



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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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Independent Auditor's Report

The Board of Education
Fremont Public Schools
Fremont, Michigan

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Fremont Public School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Fremont Public Schools as of June 30, 2022, and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fremont Public School's ability to continue as a going concern for one year after the date of the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fremont Public Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fremont Public Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages 4-13 and 50-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont Public Schools' basic financial statements. The combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fremont Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fremont Public Schools' internal control over financial reporting and compliance.

H&S Companies, P.C.

H & S Companies, P.C.

Reed City, MI

October 28, 2022

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

As management of Fremont Public Schools (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities increased over \$629,862 during the year and amounted to a deficit of \$41.5 million at June 30, 2022.
- General revenues accounted for \$24.9 million, or 75.7%, of all fiscal year 2022 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for nearly \$7.52 million or 24.3% of total fiscal year 2022 revenues. Revenues increased \$2,262,000 from the prior year. The major changes include an increase in property taxes of about \$26,000, an increase in unrestricted state and federal aid of approximately \$1,037,000, an increase in operating grants and contributions of \$927,000, and an increase in charges for services of \$659,000.
- The District had about \$31.8 million in expenses related to governmental activities; of which nearly \$7.52 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$24.9 million covered 102.6% of the remaining costs of these programs. Expenses increased \$1,167,700 compared to last year. Instruction expenditures increased \$922,000 and support services increased \$389,000.
- The General Fund, a major fund for the District, had nearly \$25.78 million in revenues and other financing sources which primarily consisted of state aid and property taxes. The General Fund also had approximately \$25.5 million in expenditures and other uses. The General Fund's fund balance increased by \$255,932.
- General Fund revenues increased approximately \$1.8 million while expenditures increased approximately \$2.6 million compared to the prior year.
- The Debt Service Fund is a major fund for the District. The Debt Service Fund property taxes increased \$200,000 from the prior year level of \$3.76 million. Expenditures were approximately \$3.8 million, comparable to the prior year. The Debt Fund's fund balance decreased by approximately \$48,500.
- The Capital Projects Sinking Fund is another major fund for the District. The Capital Projects Sinking Fund property taxes was approximately the same as the prior year level of \$1.28 million. Expenditures decreased \$388,000 to over \$846,000 due to fewer capital outlay purchases. The Capital Projects Sinking fund balance increased \$435,618.
- The Capital Projects-Capital Improvement Fund and the Food Service Fund are non-major funds for the District. Together they accounted for approximately \$1.46 million in revenue and nearly \$1.2 million in expenses. The fund balances of these funds increased by approximately \$247,700.

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, community services, athletics, food services, facilities and acquisition and interest on debt.

The government-wide financial statements can be found on pages 14-16 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental fund financial statements can be found on pages 17 - 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds.

The basic fiduciary fund financial statements can be found on page 21-22 of this report.

Notes to the financial statements. The notes 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 23-49 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process and net pension and other post-employment benefits (OPEB) schedules. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided for all major funds as required supplementary information. The required supplementary information can be found on pages 50-54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$(41,530,328) as of June 30, 2022 compared to \$(42,160,190) as of June 30, 2021. These amounts are negative due to the implementation of GASB 68 and GASB 75 which require the District to report their proportionate share of the pension and OPEB liabilities of the Michigan Public School Employees' Retirement System. These liabilities are a significant portion of the District's net position.

A large portion of the District's net position reflects the investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

The following summarizes the net position at fiscal years ended June 30,

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets	\$ 8,837,679	\$ 7,568,973
Noncurrent Assets	<u>41,809,798</u>	<u>43,016,292</u>
Total Assets	50,647,477	50,585,265
 Deferred Outflows of Resources		
Related to Pensions and OPEB	7,648,961	11,859,611
 Liabilities		
Current Liabilities	3,993,876	3,560,859
Noncurrent Liabilities	<u>75,475,185</u>	<u>93,208,828</u>
Total Liabilities	79,469,061	96,769,687
 Deferred Inflows of Resources		
Related to Pensions and OPEB	20,357,705	7,835,379
 Net Position		
Net Investment in Capital Assets	743,291	(367,535)
Restricted	812,480	657,442
Unrestricted	<u>(43,086,099)</u>	<u>(42,450,097)</u>
Total Net Position	<u><u>\$ (41,530,328)</u></u>	<u><u>\$ (42,160,190)</u></u>

The following are significant current year transactions that have had an impact on the statement of net position:

- 1) The addition of \$1,013,849 in capital assets through the purchases of equipment and building improvements. In the prior year, \$1,359,107 of capital assets were added.
- 2) The increase of \$1,371,653 of net pension and OPEB liabilities and the related deferred inflows and outflows.
- 3) The decrease in long-term obligations of \$1,845,816.

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**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Change in Net Position

The following schedule summarized the results of operations, on a district-wise basis, for the fiscal year ended June 30:

	2022		2021	
	Amount	%	Amount	%
Revenues:				
Program Revenues:				
Charges for Services	\$ 711,863	2.19	\$ 502,637	1.66
Operating Grants and Contributions	6,803,765	20.96	5,877,185	19.46
General Revenues:				
Property Taxes	7,721,782	23.79	7,695,409	25.48
State and Federal Aid	16,865,738	51.96	15,828,871	52.42
Interest and Other	355,372	1.09	291,980	0.97
Total Revenues	32,458,520	100.00	30,196,082	100.00
Expenses:				
Instruction				
Basic Programs	15,489,182	48.66	15,125,423	49.33
Added Needs	4,141,754	13.01	3,569,896	11.64
Adult Education	209,530	0.66	222,825	0.73
Total Instruction	19,840,466	62.34	18,918,144	61.70
Support Services				
Pupil	603,227	1.90	701,146	2.29
Instructional Staff	454,136	1.43	757,341	2.47
General Administration	528,653	1.66	441,304	1.44
School Administration	1,870,296	5.88	1,680,879	5.48
Business	445,013	1.40	386,669	1.26
Operations and Maintenance	1,828,679	5.75	1,698,489	5.54
Pupil Transportation	1,301,944	4.09	1,090,288	3.56
Central	671,887	2.11	559,128	1.82
Total Support Services	7,703,835	24.20	7,315,244	23.86
Community Services	545,659	1.71	535,405	1.75
Food Service	1,185,630	3.73	1,029,578	3.36
Athletics	763,153	2.40	734,733	2.40
Capital Outlay	49,035	0.15	12,877	0.04
Interest on Debt	1,740,880	5.47	2,114,944	6.90
Total Expenses	31,828,658	100.00	30,660,925	100.00
Change in Net Position	<u>\$ 629,862</u>		<u>\$ (464,843)</u>	

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

CAPITAL AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2022 the District had invested approximately \$41.8 million in capital assets (net of depreciation), including school buildings, vehicles, school buses, computers, and other equipment. This amount represents a net decrease of approximately \$1.2 million from last year. The depreciation expense for the year was \$2,220,343 bringing the accumulated depreciation to \$32,112,963 as of June 30, 2022.

