \$ 129,047 |
| Due From Other Funds | 270 | - |
| Total Assets | <u>\$ 944,433</u> | <u>\$ 129,047</u> |
| Liabilities and Fund Equity | | |
| Liabilities | | |
| Accounts Payable | <u>\$ -</u> | <u>\$ -</u> |
| Total Liabilities | - | - |
| Fund Equity | | |
| Assigned | <u>944,433</u> | <u>129,047</u> |
| Total Liabilities and Fund Equity | <u>\$ 944,433</u> | <u>\$ 129,047</u> |

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues, Expenditures, and Changes
in Fund Balances - Capital Projects Sinking Fund
For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------------|-------------------|-------------------|
| Revenues | | |
| Local Sources | | |
| Property Taxes | \$ 1,079,353 | \$ - |
| Interest on Investments | 491 | 165 |
| Total Local Sources | <u>1,079,844</u> | <u>165</u> |
| Expenditures | | |
| Capital Outlay | 205,665 | 26,812 |
| Professional Services | 50,997 | 27,602 |
| Miscellaneous | 7,796 | 3,354 |
| Total Expenditures | <u>264,458</u> | <u>57,768</u> |
| Excess Revenues Over(Under)Expenditures | 815,386 | (57,603) |
| Fund Equity - July 1 | <u>129,047</u> | <u>186,650</u> |
| Fund Equity - June 30 | <u>\$ 944,433</u> | <u>\$ 129,047</u> |

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet - Non-Major Capital Projects Fund - Sinking Fund
For the Years Ended June 30, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, and 2009

| | Sinking Fund | | | | | | | | | |
|------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | June 30 2018 | June 30 2017 | June 30 2016 | June 30 2015 | June 30 2014 | June 30 2013 | June 30 2012 | June 30 2011 | June 30 2010 | June 30 2009 |
| Assets | | | | | | | | | | |
| Cash | \$ 944,163 | \$ 129,047 | \$ 186,650 | \$ 506,657 | \$ 815,720 | \$ 937,773 | \$ 981,814 | \$ 732,384 | \$ 357,419 | \$ 126,937 |
| Due from Other Governmental Units | - | - | - | - | - | - | - | - | - | - |
| Due from Other Funds | 270 | - | - | - | 38 | 38 | - | - | 50 | - |
| Total Assets | <u>\$ 944,433</u> | <u>\$ 129,047</u> | <u>\$ 186,650</u> | <u>\$ 506,657</u> | <u>\$ 815,758</u> | <u>\$ 937,811</u> | <u>\$ 981,814</u> | <u>\$ 732,384</u> | <u>\$ 357,469</u> | <u>\$ 126,937</u> |
| Liabilities | | | | | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ 17,763 | \$ - | \$ - | \$ - | \$ 91,668 | \$ - | \$ 5,340 |
| Due to Other Governmental Units | - | - | - | - | - | - | - | - | - | - |
| Due to Other Funds | - | - | - | - | - | - | - | 42 | 29 | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>17,763</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>91,710</u> | <u>29</u> | <u>5,340</u> |
| Fund Equity | | | | | | | | | | |
| Assigned | 944,433 | 129,047 | 186,650 | 488,894 | 815,758 | 937,811 | 981,814 | 640,674 | 357,440 | 121,597 |
| Total Liabilities and Fund Equity | <u>\$ 944,433</u> | <u>\$ 129,047</u> | <u>\$ 186,650</u> | <u>\$ 506,657</u> | <u>\$ 815,758</u> | <u>\$ 937,811</u> | <u>\$ 981,814</u> | <u>\$ 732,384</u> | <u>\$ 357,469</u> | <u>\$ 126,937</u> |

FREMONT PUBLIC SCHOOLS

Cumulative Statements of Revenues, Expenditures and Changes
in Fund Balance - Capital Projects Fund - Sinking Fund
For the Years Ended June 30, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, and 2009

| | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|----------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues | | | | | |
| Local Sources | | | | | |
| Property Taxes | \$1,079,353 | \$ - | \$ - | \$ 72 | \$ - |
| Interest on Investments | 491 | 165 | 189 | 511 | 875 |
| Miscellaneous Income | - | - | - | - | - |
| Total Local Sources | <u>1,079,844</u> | <u>165</u> | <u>189</u> | <u>583</u> | <u>875</u> |
| Expenditures | | | | | |
| Supporting Services | | | | | |
| Taxes Abated | - | - | 10 | - | - |
| Capital Outlay | 205,665 | 26,812 | 297,042 | 286,436 | 101,336 |
| Professional Services | 50,997 | 27,602 | - | 26,231 | - |
| Miscellaneous | 7,796 | 3,354 | 5,381 | 14,780 | 21,592 |
| Total Expenditures | <u>264,458</u> | <u>57,768</u> | <u>302,433</u> | <u>327,447</u> | <u>122,928</u> |
| Excess Revenues Over (Under) Expenditures | 815,386 | (57,603) | (302,244) | (326,864) | (122,053) |
| Fund Equity - July 1 | <u>129,047</u> | <u>186,650</u> | <u>488,894</u> | <u>815,758</u> | <u>937,811</u> |
| Fund Equity - June 30 | <u>\$ 944,433</u> | <u>\$ 129,047</u> | <u>\$ 186,650</u> | <u>\$ 488,894</u> | <u>\$ 815,758</u> |

FREMONT PUBLIC SCHOOLS

Cumulative Statements of Revenues, Expenditures and Changes
in Fund Balance - Capital Projects Fund - Sinking Fund
For the Years Ended June 30, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, and 2009

| | June 30, 2013 | June 30, 2012 | June 30, 2011 | June 30, 2010 | June 30, 2009 |
|----------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | | | | | |
| Local Sources | | | | | |
| Property Taxes | \$ 814 | \$ 734,402 | \$ 743,737 | \$ 763,974 | \$ 722,848 |
| Interest on Investments | 983 | 1,114 | 1,124 | 579 | 294 |
| Miscellaneous Income | - | 27,216 | - | 150 | - |
| Total Local Sources | 1,797 | 762,732 | 744,861 | 764,703 | 723,142 |
| Expenditures | | | | | |
| Supporting Services | | | | | |
| Taxes Abated | 9 | 733 | 3,512 | 20 | 4,502 |
| Capital Outlay | 35,598 | 407,464 | 453,398 | 516,338 | 491,303 |
| Professional Services | 290 | 995 | 2,442 | 6,096 | 33,274 |
| Miscellaneous | 9,903 | 12,400 | 2,275 | 6,406 | 593 |
| Total Supporting Services | 45,800 | 421,592 | 461,627 | 528,860 | 529,672 |
| Excess Revenues Over (Under) Expenditures | (44,003) | 341,140 | 283,234 | 235,843 | 193,470 |
| Fund Equity - July 1 | 981,814 | 640,674 | 357,440 | 121,597 | (71,873) |
| Fund Equity - June 30 | \$ 937,811 | \$ 981,814 | \$ 640,674 | \$ 357,440 | \$ 121,597 |