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

- Building and drive improvements in the amount of \$465,148
- Track improvements in the amount of \$43,226
- High Jump pit in the amount of \$11,498
- Softball dugout repairs in the amount of \$61,330
- Resurface and repair tennis courts in the amount of \$29,950
- Computer Equipment in the amount of \$226,739
- Playground equipment in the amount of \$46,610
- Two buses in the amount of \$129,348

During the fiscal year, the District disposed of two buses for \$3,600. Both of these buses were fully depreciated.

Additional information on the District's assets can be found in Note F in the notes to the financial statements.

Long-Term Obligations. At year-end, the District had \$35,400,059 in long-term obligations outstanding, of which \$1,355,000 is due within one year. The following table presents a summary of the District's outstanding long-term obligations for the fiscal year ended June 30, 2022:

	Governmental Activities
Compensated Absences	\$ 27,229
School Bond Loan	4,402,830
Bonds Payable	30,970,000
	<u>\$ 35,400,059</u>

PROPERTY TAXES LEVIED FOR GENERAL OPERATIONS

The District levies 18 mills of property tax for operations on non-homestead properties in the General Fund. 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 2021-2022 fiscal year was \$2,860,967. The non-homestead tax levy increased by 1.53% from the prior year.

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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

Fiscal Year	Non-Homestead Levy	% Increase from Prior Year
2021-2022	2,860,967	1.53%
2020-2021	2,817,748	4.53%
2019-2020	2,695,574	5.52%
2018-2019	2,554,645	1.71%
2017-2018	2,511,601	2.66%

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 2021-2022 the District's debt millage levy was 7.0 mills, which generated a levy of \$3,765,285.

PROPERTY TAXES LEVIED FOR THE SINKING FUND

The District's sinking 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 2021-2022 the District's debt millage levy was 2.50 mills, which generated a levy of \$1,244,542.

FOOD SERVICE SALES TO STUDENTS AND ADULTS

The District's local sources of revenues decreased over \$18,000 from the prior school year. State sources decreased over \$37,000 while federal sources increased over \$266,000. The total expenditures for food service operations increased over \$190,000 from the prior year. Revenues exceeded expenditures by over \$223,000.

STATE OF MICHIGAN AID, UNRESTRICTED

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

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

PER STUDENT, FOUNDATION ALLOWANCE

Annually, the state of Michigan sets the per student foundation allowance. The Fremont Public Schools foundation allowance was \$8,700 per student for the 2021-2022 school year. A \$589 increase per student compared to the 2020-2021 school year.

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

STUDENT ENROLLMENT

The District's student enrollment for the fall count of 2021-2022 was 2,033 students. The following summarizes fall student enrollments in the past five years:

Fiscal Year	Student FTE	FTE Change from Prior Year
2021-2022	2,033	(55)
2020-2021	2,028	(74)
2019-2020	2,102	(32)
2018-2019	2,134	32

GENERAL FUND BUDGET AND ACTUAL REVENUES AND 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
2017-2018	20,533,491	20,943,164	21,309,408	3.78%	1.75%
2018-2019	21,684,876	21,690,323	21,524,491	-0.74%	-0.76%
2019-2020	22,358,744	22,298,561	22,079,071	-1.25%	-0.98%
2020-2021	22,586,159	23,137,838	22,914,560	1.45%	-0.96%
2021-2022	24,154,644	25,592,465	25,523,356	5.67%	-0.27%
Five-Year Average Over (Under) Budget				1.78%	-0.25%

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**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

General Fund Revenues Budget vs. Actual 5-Year History

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual & Original Budget	Revenues Variance Actual & Final Budget
2017-2018	20,408,974	21,195,501	21,693,653	6.29%	2.35%
2018-2019	21,731,389	22,039,737	22,049,441	1.46%	0.04%
2019-2020	22,097,774	22,915,302	22,519,860	1.91%	-1.73%
2020-2021	21,264,998	23,956,661	23,942,597	12.59%	-0.06%
2021-2022	23,661,541	25,504,134	25,779,273	8.95%	1.08%
Five-Year Average Over (Under) Budget				6.24%	0.34%

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the 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 District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES	23,661,542	25,504,134	25,779,288
EXPENDITURES	24,154,644	25,592,465	25,523,356

The District's final budgeted revenues increased \$1.8 million compared to its original budget. The primary reasons for this increase is due to the receipt of additional state and federal aid.

The District's actual revenues differed from the final budget by \$275,154. This is a variance of 1.08%

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

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

The District's final budgeted expenditures increased over \$1.3 million compared to its original budget. The primary reasons for this increase is additional expenditures related to the increased state and federal aid.

**FREMONT PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

The District's final general fund expenditures differed from the final budget by \$69,109. This is a variance of 0.27%. The actual expenditures reflect the following major changes from the original budget:

- Increase in basic programs
- Increase in added needs

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2022-2023 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 2022-2023. Budgeted expenditures in the General Fund are \$26,449,373 which is an increase of \$926,017 from the 2021-22 actual expenditures. General Fund Revenues were budgeted at \$26,114,903. This is a \$399,215 increase from the 2021-2022 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:

Administration Offices
Fremont Public Schools
450 E. Pine Street
Fremont, MI 49412

FREMONT PUBLIC SCHOOLS
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
Assets	
Current Assets:	
Cash and Investments	\$ 3,304,530
Restricted Cash and Investments	1,371,942
Accounts Receivable	26,092
Due From Other Governmental Units	4,010,414
Inventory	115,466
Prepaid Expenses	9,235
Total Current Assets	<u>8,837,679</u>
Noncurrent Assets:	
Land	1,575,257
Capital Assets (net of accumulated depreciation)	40,234,541
Total Noncurrent Assets	<u>41,809,798</u>
Total Assets	<u>50,647,477</u>
Deferred Outflows of Resources	
Deferred Outflows of Resources Related to Pensions	4,868,877
Deferred Outflows of Resources Related to OPEB	2,780,084
Total Deferred Outflows of Resources	<u>7,648,961</u>
Liabilities	
Current Liabilities:	
Accounts Payable	69,367
Internal Balance	143
Salaries and Severance Payable	1,178,445
Retirement Payable	688,677
Fringe Benefits Payable	300,638
Payroll Taxes Payable	83,257
Unearned Revenue	318,349
Current Portion of Long-Term Obligations	1,355,000
Total Current Liabilities	<u>3,993,876</u>
Noncurrent Liabilities:	
Bond Issue Premium (net of accumulated amortization)	4,091,191
Noncurrent Portion of Long-Term Obligations	34,045,059
Net Pension Liability	35,350,432
Net OPEB Liability	1,988,503
Total Noncurrent Liabilities	<u>75,475,185</u>
Total Liabilities	<u>79,469,061</u>
Deferred Inflows of Resources	
Deferred Inflows of Resources Related to Pensions	12,608,817
Deferred Inflows of Resources Related to OPEB	7,748,888
Total Deferred Inflows of Resources	<u>20,357,705</u>
Net position	
Net Investment in Capital Assets	743,291
Restricted For Debt Service	217,723
Restricted for Food Service	594,757
Unrestricted (Deficit)	(43,086,099)
Total Net Position	<u><u>\$ (41,530,328)</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, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenues</u>
Governmental Activities		<u>Services</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Activities</u>
Instruction:				
Basic Programs	\$ 15,489,182	\$ -	\$ 1,699,928	\$ (13,789,254)
Added Needs	4,141,754	-	3,439,951	(701,803)
Adult Education	<u>209,530</u>	<u>-</u>	<u>318,858</u>	<u>109,328</u>
Total Instruction	19,840,466	-	5,458,737	(14,381,729)
Support Services:				
Pupil	603,227	-	-	(603,227)
Instructional Staff	454,136	-	-	(454,136)
General Administration	528,653	-	-	(528,653)
School Administration	1,870,296	-	-	(1,870,296)
Business	445,013	-	-	(445,013)
Operations and Maintenance	1,828,679	-	-	(1,828,679)
Pupil Transportation	1,301,944	89,938	-	(1,212,006)
Central	<u>671,887</u>	<u>-</u>	<u>-</u>	<u>(671,887)</u>
Total Support Services	7,703,835	89,938	-	(7,613,897)
Community Services	545,659	449,667	-	(95,992)
Food Services	1,185,630	77,087	1,345,028	236,485
Athletics	763,153	95,171	-	(667,982)
Facilities and Acquisitions	49,035	-	-	(49,035)
Interest on Debt	<u>1,740,880</u>	<u>-</u>	<u>-</u>	<u>(1,740,880)</u>
Total School District	<u>\$ 31,828,658</u>	<u>\$ 711,863</u>	<u>\$ 6,803,765</u>	(24,313,030)

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, 2022

General Revenues

Property Taxes	
General Purposes	\$ 2,711,955
Debt Services	3,765,285
Sinking Fund	1,244,542
State and Federal Aids Not Restricted To	
Specific Functions:	
General	16,865,738
Interest and Investment Earnings	8,837
Miscellaneous	102,236
Gain on Disposition of Capital Assets	3,641
Amortized Bond Premium	<u>240,658</u>
Total General Revenues	<u>24,942,892</u>
Change in Net Position	629,862
Net Position - Beginning of Year	<u>(42,160,190)</u>
Net Position - End of Year	<u><u>\$ (41,530,328)</u></u>

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

FREMONT PUBLIC SCHOOLS
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2022

	General Fund	Debt Service Fund	Capital Projects Sinking Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 2,569,896	\$ -	\$ -	\$ 734,634	\$ 3,304,530
Restricted Cash and Investments	-	207,519	1,164,423	-	1,371,942
Accounts Receivable	25,649	-	-	443	26,092
Due From Other Funds	28,176	-	-	14,361	42,537
Due From Other Governmental Units	3,996,565	10,204	3,645	-	4,010,414
Inventory	81,715	-	-	33,751	115,466
Prepaid Expenditures	9,235	-	-	-	9,235
Total Assets	<u>\$ 6,711,236</u>	<u>\$ 217,723</u>	<u>\$ 1,168,068</u>	<u>\$ 783,189</u>	<u>\$ 8,880,216</u>
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 67,920	\$ -	\$ -	\$ 1,447	\$ 69,367
Salaries and Severance Payable	1,178,445	-	-	-	1,178,445
Retirement Payable	688,677	-	-	-	688,677
Fringe Benefits Payable	300,638	-	-	-	300,638
Payroll Taxes Payable	83,257	-	-	-	83,257
Unearned Revenue	302,687	-	-	15,662	318,349
Due to Other Funds	14,543	-	-	28,137	42,680
Total Liabilities	2,636,167	-	-	45,246	2,681,413
Fund Balance					
Non-Spendable - Inventory	81,715	-	-	33,751	115,466
Non-Spendable - Prepaid Expenditures	9,235	-	-	-	9,235
Restricted for Debt Service	-	217,723	-	-	217,723
Restricted for Capital Improvements	-	-	1,168,068	-	1,168,068
Restricted for Food Service	-	-	-	594,757	594,757
Assigned for Capital Improvements	-	-	-	109,435	109,435
Assigned for Subsequent Year Shortfall	334,470	-	-	-	334,470
Unassigned	3,649,649	-	-	-	3,649,649
Total Fund Balance	4,075,069	217,723	1,168,068	737,943	6,198,803
Total Liabilities and Fund Balance	<u>\$ 6,711,236</u>	<u>\$ 217,723</u>	<u>\$ 1,168,068</u>	<u>\$ 783,189</u>	<u>\$ 8,880,216</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, 2022**

Total Governmental Fund Balances	\$	6,198,803
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Total net position reported for governmental activities in the statement of net position are different from the amount reported as total governmental funds fund balance because:

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

Governmental Capital Assets	73,922,761	
Governmental Accumulated Depreciation	<u>(32,112,963)</u>	
		41,809,798

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	4,868,877	
Deferred Outflows of Resources Related to OPEB	2,780,084	
Deferred Inflows of Resources Related to Pensions	(12,608,817)	
Deferred Inflows of Resources Related to OPEB	<u>(7,748,888)</u>	
		(12,708,744)

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:

Bonds Payable	(39,491,250)	
Net Pension Liability	(35,350,432)	
Net OPEB Liability	<u>(1,988,503)</u>	
		<u>(76,830,185)</u>

Total Net Position - Governmental Activities	\$	<u><u>(41,530,328)</u></u>
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See Independent Auditor's Report and accompanying notes to the financial statements.