FREMONT PUBLIC SCHOOLS

Combining Balance Sheet
 All Non-Major Governmental Funds - By Fund Type
 June 30, 2018

| | Special Revenue Food Service | Capital Improvement Fund | Total Non-Major Governmental Funds |
|-----------------------------------|------------------------------------|--------------------------------|---------------------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Assets | | | |
| Cash/Investments | \$ 375,454 | \$ 80,322 | \$ 455,776 |
| Due From Other Funds | 41,155 | - | 41,155 |
| Inventory | 6,820 | - | 6,820 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 423,429</u> | <u>\$ 80,322</u> | <u>\$ 503,751</u> |
| | | | |
| Liabilities | | | |
| Deferred Revenue | \$ 16,269 | \$ - | \$ 16,269 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | 16,269 | - | 16,269 |
| | | | |
| Fund Equity | | | |
| Fund Balances | | | |
| Non-Spendable | 6,820 | - | 6,820 |
| Assigned | 400,340 | 80,322 | 480,662 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Equity | <u>407,160</u> | <u>80,322</u> | <u>487,482</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities and Fund Equity | <u>\$ 423,429</u> | <u>\$ 80,322</u> | <u>\$ 503,751</u> |

FREMONT PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - All Non-Major Governmental Funds - By Fund Type
For the Year Ended June 30, 2018

| | Special Revenue Food Service | Capital Improvement Fund | Total Non-Major Governmental Funds |
|----------------------------------------------|------------------------------------|--------------------------------|---------------------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Revenues | | | |
| Local Sources | \$ 303,534 | \$ 13 | \$ 303,547 |
| State Sources | 84,206 | - | 84,206 |
| Federal Sources | 704,985 | - | 704,985 |
| | <u>1,092,725</u> | <u>13</u> | <u>1,092,738</u> |
| Expenditures | | | |
| Supporting Services | | | |
| Food Service | 1,049,662 | - | 1,049,662 |
| | <u>1,049,662</u> | <u>-</u> | <u>1,049,662</u> |
| Excess Revenues Over (Under) Expenditures | 43,063 | 13 | 43,076 |
| Fund Equity - July 1 | 397,142 | 80,309 | 477,451 |
| Prior Period Adjustments - See Note K | <u>(33,045)</u> | <u>-</u> | <u>(33,045)</u> |
| Fund Equity - June 30 | <u><u>\$ 407,160</u></u> | <u><u>\$ 80,322</u></u> | <u><u>\$ 487,482</u></u> |

FREMONT PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2018

| | Food Service | | |
|----------------------------------------------|---------------|---------------|----------------------------|
| | <u>Budget</u> | <u>Actual</u> | Favorable (Unfavorable) |
| Revenues | | | |
| Local Sources | \$ 322,310 | \$ 303,534 | \$ (18,776) |
| State Sources | 84,251 | 84,206 | (45) |
| Federal Sources | 716,005 | 704,985 | (11,020) |
| Total Revenues | 1,122,566 | 1,092,725 | (29,841) |
| Expenditures | | | |
| Food Service | 1,046,568 | 1,049,662 | (3,094) |
| Total Expenditures | 1,046,568 | 1,049,662 | (3,094) |
| Excess Revenues Over (Under) Expenditures | 75,998 | 43,063 | (32,935) |
| Fund Equity - July 1 | 397,142 | 397,142 | - |
| Prior Period Adjustment - See Note K | - | (33,045) | (33,045) |
| Fund Equity - June 30 | \$ 473,140 | \$ 407,160 | \$ (65,980) |

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet Non-Major Food Service Special Revenue Fund June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|-------------------|-------------------|
| Assets | | |
| Cash/Investments | \$ 375,454 | \$ 267,134 |
| Accounts Receivable | - | 219 |
| Due From Other Funds | 41,155 | 90,396 |
| Inventory | <u>6,820</u> | <u>54,564</u> |
| Total Assets | <u>\$ 423,429</u> | <u>\$ 412,313</u> |
| | | |
| Liabilities | | |
| Deferred Revenue | <u>\$ 16,269</u> | <u>\$ 15,171</u> |
| Total Liabilities | 16,269 | 15,171 |
| | | |
| Fund Equity | | |
| Non-Spendable | 6,820 | 54,564 |
| Assigned | <u>400,340</u> | <u>342,578</u> |
| Total Fund Equity | <u>407,160</u> | <u>397,142</u> |
| | | |
| Total Liabilities and Fund Equity | <u>\$ 423,429</u> | <u>\$ 412,313</u> |

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues, Expenditures and Changes
in Fund Balances - Non-Major Food Service Special Revenue Fund
For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Revenues | | |
| Local Sources | | |
| Children's Lunches and Breakfasts | \$ 203,283 | \$ 190,312 |
| Ala Carte | 73,952 | 73,746 |
| Adult Lunches and Breakfasts | 7,791 | 6,275 |
| Interest | 526 | 432 |
| Other | 17,982 | 25,384 |
| Total Local Sources | <u>303,534</u> | <u>296,149</u> |
| State Sources | 84,206 | 85,615 |
| Federal Sources | 704,985 | 689,873 |
| Total Revenues | <u>1,092,725</u> | <u>1,071,637</u> |
| Expenditures | | |
| Salaries: | | |
| Manager | 111,892 | 90,717 |
| Cooks | 18,680 | 43,949 |
| Servers and Others | 201,133 | 227,218 |
| Payroll Taxes and Other Fringe Benefits | 151,951 | 168,690 |
| Local Travel | 2,023 | 1,379 |
| Equipment Repairs and Maintenance | 7,273 | 2,627 |
| Other Purchased Services | 13,232 | 10,237 |
| Food | 445,155 | 405,551 |
| Vehicle Expense | 2,101 | 1,639 |
| Non-food Supplies and Miscellaneous | 28,275 | 27,687 |
| Indirect Costs | 58,352 | 67,304 |
| Sales Tax | 438 | 385 |
| Dues and Subscriptions | 1,850 | 461 |
| Capital Outlay | 7,307 | 6,648 |
| Total Expenditures | <u>1,049,662</u> | <u>1,054,492</u> |
| Excess Revenues Over (Under) Expenditures | 43,063 | 17,145 |
| Other Financing Sources | | |
| Sale of Fixed Assets | <u>-</u> | <u>290</u> |
| Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses) | 43,063 | 17,435 |
| Fund Equity - July 1 | 397,142 | 379,707 |
| Prior Period Adjustment - See Note K | <u>(33,045)</u> | <u>-</u> |
| Fund Equity - June 30 | <u><u>\$ 407,160</u></u> | <u><u>\$ 397,142</u></u> |