FREMONT PUBLIC SCHOOLS
GOVERNMENTAL FUNDS STATEMENT OF REVENUES
EXPENDITURES AND CHANGE IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Debt Service Fund	Capital Projects Sinking Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Sources	\$ 3,611,982	\$ 3,765,371	\$ 1,247,190	\$ 101,178	\$ 8,725,721
State Sources	19,245,778	-	-	82,272	19,328,050
Federal Sources	2,531,271	-	-	1,262,756	3,794,027
Other Sources	326,657	-	35,268	41	361,966
Total Revenues	25,715,688	3,765,371	1,282,458	1,446,247	32,209,764
Expenditures					
Instruction:					
Basic Programs	12,000,734	-	-	-	12,000,734
Added Needs	4,586,226	-	-	-	4,586,226
Adult Education	212,547	-	-	-	212,547
Support Services:					
Pupil	568,289	-	-	-	568,289
Instructional Staff	434,908	-	-	-	434,908
General Administration	489,224	-	-	-	489,224
School Administration	1,768,006	-	-	-	1,768,006
Business	424,088	-	-	-	424,088
Operations and Maintenance	1,805,144	-	-	-	1,805,144
Pupil Transportation	1,242,632	-	-	-	1,242,632
Central	650,895	-	-	-	650,895
Community Services	579,260	-	-	-	579,260
Athletics	761,403	-	-	-	761,403
Food Services	-	-	-	1,198,554	1,198,554
Capital Outlay	-	-	846,840	-	846,840
Debt Service	-	3,813,925	-	-	3,813,925
Total Expenditures	25,523,356	3,813,925	846,840	1,198,554	31,382,675
Excess Revenues Over (Under)					
Expenditures	192,332	(48,554)	435,618	247,693	827,089
Other Financing Sources (Uses)					
Sale of Fixed Assets	3,600	-	-	-	3,600
Indirect Cost Allocation	60,000	-	-	-	60,000
Total Other Financing Sources (Uses)	63,600	-	-	-	63,600
Change in Fund Balance	255,932	(48,554)	435,618	247,693	890,689
Fund Balances - Beginning of Year	3,819,137	266,277	732,450	490,250	5,308,114
Fund Balances - End of Year	\$ 4,075,069	\$ 217,723	\$ 1,168,068	\$ 737,943	\$ 6,198,803

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

FREMONT PUBLIC SCHOOLS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$	890,689
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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	\$	1,013,849	
Depreciation Expense		(2,220,343)	
			(1,206,494)

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.

Debt Principal Payments		2,073,045	
Amortization of Bond Premium		240,658	
			2,313,703

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		3,617	
Decrease in Deferred Outflows of Resources Related to Pensions		(3,465,368)	
Decrease in Deferred Outflows of Resources Related to OPEB		(745,282)	
Increase in Deferred Inflows of Resources Related to Pensions		(10,329,972)	
Increase in Deferred Inflows of Resources Related to OPEB		(2,192,354)	
Decrease in Net Pension Liability		10,224,609	
Decrease in Net OPEB Liability		5,136,714	
			(1,368,036)

Change in Net Position - Governmental Activities	\$	629,862
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See Independent Auditor's Report and accompanying notes to the financial statements.

FREMONT PUBLIC SCHOOLS
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2022

	<u>Custodial Fund</u>
Assets	
Cash and Investments	\$ 600,206
Due From Other Funds	182
Total Assets	<u>\$ 600,388</u>
Liabilities and Net Position	
Liabilities	
Due to Other Funds	\$ 39
Due to Outside Organizations	600,349
Net Position	<u>\$ -</u>

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

FREMONT PUBLIC SCHOOLS
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - FIDUCIARY FUND
JUNE 30, 2022

	<u>Custodial Fund</u>
Additions	
Miscellaneous	\$ 460,151
	<u> </u>
Deductions	
Miscellaneous	460,151
	<u> </u>
Change in Net Position	-
Net Position - Beginning of Year	-
	<u> </u>
Net Position - End of Year	\$ -
	<u> </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, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

Fremont Public Schools (the District) was organized under the School Code of the State of Michigan and services a population of approximately 2,000 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.

Description of Government-Wide 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, as well as its component units. All fiduciary activities are reported only in the fund financial statement. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each display in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

The District reports the following major governmental funds:

The *General Fund* - accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds.

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.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The *Capital Projects Fund - 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 Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, the 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:

The *Food Service Funds* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

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

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

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

The *custodial Fund* accounts for the 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 and the District has no administrative involvement with the assets.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurements focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term obligations and acquisitions under capital leases are reported as other financing sources. Compensated absences are recorded only when payment is due.

Property taxes, federal, state and county aid and investment 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

The fiduciary fund financial statements utilizes the *economic resources measurement focus* and the *accrual basis of accounting*.

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.

Receivables and Payables

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

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

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

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

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

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FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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

	General Fund	Debt Service Fund	Capital Projects Sinking Fund	Non-Major Governmental Funds	Total
Accounts Receivable	\$ 25,649	\$ -	\$ -	\$ 443	\$ 26,092
Due From Other Governments	3,996,565	10,204	3,645	-	4,010,414
	<u>\$4,022,214</u>	<u>\$ 10,204</u>	<u>\$ 3,645</u>	<u>\$ 443</u>	<u>\$4,036,506</u>

Inventory and Prepaid Items

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

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

	General Fund	Food Service Fund	Total
Operating Supplies	\$ 81,715	\$ -	\$ 81,715
Food and Non-Food Supplies	-	33,751	33,751
Total Inventories	<u>\$ 81,715</u>	<u>\$ 33,751</u>	<u>\$ 115,466</u>

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed.

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

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:

	Unearned
Grants Received	<u>\$ 318,349</u>

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Capital Assets

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

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

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

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

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

Long-term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District has two items that qualify for reporting in this category, which are related to the pension and other postemployment benefit plans for its employees. Details can be found in footnotes I and J.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Defined Benefit Plans

For purposes of measuring the net pension and OPEB liabilities, deferred outflows or resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (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.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Policies fund balance of governmental funds is reported in various categories based on the nature of any limitation requiring the use of resources for specific purposes. The District itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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.

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.

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.

Compensated Absences

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

Restricted Assets

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Violations of Legal or Contractual Provisions

Note D, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2022.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE C - DEPOSITS AND INVESTMENTS

As of June 30, 2022, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Standard and Poor's Rating</u>
Michigan Liquid Asset Fund *	\$ 1,023,991	N/A	AAAm
Michigan CLASS	274,379	N/A	AAAm
Total Fair Value	<u>\$ 1,298,370</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, 2022, 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, 2022, 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.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

As of June 30, 2022, \$1,065,665 of the District's bank balance of \$3,980,335 was exposed to custodial credit risk as follows:

Insured or Collateralized	\$ 1,065,665
Uninsured and collateral held by pledging bank's trust department not in District's name.	<u>2,914,670</u>
Total Bank Balance	<u><u>\$ 3,980,335</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.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

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

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

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

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

NOTE D - BUDGETARY INFORMATION

Budgetary Basis of Accounting

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

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

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

- 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.
- 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.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budget.
- 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.
- The budgets were amended at periodic times during the year to comply with PA 621.
- 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.
- The budgets shown in these financial statements are as last amended through June 30, 2022.
- 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, 2022, there were material variances between the final budget and actual expenditures for several activities within Support Services and Community Services. These variances are shown on page 45.