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet
Non-Major Capital Improvement Capital Projects Fund
June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--------------------|------------------|------------------|
| Assets | | |
| Cash/Investments | \$ 80,322 | \$ 80,309 |
| Total Assets | <u>\$ 80,322</u> | <u>\$ 80,309</u> |
| | | |
| Liabilities | | |
| Accounts Payable | \$ - | \$ - |
| Total Liabilities | <u>-</u> | <u>-</u> |
| | | |
| Fund Equity | | |
| Assigned | <u>80,322</u> | <u>80,309</u> |
| Total Fund Equity | <u>80,322</u> | <u>80,309</u> |
| | | |
| Total Fund Equity | <u>\$ 80,322</u> | <u>\$ 80,309</u> |

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues, Expenditures and Changes
in Fund Balances - Non-Major Capital Improvement Capital Projects Fund
For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|----------------------------------------------|-------------------------|-------------------------|
| Revenues | | |
| Local Sources | | |
| Interest | \$ 13 | \$ 16 |
| Total Local Sources | 13 | 16 |
| Expenditures | | |
| Miscellaneous | - | - |
| Total Expenditures | - | - |
| Excess Revenues Over (Under) Expenditures | 13 | 16 |
| Fund Equity - July 1 | <u>80,309</u> | <u>80,293</u> |
| Fund Equity - June 30 | <u><u>\$ 80,322</u></u> | <u><u>\$ 80,309</u></u> |

FREMONT PUBLIC SCHOOLS

Balance Sheet
Fiduciary Fund
Student Activities Agency Fund
June 30, 2018

Assets

Cash and Investments \$ 353,630

Total Assets \$ 353,630

Liabilities and Net Position

Liabilities

Due to Student Groups \$ 353,630

Total Liabilities 353,630

Net Position

Net Position -

Total Liabilities and Net Position \$ 353,630

FREMONT PUBLIC SCHOOLS

Statement of Changes in Assets and Liabilities
Fiduciary Fund
Student Activities Agency Fund
For the Year Ended June 30, 2018

| | <u>Balance</u> <u>6/30/2017</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>6/30/2018</u> |
|-----------------------|------------------------------------|-------------------|-------------------|------------------------------------|
| Assets | | | | |
| Cash and Investments | <u>\$ 328,676</u> | <u>\$ 651,966</u> | <u>\$ 627,012</u> | <u>\$ 353,630</u> |
| Liabilities | | | | |
| Due to Student Groups | <u>\$ 328,676</u> | <u>\$ 651,966</u> | <u>\$ 627,012</u> | <u>\$ 353,630</u> |

FREMONT PUBLIC SCHOOLS

Statement of Cash Receipts and Disbursements
Fiduciary Fund
Student Activities Agency Fund
For the Year Ended June 30, 2018

| | Balance 6/30/2017 | Receipts | Disbursements | Balance 6/30/2018 |
|----------------------------------------|----------------------|----------|---------------|----------------------|
| Interest on Investment | \$ 3,369 | \$ 2,180 | \$ 3,520 | \$ 2,029 |
| Administration - Miscellaneous | 53,818 | 9,119 | 11,976 | 50,961 |
| Daisy Brook - Book Fair | 3,752 | 6,663 | 7,209 | 3,206 |
| Daisy Brook - Cash for Education | 7,342 | 3,561 | 4,213 | 6,690 |
| Daisy Brook - School/Store | - | - | 1,495 | (1,495) |
| Daisy Brook - Grade Funds | (52) | - | - | (52) |
| Daisy Brook - Positivity Project | - | 301 | - | 301 |
| Daisy Brook - Activities Fund | 1,014 | 21,860 | 16,274 | 6,600 |
| Daisy Brook - Student Council | 2,808 | 2,161 | 3,097 | 1,872 |
| | | | | |
| High School - Academic Honor Roll | - | 3,000 | 3,000 | - |
| High School - Alumni Band | 35 | - | - | 35 |
| High School - Art/Pekel | 4,137 | 4,750 | 4,083 | 4,804 |
| High School - Athletic Uniforms | 50,087 | 145,650 | 144,717 | 51,020 |
| High School - Athletic Endowment | 5,198 | 7,594 | 6,953 | 5,839 |
| High School - Best of Belize | - | 2,250 | - | 2,250 |
| High School - Bob Robart Football Fund | - | 1,890 | - | 1,890 |
| High School - Brad Blamer Pay to Play | 660 | - | - | 660 |
| High School - Cam Beattie Memorial | 595 | - | 540 | 55 |
| High School - Candy Machine Sales | 1,260 | 186 | 2,178 | (732) |
| High School - Chad Paulsen Memorial | 300 | - | - | 300 |
| High School - Charles Sisco Memorial | 250 | 584 | - | 834 |
| High School - Dakota Scholarship | 1,000 | - | 1,000 | - |
| High School - Industrial Arts | 3,580 | 3,542 | 6,440 | 682 |
| High School - Cheerleaders | 708 | 1,173 | 1,634 | 247 |
| High School - Class of 2015 | 283 | 2,169 | 2,169 | 283 |
| High School - Class of 2016 | 2,638 | 6,405 | 2,613 | 6,430 |
| High School - Conservation Club | 5 | - | - | 5 |
| High School - Germany Trip | 937 | - | - | 937 |
| High School - FACF Girls BB Grant | (700) | 3,165 | 2,465 | - |
| High School - FFA Ag Science | - | 6,310 | - | 6,310 |
| High School - Escape | 11,814 | 24,437 | 21,012 | 15,239 |
| High School - Embroidery | 104 | - | - | 104 |
| High School - Equestrian Team | 100 | 1,100 | 1,297 | (97) |
| High School - FACF Baseball Grant | - | 2,530 | 2,530 | - |
| High School - FACF Boys BB Grant | (1,585) | 3,970 | 2,385 | - |
| High School - FACF Softball | 10 | 1,200 | 1,210 | - |
| High School - Freshman Class | - | 150 | 51 | 99 |
| High School - F.F.A. Project | 6,244 | 50,969 | 53,096 | 4,117 |
| High School - Hall of Fame | (524) | 524 | - | - |
| High School - John Kingsnorth Memorial | 5 | - | - | 5 |