Excess of Expenditures over Appropriations

	<u>Appropriations</u>	<u>Expenditures</u>
<u>General Fund</u>		
Instruction:		
Basic Programs	\$ 11,910,860	\$ 12,000,734
Added Needs	4,565,213	4,586,226
Support Services:		
Pupil	567,610	568,289
School Administration	1,733,262	1,768,006
Central	647,982	650,895
Athletics	751,560	761,403

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE E - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The net interfund payable and receivable balances at June 30, 2022 are as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund	\$ 143
Food Service Fund	General Fund	13,776

NOTE F – CAPITAL ASSETS

Capital asset balances and for the year ended June 30, 2022 were as follows:

	<u>Balance 6/30/21</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance 6/30/22</u>
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	59,667,953	508,374	-	60,176,327
Equipment and Vehicles	11,774,041	505,475	(108,339)	12,171,177
Subtotal	71,441,994	1,013,849	(108,339)	72,347,504
Less Accumulated Depreciation for				
Buildings and Improvements	27,130,668	2,058,544	-	29,189,212
Equipment and Vehicles	2,870,291	161,799	(108,339)	2,923,751
Subtotal	30,000,959	2,220,343	(108,339)	32,112,963
Net Capital Assets being depreciated	41,441,035	(1,206,494)	-	40,234,541
Total Governmental Activities				
Capital Assets - Net of Depreciation	<u>\$ 43,016,292</u>	<u>\$ (1,206,494)</u>	<u>\$ -</u>	<u>\$ 41,809,798</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 2,058,543
Support Services-Students and Staff	
Support Services-Administration	12,361
Operation and Maintenance	2,334
Student Transportation	130,205
Food Services	5,444
Athletics	11,456
Total Depreciation Expense	<u>\$ 2,220,343</u>

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE G - GENERAL LONG-TERM OBLIGATIONS

The long-term obligations include bond issues and compensated absences. Since none of their 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.

The following is a summary of the governmental long-term obligation transactions for the District for the year ended June 30, 2022:

	General Obligation Bonds	School Bond Fund Loan	Compensated Absences	Total
Debt Outstanding - July 1, 2021	\$ 32,270,000	\$ 5,175,875	\$ 30,845	\$ 37,476,720
Debt Added During Year	-	-	55,433	55,433
Debt Retired During Year	(1,300,000)	(773,045)	(59,049)	(2,132,094)
Debt Outstanding - June 30, 2022	<u>\$ 30,970,000</u>	<u>\$ 4,402,830</u>	<u>\$ 27,229</u>	<u>\$ 35,400,059</u>
Amount Due Within One Year	\$ 1,355,000	\$ -	\$ -	\$ 1,355,000

The annual requirements to amortize long-term obligations outstanding as of June 30, 2022, including interest detailed as follows:

Year Ended June 30,	2019 Bond Issue	
	Principal	Interest
2023	\$ 1,355,000	\$ 1,548,500
2024	1,410,000	1,480,750
2025	1,465,000	1,410,250
2026	1,505,000	1,337,000
2027	1,580,000	1,261,750
2028-2032	9,045,000	5,048,000
2033-2037	10,380,000	2,622,500
2038-2042	4,230,000	317,500
Total	<u>\$30,970,000</u>	<u>\$ 15,026,250</u>

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Long-term obligations for the District are comprised of the following at June 30, 2022:

General Obligation Bonds

\$35,095,000, 2019 General Obligation (Refunding) serial bonds due in annual installments of \$1,355,000 to \$2,120,000 through 2039; interest payable semiannually at 5.00 percent.	\$ 30,970,000
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School Bond Fund Loan

\$5,899,506, School Bond Loan Fund loan advance due once property tax millage collection covers annual debt requirements; interest accrues at 3.00 percent.	4,402,830
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Compensated Absences

At present, Fremont Public School Administrative employees accumulate up to 5 unused vacation days and are reimbursed at their current hourly or salary rate upon retirement.	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;"> 27,229 \$ 35,400,059 </div>
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The refunding was undertaken to take advantage of the low interest rates available in 2008 and 2019. The 2008 refunding reduced the District's interest expense approximately \$940,106 through lower debt payments over the following ten years. The 2013 refunding reduced the District's interest expense approximately \$233,388 through lower debt payments over the following eight years. The 2019 refunding reduced the District's interest expense approximately \$2,585,194 through lower debt payments over the following 20 years.

NOTE H - PROPERTY TAXES

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

Property in the District for the 2021 levy had a taxable value of \$495 million. For the 2021 levy, the District's operating tax rate was 17.9604 mills, debt service tax rate was 7 mills and sinking fund tax rate of 2.50 mills.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE I - 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, 2020 valuation will be amortized over an 18 year period beginning October 1, 2020 and ending September 30, 2038.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2021.

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.00 - 4.00%	19.78%
Member Investment Plan	3.00 - 7.00%	19.78%
Pension Plus	3.00 - 6.40%	16.82%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

Required contributions to the pension plan from District were \$3,976,002 for the year ended September 30, 2021.

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

At June 30, 2022, the District reported a liability of \$35,350,432 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the District's proportion was .13241768 percent which was a decrease of .00002566 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized total pension expense of \$3,446,932. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Asset Class</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 485,632	\$ 184,617
Changes of assumptions	1,976,219	-
Net difference between projected and actual earnings on pension plan investments	-	10,079,063
Changes in proportion and differences between District contributions and proportionate share of contributions	494,108	288,631
District section 147c revenue related to pension	-	2,056,506
District contributions subsequent to the measurement date	1,912,918	-
Total	<u>\$ 4,868,877</u>	<u>\$ 12,608,817</u>

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

\$1,912,918 reported as a deferred outflow of resources and \$2,056,506 reported as deferred inflows 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, 2022. 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 June 30	Amount
2023	\$ (869,038)
2024	(1,623,980)
2025	(2,370,144)
2026	(2,733,190)
	(7,596,352)

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.

Summary of Actuarial Assumptions

Valuation Date	September 30, 2020
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid)	6.8% net of investment expenses
-Pension Plus Plan (Hybrid)	6.8% net of investment expenses
-Pension Plus 2 Plan	6% net of investment expenses
Projected Salary Increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: 4.4367.
- Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2021 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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity Pools	25.00%	5.40%
Private Equity Pools	16.00%	9.10%
International Equity Pools	15.00%	7.50%
Fixed Income Pools	10.50%	-0.70%
Real Estate and Infrastructure Pools	10.00%	5.40%
Absolute Return Pools	9.00%	2.60%
Real Return / Opportunistic Pools	12.50%	6.10%
Short Term Investment Pools	2.00%	-1.30%
Total	100.00%	

*Long term rate of return does not include 2.0% inflation

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). This discount rate was based on the long term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 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		Current Single Discount	1% Increase		
5.80%/5.80%/5.00%		Rate Assumption	7.80%/7.80%/7.00%		
		6.80%/6.80%/6.00%			
\$	44,822,615	\$	35,350,432	\$	20,181,108

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

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS 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 \$314,804. The payables were based upon the wages being paid over the period from July 1 through August 31, 2022 which were for services provided prior to June 30, 2022 and therefore legally required contributions to the pension plan.

NOTE J – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2020 valuation will be amortized over an 18 year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for the fiscal year ended September 30, 2021.

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00%	8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the District were \$967,097 for the year ended September 30, 2021.

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

At June 30, 2022, the District reported a liability of \$1,988,503 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2020. 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, 2021, the District's proportion was .13027596 percent which was a decrease of .002725 percent from its proportion measured as of October 1, 2020.

For the year ended June 30, 2022, the District recognized total OPEB benefit of \$1,161,929. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Asset Class</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,676,041
Changes of assumptions	1,662,290	248,741
Net difference between projected and actual earnings on	-	1,498,771
Changes in proportion and differences between District	271,472	325,335
District contributions subsequent to the measurement date	846,322	-
Total	<u>\$ 2,780,084</u>	<u>\$ 7,748,888</u>

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

Year Ending June 30	Amount
2023	\$ (1,549,510)
2024	(1,387,351)
2025	(1,225,625)
2026	(1,156,820)
2027	(438,313)
Thereafter	(57,507)
	<u>(5,815,126)</u>

Actuarial Assumptions

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

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**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date	September 30, 2020
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return	6.95% net of investment expenses
Projected Salary Increases	2.75% - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate	Pre-65: 7.75% Year 1 graded to 3.50% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt Out Assumptions:	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage:	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312.
- Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity Pools	25.00%	5.40%
Private Equity Pools	16.00%	9.10%
International Equity	15.00%	7.50%
Fixed Income Pools	10.50%	-70.00%
Real Estate and Infrastructure Pools	10.00%	5.40%
Absolute Return Pools	9.00%	2.60%
Real Return / Opportunistic Pools	12.50%	6.10%
Short Term Investment Pools	2.00%	-1.30%
Total	100.00%	

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 6.95%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 3,694,998	\$ 1,988,503	\$ 540,299

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 483,986	\$ 1,988,503	\$ 3,681,267

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

The amount of payables to the defined benefit OPEB plan outstanding at the end of the reporting period were \$373,873. The payables were based upon the wages being paid over the period from July 1 through August 31, 2022 which were for services provided prior to June 30, 2022 and therefore legally required contributions to the OPEB plan.

NOTE K - RISK MANAGEMENT

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

NOTE L - 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 74.8% percent of total General Fund revenues.

NOTE M - COMMITMENTS AND CONTINGENCIES

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE N - UNCERTAINTY

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

NOTE O - TAX ABATEMENTS

The District received reduced property tax revenues during the fiscal year ended June 30, 2019 as a result of industrial facilities tax exemptions (IFT's). The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the county. The abatements amounted to approximately \$13,000 in reduced tax revenues for the year ended June 30, 2022.

NOTE P – CHANGE IN ACCOUNTING PRINCIPLE

For the year end June 30, 2022, the District implemented the following new pronouncement - GASB Statement No. 87, *Leases*.

Summary:

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

There was no material impact on the District's financial statement after the adoption of GASB Statement No. 87.

**FREMONT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE Q - UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

FREMONT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local Sources	\$ 3,565,683	\$ 3,607,551	\$ 3,611,982	\$ 41,868	\$ 4,431
State Sources	17,815,518	18,927,340	19,245,778	1,111,822	318,438
Federal Sources	1,942,945	2,578,184	2,531,271	635,239	(46,913)
Other Sources	276,396	327,459	326,657	51,063	(802)
Total Revenues	23,600,542	25,440,534	25,715,688	1,839,992	275,154
Expenditures					
Instruction:					
Basic Programs	11,168,200	11,910,860	12,000,734	742,660	(89,874)
Added Needs	4,292,074	4,565,213	4,586,226	273,139	(21,013)
Adult Education	232,129	234,213	212,547	2,084	21,666
Total Instruction	15,692,403	16,710,286	16,799,507	1,017,883	(89,221)
Support Services:					
Pupil	560,134	567,610	568,289	7,476	(679)
Instructional Staff	486,828	564,471	434,908	77,643	129,563
General Administration	422,250	497,743	489,224	75,493	8,519
School Administration	1,665,943	1,733,262	1,768,006	67,319	(34,744)
Business	371,447	425,521	424,088	54,074	1,433
Operations & Maintenance	1,877,102	1,832,783	1,805,144	(44,319)	27,639
Pupil Transportation	1,287,748	1,257,242	1,242,632	(30,506)	14,610
Central	586,156	647,982	650,895	61,826	(2,913)
Total Support Services	7,257,608	7,526,614	7,383,186	269,006	143,428
Community Services	486,601	604,005	579,260	117,404	24,745
Athletics	718,032	751,560	761,403	33,528	(9,843)
Total Expenditures	24,154,644	25,592,465	25,523,356	1,437,821	69,109
Excess (Deficiency) of Revenue Over Expenditures	(554,102)	(151,931)	192,332	402,171	344,263
Other Financing Sources					
Sale of Fixed Assets	1,000	3,600	3,600	2,600	-
Indirect Cost Allocation	60,000	60,000	60,000	-	-
Total Other Financing Sources	61,000	63,600	63,600	2,600	-
Change in Fund Balance	(493,102)	(88,331)	255,932	404,771	344,263
Fund Balance - Beginning of Year	3,819,137	3,819,137	3,819,137	-	-
Fund Balance - End of Year	\$ 3,326,035	\$ 3,730,806	\$ 4,075,069	\$ 404,771	\$ 344,263

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. District's proportion of net pension liability (%)	-	-	0.13242%	0.13267%	0.12946%	0.13054%	0.13366%	0.13285%	0.12781%	0.12335%
B. District's proportionate share of net pension liability	-	-	\$ 35,350,432	\$ 45,575,041	\$ 42,871,243	\$ 39,241,349	\$ 34,636,102	\$ 33,144,863	\$ 31,216,635	\$ 27,169,033
C. District's covered-employee payroll	-	-	\$ 11,801,956	\$ 11,809,756	\$ 11,343,154	\$ 10,903,708	\$ 11,115,805	\$ 11,380,315	\$ 10,622,388	\$ 10,630,504
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	-	-	299.53028%	385.91010%	377.94817%	359.88995%	311.59329%	291.24732%	293.87586%	255.57615%
E. Plan fiduciary net position as a percentage of total pension liability	-	-	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