Statement of Cash Receipts and Disbursements (continued)

| | Balance 6/30/2017 | Receipts | Disbursements | Balance 6/30/2018 |
|--------------------------------------------|----------------------|----------|---------------|----------------------|
| High School - Johnny Stariha Memorial | \$ - | \$ 500 | \$ - | \$ 500 |
| High School - Lakes 8 | 2,075 | 5,252 | 4,954 | 2,373 |
| High School - Lila Ramey Memorial | 390 | - | - | 390 |
| High School - May Pikel Memorial | 735 | - | - | 735 |
| High School - Media | 128 | - | 128 | - |
| High School - Miscellaneous | 10 | 2,121 | - | 2,131 |
| High School - Mike Converse Memorial | 440 | - | - | 440 |
| High School - Mogul | 9,009 | 16,547 | 15,137 | 10,419 |
| High School - Music Boosters | 33,982 | 74,597 | 82,741 | 25,838 |
| High School - National Honor Society | 6,845 | 2,932 | 2,314 | 7,463 |
| High School - Orchestra | (880) | - | 275 | (1,155) |
| High School - Parking Permits | 2,120 | 959 | 400 | 2,679 |
| High School - Peace Jam | 359 | - | 359 | - |
| High School - Photography | 644 | 1,176 | (41) | 1,861 |
| High School - Pop | 1,579 | 1,244 | 3,497 | (674) |
| High School - Positive Behavior Incentives | (49) | 3,001 | 2,131 | 821 |
| High School - Principal Account | - | 5,675 | 4,863 | 812 |
| High School - Quiz Bowl | 541 | 553 | 579 | 515 |
| High School - Community Connection | 5,542 | - | - | 5,542 |
| High School - Scholarship Fund | 1,492 | 1,000 | - | 2,492 |
| High School - Science Exploration | 491 | (122) | - | 369 |
| High School - Scoreboard Advertising | 100 | - | - | 100 |
| High School - Sophomore Class | - | 150 | - | 150 |
| High School - Store | (2,311) | 8,641 | 4,189 | 2,141 |
| High School - Student Council | 2,774 | 8,186 | 6,314 | 4,646 |
| High School - Team Lead | 266 | - | 266 | - |
| High School - Theatre | (5,632) | 12,023 | 11,067 | (4,676) |
| High School - Theatre Endowment | 12,566 | - | - | 12,566 |
| High School - Tom Isenhardt Memorial | - | 130 | - | 130 |
| High School - Monte Johnson Memorial | 482 | - | - | 482 |
| High School - Chess Club | 173 | - | - | 173 |
| High School - Varsity Club | 1,117 | - | - | 1,117 |
| High School - Video Productions | (312) | 484 | 172 | - |
| High School - Zach Hall Memorial | - | 975 | - | 975 |
| High School - Spanish Club | 97 | - | - | 97 |
| High School - Prom | 14,885 | 5,839 | 9,376 | 11,348 |
| High School - 44th Street Project | 27,098 | 21,723 | 27,258 | 21,563 |
| Middle School - Art Club | 15 | - | - | 15 |
| Middle School - Band Fund | 1,761 | 4,319 | 4,882 | 1,198 |
| Middle School - Beaver Island Group | (979) | 17,845 | 9,229 | 7,637 |
| Middle School - Circle of Friends | 230 | - | - | 230 |
| Middle School - Cash for Education | 5,327 | 2,193 | 2,184 | 5,336 |
| Middle School - Candy and Pop | 2,609 | 98 | 323 | 2,384 |
| Middle School - Cheerleaders | 877 | - | - | 877 |

Statement of Cash Receipts and Disbursements (continued)

| | Balance 6/30/2017 | Receipts | Disbursements | Balance 6/30/2018 |
|------------------------------------------|----------------------|-------------------|-------------------|----------------------|
| Middle School - Ebay | \$ 458 | \$ - | \$ 298 | \$ 160 |
| Middle School - Ford Donation | 4,448 | 2,000 | 1,779 | 4,669 |
| Middle School - Instrument Repair/Rental | 440 | - | 545 | (105) |
| Middle School - Japan Friendship City | (56) | 38,711 | 38,372 | 283 |
| Middle School - Linda Bergklint Memorial | 910 | - | - | 910 |
| Middle School - Outdoor Fitness | 162 | - | - | 162 |
| Middle School - Parent Group | 77 | - | - | 77 |
| Middle School - Pride Club | 83 | - | - | 83 |
| Middle School - Principal Account | 2,385 | 700 | 1,136 | 1,949 |
| Middle School - Rain Forest Fund | (1,318) | 8,403 | 8,476 | (1,391) |
| Middle School - Sixth Grade Camp | 5,949 | 7,193 | 7,724 | 5,418 |
| Middle School - Teacher Lounge Pop | 531 | 99 | 120 | 510 |
| Middle School - Theatre | - | 322 | - | 322 |
| Middle School - Student Council | 1,610 | 195 | 666 | 1,139 |
| Middle School - Water Wells for Nigeria | - | 5,396 | 5,396 | - |
| Middle School - Yearbook | 966 | - | - | 966 |
| Pathfinder - Activity Fund | (1,617) | 11,107 | 11,737 | (2,247) |
| Pathfinder - Book Fair | 760 | 3,394 | 2,270 | 1,884 |
| Pathfinder - Office Activity | (495) | 1,658 | 564 | 599 |
| Pathfinder - Cash for Education | 5,024 | 1,042 | 2,194 | 3,872 |
| Pathfinder - Parent Group | 5,466 | 46,993 | 37,669 | 14,790 |
| Pathfinder - Pathways to Potential | - | 246 | - | 246 |
| Pathfinder - Pop Fund | 1,647 | - | 1,395 | 252 |
| Pathfinder - Families Together | 121 | - | - | 121 |
| Pathfinder - Ford Donation | 2,625 | 2,001 | 1,690 | 2,936 |
| Pine Street - Book Fair | 51 | (51) | - | - |
| Pine Street - Activity Fund | 210 | - | - | 210 |
| Pine Street - Cash for Education | 853 | - | - | 853 |
| Quest - CE Scrip Program | 890 | 3,397 | 3,578 | 709 |
| Quest - Daycare Program | 3,842 | 1,726 | 868 | 4,700 |
| Quest - Student Activity | 2,636 | - | - | 2,636 |
| Quest - Pop Fund | 3,751 | - | 781 | 2,970 |
| Soccer Fields | 479 | - | - | 479 |
| Total | <u>\$ 328,676</u> | <u>\$ 651,966</u> | <u>\$ 627,012</u> | <u>\$ 353,630</u> |