Notes to the Required Supplementary Information

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

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

FREMONT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION 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	\$ -	\$ -	\$ 2,455,571	\$ 2,163,628	\$ 2,156,440	\$ 1,983,061	\$ 2,722,618	\$ 2,760,008	\$ 2,771,111	\$ 3,575,356
B. Contributions in relation to statutorily required contributions *	-	-	2,455,571	2,163,628	2,156,440	1,983,061	2,722,618	2,760,008	2,771,111	3,575,356
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. District's covered-employee payroll	\$ -	\$ -	\$ 12,952,555	\$ 11,582,791	\$ 11,850,404	\$ 11,150,650	\$ 10,880,179	\$ 11,106,943	\$ 10,731,997	\$ 10,725,021
E. Contributions as a percentage of covered-employee payroll			18.96%	18.68%	18.20%	17.78%	25.02%	24.85%	25.82%	33.34%

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

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

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. District's proportion of net OPEB liability (%)	-	-	-	-	-	0.13028%	0.13300%	0.12964%	0.12799%	0.13354%
B. District's proportionate share of net OPEB liability	-	-	-	-	-	\$ 1,988,503	\$ 7,125,217	\$ 9,304,959	\$ 10,173,764	\$ 11,825,960
C. District's covered-employee payroll (OPEB)	-	-	-	-	-	\$ 11,801,956	\$ 11,809,756	\$ 11,343,154	\$ 10,903,708	\$ 11,115,805
D. District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	-	-	-	-	-	16.84893%	60.33331%	82.03150%	93.30554%	106.38870%
E. Plan fiduciary net position as a percentage of total OPEB liability	-	-	-	-	-	87.33%	59.44%	48.46%	42.95%	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 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,094,044	\$ 990,325	\$ 985,497	\$ 918,729	\$ 872,041
B. OPEB contributions in relation to statutorily required contributions *	-	-	-	-	-	1,094,044	990,325	985,497	918,729	872,041
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. District's covered-employee payroll (OPEB)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,952,555	\$ 11,582,791	\$ 11,850,404	\$ 11,150,650	\$ 10,880,179
E. OPEB contributions as a percentage of covered-employee payroll						8.45%	8.55%	8.32%	8.24%	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
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Special Revenue Food Service	Capital Improvement Fund	Total Non-Major Governmental Funds
Assets			
Cash and Investments	\$ 625,199	\$ 109,435	\$ 734,634
Accounts Receivable	443	-	443
Due From Other Funds	14,361	-	14,361
Inventory	33,751	-	33,751
	<u>673,754</u>	<u>109,435</u>	<u>783,189</u>
Total Assets	<u>\$ 673,754</u>	<u>\$ 109,435</u>	<u>\$ 783,189</u>
Liabilities			
Accounts Payable	\$ 1,447	\$ -	\$ 1,447
Due to Other Funds	28,137	-	28,137
Unearned Revenue	15,662	-	15,662
	<u>45,246</u>	<u>-</u>	<u>45,246</u>
Total Liabilities	45,246	-	45,246
Fund Balance			
Fund Balances			
Non-Spendable - Inventory	33,751	-	33,751
Assigned	-	109,435	109,435
Restricted	594,757	-	594,757
	<u>628,508</u>	<u>109,435</u>	<u>737,943</u>
Total Fund Balance	628,508	109,435	737,943
Total Liabilities and Fund Balance	<u>\$ 673,754</u>	<u>\$ 109,435</u>	<u>\$ 783,189</u>

FREMONT PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Food Service	Capital Improvement Fund	Total Non-Major Governmental Funds
Revenues			
Local Sources	\$ 77,175	\$ 24,003	\$ 101,178
State Sources	82,272	-	82,272
Federal Sources	1,262,756	-	1,262,756
Other Sources	41	-	41
	<hr/>	<hr/>	<hr/>
Total Revenues	1,422,244	24,003	1,446,247
Expenditures			
Supporting Services			
Food Service	1,198,554	-	1,198,554
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,198,554	-	1,198,554
	<hr/>	<hr/>	<hr/>
Change in Fund Balance	223,690	24,003	247,693
Fund Balance - Beginning of Year	404,818	85,432	490,250
	<hr/>	<hr/>	<hr/>
Fund Balance - End of Year	\$ 628,508	\$ 109,435	\$ 737,943
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



**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**

To the Board of Education
Fremont Public Schools
Fremont, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2022, and the related notes to the financial statements, which collectively comprise Fremont Public Schools' basic financial statements, and have issued our report thereon dated October 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fremont Public Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fremont Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Fremont Public Schools' 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 Schools' 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

H & S Companies, P.C.

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

October 28, 2022



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

To the Board of Education
Fremont Public Schools
Fremont, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited Fremont Public Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fremont Public Schools' major federal programs for the year ended June 30, 2022. Fremont Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Fremont Public Schools, complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Fremont Public Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal

control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Fremont Public Schools as of and for the year ended June 30, 2022, and have issued our report thereon dated October 28, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.
Reed City, MI

October 28, 2022

FREMONT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Program Title/Project Number Subrecipient name	Federal ALN	Grant or Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 6/30/21	Adjustments and Transfers	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/22
<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	\$ 93,507	\$ -	\$ -	\$ -	\$ 93,507	\$ 93,507	\$ -
Total non-cash assistance			93,507	-	-	-	93,507	93,507	-
Cash assistance:									
School Breakfast Program	10.553	211970	608	-	-	-	608	608	-
School Breakfast Program	10.553	221970	4,315	-	-	-	4,315	4,315	-
Total Breakfast Program			4,923	-	-	-	4,923	4,923	-
									-
Seamless Summer Option (SSO) - Breakfast	10.553	211971	20,845	-	-	-	20,845	20,845	-
Seamless Summer Option (SSO) - Breakfast	10.553	221971	167,002	-	-	-	167,002	167,002	-
Total Seamless Summer Option (SSO) - Breakfast			187,847	-	-	-	187,847	187,847	-
Total ALN 10.553			192,770	-	-	-	192,770	192,770	-
									-
National School Lunch Program	10.555	211960	979	-	-	-	979	979	-
National School Lunch Program	10.555	221960	7,267	-	-	-	7,267	7,267	-
Total National Lunch Program			8,246	-	-	-	8,246	8,246	-
									-
Seamless Summer Option (SSO) - Lunch	10.555	211961	104,393	-	-	-	104,393	104,393	-
Seamless Summer Option (SSO) - Lunch	10.555	221961	805,382	-	-	-	805,382	805,382	-
Total Seamless Summer Option (SSO) - Lunch			909,775	-	-	-	909,775	909,775	-
									-
National School Lunch Program - After School Snack	10.555	211980	1,738	-	-	-	1,738	1,738	-
National School Lunch Program - After School Snack	10.555	221980	12,766	-	-	-	12,766	12,766	-
Total School Lunch Program - After School Snack			14,504	-	-	-	14,504	14,504	-
									-
Supply Chain Assistance	10.555	220910	43,954	-	-	-	43,954	43,954	-
Total ALN 10.555			976,479	-	-	-	976,479	976,479	-
									-
PEBT Local Cost	10.649	210980	3,063	-	-	-	3,063	3,063	-
Total cash assistance			1,172,312	-	-	-	1,172,312	1,172,312	-
Total Michigan Department of Education (cluster total)			1,265,819	-	-	-	1,265,819	1,265,819	-
									-
Total U.S. Department of Agriculture			<u>\$ 1,265,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,265,819</u>	<u>\$ 1,265,819</u>	<u>\$ -</u>
<u>U.S. Department of Education</u>									
Passed through the Michigan Department of Education									
Federal Adult Education	84.002	221130-221998	\$ 65,905	\$ -	\$ -	\$ -	\$ 65,908	\$ 65,908	\$ -
Federal Adult Education	84.002	221190-221998	53,314	-	-	-	53,314	53,314	-
			119,219	-	-	-	119,222	119,222	-

The accompanying notes are an integral part of this schedule.