FREMONT PUBLIC SCHOOLS

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 For the Year Ended June 30, 2018

| Function and Activity | Balance 6/30/2017 | Additions | Adjustments/ Deletions | Balance 6/30/2018 |
|---------------------------------|----------------------|------------|---------------------------|----------------------|
| Instruction | \$66,031,871 | \$ 205,363 | \$ - | \$66,237,234 |
| Support Service | | | | |
| Students & Staff | 69,336 | - | - | 69,336 |
| Administration | 164,865 | 19,757 | - | 184,622 |
| Operation & Maintenance | 151,623 | - | (39,959) | 111,664 |
| Student Transportation Services | 2,031,713 | 118,515 | (179,425) | 1,970,803 |
| Food Services | 155,564 | - | - | 155,564 |
| Athletics | 756,068 | 7,995 | - | 764,063 |
| | | | | |
| Total | \$69,361,040 | \$ 351,630 | \$ (219,384) | \$69,493,286 |

FREMONT PUBLIC SCHOOLS

Schedule of Changes in Long-Term Debt Obligations
June 30, 2018

| | Refunding Bond 2013 | Building America Bond 2009 | Refunding Bond 2008 | School Bus Capital Lease | School Bus Note Payable | School Bond Loan Fund Loan | Compensated Absence/Early Retirement | Total |
|---------------------------------------------|---------------------------|----------------------------------|---------------------------|--------------------------------|-------------------------------|----------------------------------|--------------------------------------------|---------------------|
| Long-Term Debt Outstanding June 30, 2017 | \$ 1,120,000 | \$38,225,000 | \$3,310,000 | \$ 49,849 | \$ 63,586 | \$5,236,180 | \$ 367,572 | \$48,372,187 |
| Debt Added During Year | - | - | - | - | - | 767,913 | 58,378 | 826,291 |
| Debt Retired During Year | <u>(280,000)</u> | <u>(1,000,000)</u> | <u>(805,000)</u> | <u>(49,849)</u> | <u>(33,120)</u> | <u>-</u> | <u>(257,007)</u> | <u>(2,424,976)</u> |
| Long-Term Debt Outstanding June 30, 2018 | <u>\$ 840,000</u> | <u>\$ 37,225,000</u> | <u>\$2,505,000</u> | <u>\$ -</u> | <u>\$ 30,466</u> | <u>\$6,004,093</u> | <u>\$ 168,943</u> | <u>\$46,773,502</u> |

FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments
 \$43,875,000 of School Building & Site Bonds Dated June 2009
 June 30, 2018

| <u>Estimated Payment Date</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Treasury Credit</u> |
|-------------------------------|-------------|------------------|-----------------|--------------|----------------------------|
| November 1, 2018 | | - | 1,234,199 | 1,234,199 | (431,970) |
| May 1, 2019 | 5.54 | 1,050,000 | 1,234,199 | 2,284,199 | (431,970) |
| November 1, 2019 | | - | 1,205,114 | 1,205,114 | (421,790) |
| May 1, 2020 | 5.79 | 1,125,000 | 1,205,114 | 2,330,114 | (421,790) |
| November 1, 2020 | | - | 1,172,545 | 1,172,545 | (410,391) |
| May 1, 2021 | 6.04 | 1,200,000 | 1,172,545 | 2,372,545 | (410,391) |
| November 1, 2021 | | - | 1,136,305 | 1,136,305 | (397,707) |
| May 1, 2022 | 6.24 | 1,400,000 | 1,136,305 | 2,536,305 | (397,707) |
| November 1, 2022 | | - | 1,092,625 | 1,092,625 | (382,419) |
| May 1, 2023 | 6.34 | 1,450,000 | 1,092,625 | 2,542,625 | (382,419) |
| November 1, 2023 | | - | 1,046,660 | 1,046,660 | (366,331) |
| May 1, 2024 | 6.44 | 1,500,000 | 1,046,660 | 2,546,660 | (366,331) |
| November 1, 2024 | | - | 998,360 | 998,360 | (349,426) |
| May 1, 2025 | 6.54 | 1,550,000 | 998,360 | 2,548,360 | (349,426) |
| November 1, 2025 | | - | 947,675 | 947,675 | (331,686) |
| May 1, 2026 | 6.60 | 1,625,000 | 947,675 | 2,572,675 | (331,686) |
| November 1, 2026 | | - | 894,050 | 894,050 | (312,918) |
| May 1, 2027 | 6.60 | 1,700,000 | 894,050 | 2,594,050 | (312,918) |
| November 1, 2027 | | - | 837,950 | 837,950 | (293,283) |
| May 1, 2028 | 6.60 | 1,775,000 | 837,950 | 2,612,950 | (293,283) |
| November 1, 2028 | | - | 779,375 | 779,375 | (272,781) |
| May 1, 2029 | 6.60 | 1,850,000 | 779,375 | 2,629,375 | (272,781) |
| November 1, 2029 | | - | 718,325 | 718,325 | (251,414) |
| May 1, 2030 | 6.79 | 1,925,000 | 718,325 | 2,643,325 | (251,414) |
| November 1, 2030 | | - | 652,971 | 652,971 | (228,540) |
| May 1, 2031 | 6.79 | 2,000,000 | 652,971 | 2,652,971 | (228,540) |
| November 1, 2031 | | - | 585,071 | 585,071 | (204,775) |
| May 1, 2032 | 6.79 | 2,050,000 | 585,071 | 2,635,071 | (204,775) |

FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments
 \$43,875,000 of School Building & Site Bonds Dated June 2009
 For the Year Ended June 30, 2018

| <u>Estimated Payment Date</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Treasury Credit</u> |
|-------------------------------|-------------|---------------------|---------------------|---------------------|----------------------------|
| November 1, 2032 | | - | 515,474 | 515,474 | (180,416) |
| May 1, 2033 | 6.79 | 2,125,000 | 515,474 | 2,640,474 | (180,416) |
| November 1, 2033 | | - | 443,330 | 443,330 | (155,166) |
| May 1, 2034 | 6.79 | 2,150,000 | 443,330 | 2,593,330 | (155,166) |
| November 1, 2034 | | - | 370,338 | 370,338 | (129,618) |
| May 1, 2035 | 6.89 | 2,150,000 | 370,338 | 2,520,338 | (129,618) |
| November 1, 2035 | | | 296,270 | 296,270 | (103,695) |
| May 1, 2036 | 6.89 | 2,150,000 | 296,270 | 2,446,270 | (103,695) |
| November 1, 2036 | | | 222,203 | 222,203 | (77,771) |
| May 1, 2037 | 6.89 | 2,150,000 | 222,203 | 2,372,203 | (77,771) |
| November 1, 2037 | | | 148,135 | 148,135 | (51,847) |
| May 1, 2038 | 6.89 | 2,150,000 | 148,135 | 2,298,135 | (51,847) |
| November 1, 2038 | | | 74,068 | 74,068 | (25,924) |
| May 1, 2039 | 6.89 | 2,150,000 | 74,066 | 2,224,066 | (25,923) |
| | | <u>\$37,225,000</u> | <u>\$30,742,084</u> | <u>\$67,967,084</u> | <u>\$(10,759,729)</u> |

FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments
\$8,210,000 of General Obligation Bonds Dated February 2008
June 30, 2018

| <u>Estimated Payment Date</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|-------------|---------------------|-------------------|---------------------|
| November 1, 2018 | | - | 50,100 | 50,100 |
| May 1, 2019 | 4.00 | 820,000 | 50,100 | 870,100 |
| November 1, 2019 | | - | 33,700 | 33,700 |
| May 1, 2020 | 4.00 | 835,000 | 33,700 | 868,700 |
| November 1, 2020 | | - | 17,000 | 17,000 |
| May 1, 2021 | 4.00 | 850,000 | 17,000 | 867,000 |
| | | <u>\$ 2,505,000</u> | <u>\$ 201,600</u> | <u>\$ 2,706,600</u> |

FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments
\$2,210,000 of Refunding Bonds Dated February 2013
June 30, 2018

| <u>Estimated Payment Date</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|-------------|-------------------|------------------|-------------------|
| November 1, 2018 | | - | 6,834 | 6,834 |
| May 1, 2019 | 1.45 | 295,000 | 6,834 | 301,834 |
| November 1, 2019 | | - | 4,695 | 4,695 |
| May 1, 2020 | 1.65 | 280,000 | 4,695 | 284,695 |
| November 1, 2020 | | - | 2,385 | 2,385 |
| May 1, 2021 | 1.80 | 265,000 | 2,385 | 267,385 |
| | | <u>\$ 840,000</u> | <u>\$ 27,828</u> | <u>\$ 867,828</u> |

FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments

School Bus Note Payable Dated July 2014

June 30, 2018

| <u>Estimated Payment Date</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|-------------|------------------|-----------------|------------------|
| April 22, 2019 | 1.99 | <u>30,465</u> | <u>659</u> | <u>31,124</u> |
| | | <u>\$ 30,465</u> | <u>\$ 659</u> | <u>\$ 31,124</u> |

FREMONT PUBLIC SCHOOLS

Schedule of Cash and Investments

June 30, 2018

| | | |
|-----------------------------------------------------------|----------------|---------------------|
| General Fund | | |
| Petty Cash | \$ 500 | |
| Checking Accounts - Chemical Bank | 290,976 | |
| Athletic Funds - Chemical Bank | 16,966 | |
| Athletic Funds - Huntington Bank | 5,000 | |
| MBIA Asset Management | 336,731 | |
| Michigan Liquid Asset Fund | <u>633,614</u> | \$ 1,283,787 |
| | | |
| Special Revenue Fund | | |
| Food Service Fund | | |
| Petty Cash | 273 | |
| Checking Account - Newaygo County SECU | 116,201 | |
| Savings - Newaygo County SECU | 131,797 | |
| Savings - Newaygo County SECU | 25,976 | |
| Certificate of Deposit - Chemical Bank | <u>101,207</u> | 375,454 |
| | | |
| Debt Service Fund | | |
| Money Market Account - Huntington Bank | | 197,824 |
| | | |
| Capital Project/Improvement Funds | | |
| Sinking Fund -Checking Account - Chemical Bank | 944,163 | |
| Improvement Fund - Certificate of Deposit - Chemical Bank | 80,000 | |
| Improvement Fund - Checking Account - Chemical Bank | <u>322</u> | 1,024,485 |
| | | |
| Student Activity Agency Fund | | |
| Checking - Newaygo County SECU | 93,287 | |
| Savings - Newaygo County SECU | 5 | |
| Certificate of Deposit - Chemical Bank | 155,336 | |
| MBIA Asset Management | <u>105,002</u> | 353,630 |
| | | <u>\$ 3,235,180</u> |
| | | |
| Governmental Funds | | |
| Major Funds | | \$ 1,481,611 |
| Non-Major Funds | | <u>1,399,939</u> |
| | | 2,881,550 |
| | | |
| Fiduciary Funds | | |
| | | <u>353,630</u> |
| | | <u>\$ 3,235,180</u> |

FREMONT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

| Program Title/Project Number <u>Subrecipient name</u> | Federal CFDA <u>Number</u> | Grant or Project <u>Number</u> | Approved Grant Award <u>Amount</u> | Accrued (Unearned) Revenue <u>6/30/2017</u> | Adjustments and <u>Transfers</u> | (Memo Only) Prior Year <u>Expenditures</u> | Current Year <u>Expenditures</u> | Current Year <u>Cash Receipts</u> | Accrued or (Unearned) Revenue at <u>6/30/2018</u> |
|---------------------------------------------------------------|----------------------------------|--------------------------------------|------------------------------------------|------------------------------------------------------|----------------------------------------|--------------------------------------------------|----------------------------------------|-----------------------------------------|------------------------------------------------------------|
| <u>U.S. Department of Agriculture</u> | | | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | | | |
| <i>Child Nutrition Cluster</i> | | | | | | | | | |
| Non-cash assistance (commodities): | | | | | | | | | |
| Entitlement Commodities | 10.555 | N/A | \$ 72,421 | \$ (4,528) | \$ 4,528 | \$ - | \$ 53,980 | \$ 53,980 | \$ - |
| Total non-cash assistance | | | <u>72,421</u> | <u>(4,528)</u> | <u>4,528</u> | <u>-</u> | <u>53,980</u> | <u>53,980</u> | <u>-</u> |
| Cash assistance: | | | | | | | | | |
| National School Lunch Program - Section 11 | 10.555 | 181980 | 15,104 | - | - | - | 15,104 | 15,104 | - |
| National School Lunch Program - Section 11 | 10.555 | 171980 | 19,506 | - | - | 17,592 | 1,914 | 1,914 | - |
| National School Lunch Program - Section 11 | 10.555 | 181960 | 452,808 | - | - | - | 452,808 | 452,808 | - |
| National School Lunch Program - Section 11 | 10.555 | 171960 | 492,378 | - | - | 428,753 | 63,625 | 63,625 | - |
| | | | <u>979,796</u> | <u>-</u> | <u>-</u> | <u>446,345</u> | <u>533,451</u> | <u>533,451</u> | <u>-</u> |
| Total CFDA #10.555 | | | 1,052,217 | (4,528) | 4,528 | 446,345 | 587,431 | 587,431 | - |
| School Breakfast Program | 10.553 | 181970 | 104,971 | - | - | - | 104,971 | 104,971 | - |
| School Breakfast Program | 10.553 | 171970 | 111,215 | - | - | 98,632 | 12,583 | 12,583 | - |
| Total CFDA #10.553 | | | <u>216,186</u> | <u>-</u> | <u>-</u> | <u>98,632</u> | <u>117,554</u> | <u>117,554</u> | <u>-</u> |
| Total cash assistance | | | <u>1,195,982</u> | <u>-</u> | <u>-</u> | <u>544,977</u> | <u>651,005</u> | <u>651,005</u> | <u>-</u> |
| Total Michigan Department of Education (cluster total) | | | 1,268,403 | (4,528) | 4,528 | 544,977 | 704,985 | 704,985 | - |
| Passed through Newaygo County | | | | | | | | | |
| National Forest Subsidy | 10.665 | N/A | 2,122 | - | - | - | 2,122 | 2,122 | - |
| Total U.S. Department of Agriculture | | | <u>\$ 1,270,525</u> | <u>\$ (4,528)</u> | <u>\$ 4,528</u> | <u>\$ 544,977</u> | <u>\$ 707,107</u> | <u>\$ 707,107</u> | <u>\$ -</u> |
| <u>U.S. Department of Education</u> | | | | | | | | | |
| Passed through the Michigan Department of Education | | | | | | | | | |
| Federal Adult Education | 84.002 | 181130-181998 | \$ 65,014 | \$ - | \$ - | \$ - | \$ 65,014 | \$ 61,814 | \$ 3,200 |
| Federal Adult Education | 84.002 | 181190-181998 | 60,000 | - | - | - | 60,000 | 60,000 | - |
| | | | <u>125,014</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>125,014</u> | <u>121,814</u> | <u>3,200</u> |

See Notes to Schedule of Expenditures of Federal Awards

FREMONT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2018

| Program Title/Project Number Subrecipient name | Federal CFDA Number | Grant or Project Number | Approved Grant Award Amount | Accrued (Unearned) Revenue 6/30/2017 | Adjustments and Transfers | (Memo Only) Prior Year Expenditures | Current Year Expenditures | Current Year Cash Receipts | Accrued or (Unearned) Revenue at 6/30/2018 |
|--------------------------------------------------------------------------|---------------------------|-------------------------------|-----------------------------------|-----------------------------------------------|---------------------------------|-------------------------------------------|---------------------------------|----------------------------------|-----------------------------------------------------|
| U.S. Department of Education (Continued) | | | | | | | | | |
| Passed through the Michigan Department of Education (Continued) | | | | | | | | | |
| Title I Part A 17/18 | 84.010 | 181530 | \$ 429,857 | \$ - | \$ - | \$ - | \$ 429,857 | \$ 395,532 | \$ 34,325 |
| Title I Part A 16/17 | 84.010 | 171530 | 476,689 | 4,349 | - | 476,689 | - | 4,349 | - |
| | | | <u>906,546</u> | <u>4,349</u> | <u>-</u> | <u>476,689</u> | <u>429,857</u> | <u>399,881</u> | <u>34,325</u> |
| Title VI Part B 17/18 | 84.358 | 180660 | 35,876 | - | - | - | 35,876 | 35,876 | - |
| Title II Part A 17/18 | 84.367 | 180520 | 89,381 | - | - | - | 78,312 | 67,478 | 10,834 |
| Title II Part A 16/17 | 84.367 | 170520 | 122,466 | 14,234 | - | 122,466 | - | 14,234 | - |
| | | | <u>211,847</u> | <u>14,234</u> | <u>-</u> | <u>122,466</u> | <u>78,312</u> | <u>81,712</u> | <u>10,834</u> |
| Title IV Part A Student Support & Acad. Enrich | 84.424 | 180750 | 10,000 | - | - | - | 10,000 | 10,000 | - |
| Total Michigan Department of Education | | | <u>1,289,283</u> | <u>18,583</u> | <u>-</u> | <u>599,155</u> | <u>679,059</u> | <u>649,283</u> | <u>48,359</u> |
| Passed through Newaygo County Regional Educational Service Agency | | | | | | | | | |
| Special Education - Grants to States | 84.027 | 180450/1718 | 281,326 | - | - | - | 281,326 | 232,090 | 49,236 |
| Special Education - Grants to States | 84.027 | 170450/1617 | 257,782 | 25,220 | - | 257,782 | - | 25,220 | - |
| | | | <u>539,108</u> | <u>25,220</u> | <u>-</u> | <u>257,782</u> | <u>281,326</u> | <u>257,310</u> | <u>49,236</u> |
| Total U.S. Department of Education | | | <u>\$ 1,828,391</u> | <u>\$ 43,803</u> | <u>\$ -</u> | <u>\$ 856,937</u> | <u>\$ 960,385</u> | <u>\$ 906,593</u> | <u>\$ 97,595</u> |
| Total Federal Awards | | | <u>\$ 3,098,916</u> | <u>\$ 39,275</u> | <u>\$ 4,528</u> | <u>\$ 1,401,914</u> | <u>\$ 1,667,492</u> | <u>\$ 1,613,700</u> | <u>\$ 97,595</u> |

See Notes to Schedule of Expenditures of Federal Awards

FREMONT PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

(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, 2018. 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 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.

(3) Adjustments and Transfers

Current year adjustment of \$4,528 for Entitlement Commodities (CFDA 10.555) is to remove amount reported as deferred as of June 30, 2017. All commodities received are disbursed therefore no inventory balance as of June 30, 2017 exists.

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

| | |
|--------------------------------------------------------------------------------------|----------------------------|
| Current cash payments per Cash Management System (CMS) | \$ 1,300,288 |
| Add items not on CMS report: | |
| Food Distribution Program - Entitlement Commodities | 53,980 |
| IDEA Flowthrough Grant | 257,310 |
| National Forest Subsidy | <u>2,122</u> |
| Current year receipts (cash basis) per Schedule of Expenditures of Federal Awards | <u><u>\$ 1,613,700</u></u> |

(5) The District has not elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

(6) Reconciliation of Revenues with Expenditures of Federal Assistance Programs:

| | |
|-------------------------------------------------------------------------------------------------------|----------------------------|
| Revenues from Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balance | \$ 2,490,390 |
| Less: Federal Qualified Bonds Credit Payment | <u>(822,898)</u> |
| Federal Expenditures per Schedule of Expenditures of Federal Awards | <u><u>\$ 1,667,492</u></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 49412

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, the business-type activities, each major fund, and the aggregate remaining fund information of Fremont Public Schools, as of and for the year ended June 30, 2018, 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 18, 2018.

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.

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

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

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*.

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.
Certified Public Accountants
Fremont, MI
October 18, 2018



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

Board of Education
Fremont Public School District
Fremont, Michigan 49412

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, 2018. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fremont Public School's 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 School's 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, 2018.

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. 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.

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.
Certified Public Accountants
Fremont, MI
October 18, 2018

FREMONT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued is unmodified.
2. Internal control over financial reporting.
 - a. No material weaknesses were identified.
 - b. Significant deficiency identified that is not considered to be material weakness.
3. No Noncompliance material to the financial statements noted.

Federal Awards

1. Internal control over major programs:
 - a. No material weaknesses identified.
 - b. No significant deficiency(ies) identified that are not considered to be material weaknesses.
2. The type of auditor's report issued on compliance for major programs is unmodified.
3. Audit findings were disclosed that are required to be reported in accordance with Uniform Guidance.
4. The programs tested as a major programs included:

| | | |
|-------------------------------|---------|--------|
| School Lunch Program | CFDA #: | 10.553 |
| National School Lunch Program | CFDA #: | 10.555 |
5. The threshold for distinguishing Types A and B programs was \$750,000.
6. Fremont Public School District was determined to be a low risk auditee.

Section II - Financial Statement Findings

No Findings

Section III - Federal Award Findings and Questioned Costs

No Findings



October 18, 2018

To the Board of Education
Fremont Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Public Schools for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 18, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fremont Public Schools are described in Note A to the financial statements. During 2017-2018, the District implemented GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the depreciation of fixed assets is based on the straight-line method of depreciation over the estimated useful life of the related asset.

We evaluated the key factors and assumptions used to develop the estimates above in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 18, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Comments and Recommendations

Food Service Software

The District uses Meal Magic software for the Food Service program for all aspects associated with the program's receipts from food program, number of meals served, and eligibility. However, during our testing we noted there was no reconciliation between the amount deposited for a given date and the amount shown as collected per Transaction Report for same time frame per Meal Magic. In addition, Food Service revenues recorded in the general ledger are based upon bank deposits, thereby not using the categorical summation (payments on accounts, adult sales, ala carte sales, etc.) as summarized by Meal Magic. We recommend the following:

- each employee working a register should reconcile their till to Meal Magic for each shift; drawer activity should be verified by the Food Service Director (or assigned supervisor)
- the District should determine an acceptable daily cash over/short policy, and
- the summation report by meal category should be sent to the finance department for recording in the general ledger for each bank deposit

Meals Served List

During our audit we noticed that changes in Meal Magic to student's accounts are applied retroactively and the meals served lists are not currently being retained for students served during the month. We recommend that the Food Service Director retain a copy (electronically is acceptable) as support for which students received meals by each category reported on the District's meal service monthly claim.

Procurement

In December 2013, the US Office of Management and Budget (OMB) issued comprehensive grant reform rules titled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." With that issuance, there were important updates made to specific areas of Uniform Guidance. Procurement is one of the areas that had significant changes, which became effective for the District July 1, 2018.

Some of the general standards over procurement include:

- Every non-federal entity receiving federal awards must have documented procurement procedures that reflect federal law, Uniform Guidance standards, and any state regulations.
- Entities should focus on the most economical solution during the procurement process, and must avoid using federal funds for the acquisition of unnecessary items. Organizations are encouraged to consider the use of shared services and intergovernmental agreements to foster greater economy and efficiency.
- Written conflict-of-interest policies are required. No employee or agent of the entity may participate in the selection, award, or administration of a contract funded by federal grant dollars if he or she has an actual or apparent conflict of interest.
- The organization must document the procurement steps and activities required to be completed. This includes the basis for the type of procurement, contract type, and the basis for the contractor selection and price. The Uniform Guidance outlines five methods of procurement and requires the organization to search for vendors on the System for Award Management (SAM) to ensure the individual or entity has not been suspended or debarred from performing federally funded work. We recommend this list be reviewed annually for large vendors as well as all new vendors paid in whole or part with federal awards.
- Ultimately, the recipient of federal awards must maintain an appropriate level of oversight to ensure that contractors perform in accordance with the terms of their contract.

During our audit, we noted not all required elements of the new standards are present in the District's financial policy manual and then the manual still made references to the old OMB A-133. We recommend the manual be updated and all required provisions be implemented.

Restrictions on Use

This information is intended solely for the use of the Board of Education and management of Fremont Public Schools and is not intended to be and should not be used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Department of Education along with the audited financial statements as required by the State of Michigan.

Very truly yours,

H & S Companies, P.C.

H & S Companies, P.C.