FREMONT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Program Title/Project Number Subrecipient name	Federal ALN	Grant or Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 6/30/2021	Adjustments and Transfers	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2022
<u>U.S. Department of Education (Continued)</u>									
Passed through the Michigan Department of Education (Continued)									
Title I Part A - Improving Basic Programs	84.010	211530	\$ 431,217	\$ 3,600	\$ -	\$ 431,217	\$ -	\$ 3,600	\$ -
Title I Part A - Improving Basic Programs	84.010	221530	426,154	-	-	-	426,154	426,154	-
			857,371	3,600	-	431,217	426,154	429,754	-
Title II Part A - Supportin Effective Instruction	84.367	220520	114,502	-	-	-	114,502	114,502	-
Title IV Part A - Student Support and Academic Enrichment	84.424	220750	31,362	-	-	-	31,362	31,362	-
Title IV Part A Student Support & Acad. Enrich 19/20	84.424	200750	-	-	-	-	-	-	-
			31,362	-	-	-	31,362	31,362	-
Education Stabilization Fund									
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213712-20-21	1,491,014	-	-	-	1,256,984	1,275,200	(18,216)
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213752-2122	25,000	-	-	-	25,000	25,000	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213762-2022	15,475	-	-	-	15,475	15,475	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U	213713-2122	3,350,989	-	-	-	3,526	3,526	-
			4,882,478	-	-	-	1,300,985	1,319,201	(18,216)
Passed through Newaygo County									
National Forest Subsidy	10.665	N/A	153	-	-	-	153	153	-
Total Michigan Department of Education			6,005,085	3,600	-	431,217	1,992,378	2,014,194	(18,216)
Passed through Newaygo County Regional Educational Service Agency									
Special Education - Idea Flowthrough	84.027	210450/2021	289,539	56,646	-	289,539	-	56,646	-
Special Education - Idea Flowthrough	84.027	220450/2022	296,046	-	-	-	296,046	238,287	57,759
GEER II Teacher and Support Staff Payments	84.425C	211202	14,000	-	-	-	14,000	14,000	-
ESSER II - Credit Recovery 9 - 12 2122	84.425D	213722	41,912	-	-	-	41,912	41,912	-
ESSER II - Summer Programming K - 8 - 12 2122	84.425D	213742	55,500	-	-	-	55,550	55,550	-
Total Passed through Newaygo County Regional Educational Service Agency			696,997	56,646	-	289,539	407,508	406,395	57,759
Total U.S. Department of Education			<u>\$ 6,702,082</u>	<u>\$ 60,246</u>	<u>\$ -</u>	<u>\$ 720,756</u>	<u>\$ 2,399,886</u>	<u>\$ 2,420,589</u>	<u>\$ 39,543</u>
Total Federal Awards			<u>\$ 7,967,901</u>	<u>\$ 60,246</u>	<u>\$ -</u>	<u>\$ 720,756</u>	<u>\$ 3,665,705</u>	<u>\$ 3,686,408</u>	<u>\$ 39,543</u>

The accompanying notes are an integral part of this schedule.

FREMONT PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

(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, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Fremont Public Schools, it is not intended to and does not present the financial position or changes in net position, or cash flows of Fremont Public Schools.

The District does not pass through federal funds.

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

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

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

Current cash payments per Cash Management System (CMS)	\$ 3,186,353
Add items not on CMS report:	
Food Distribution Program - Entitlement Commodities	93,507
IDEA Flowthrough Grant	294,933
National Forest Subsidy	153
GEER II Teacher and Support Staff Payments	14,000
ESSER II - Credit Recovery 9 - 12 2122	41,912
ESSER II - Summer Programming K - 8 - 12 2122	55,550
Current year receipts (cash basis) per	
Schedule of Expenditures of Federal Awards	<u>\$ 3,686,408</u>

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

Revenues from Governmental Funds - Statement of Revenues,	
Expenditures and Changes in Fund Balance	<u>\$ 3,794,027</u>
 Federal Expenditures per Schedule of Expenditures of Federal Awards	 \$ 3,665,705
Add Items Not on SEFA	
Child Care Stabilization Grant	128,322
	<u>\$ 3,794,027</u>

FREMONT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022

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. No significant deficiency was identified that is not considered to be a material weakness.
3. No noncompliance material to the financial statements noted.

Federal Awards

1. Internal control over major programs:
 - a. No material weaknesses were identified.
 - b. No significant deficiency (ies) were identified.
2. The type of auditor's report issued on compliance for major programs is unmodified
3. No audit findings were disclosed that are required to be reported in accordance with Uniform Guidance.
4. The program tested as a major program included:
 - Michigan Department of Education
 - Elementary and Secondary School Emergency Relief Fund ALN: 84.425D
 - American Rescue Plan – Elementary and Secondary School Emergency Relief ALN: 84.425U
 - GEER II – Governor’s Emergency Education Relief Fund ALN: 84.425C
 - Michigan Department of Education
 - Title I, Part A ALN: 84.010
5. The threshold for distinguishing Types A and B programs was \$750,000.
6. Fremont Public Schools was determined to be a low risk auditee.

Section II - Findings - Financial Statement Audit

No Findings

Section III - Findings and Questioned Costs - Major Federal Award Programs Audit

Michigan Department of Education – Education Stabilization Fund

No Findings

Department of Education – Title 1 Part A

No Findings

FREMONT PUBLIC SCHOOLS

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2022

Findings

Section II - Financial Statement Findings

2021-001 Significant Deficiency - Lack of Segregation of Duties

Criteria- Segregation of Duties

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

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

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

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

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

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

Section III - Federal Award Findings and Questioned Costs

None Noted



October 28, 2022

Board of Education
Fremont Public Schools
Fremont, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Public Schools as of and for the year ended June 30, 2022. Professional standards required that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 22, 2022, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

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

Significant Risks Identified

We have identified the following significant risks:

1. *Improper Revenue Recognition* – the risk that the District will not record the revenues in the correct period creating either overstated or understated revenues.
2. *Management Override* – the risk that management will override the internal controls set in place by the District.

We have obtained an understanding of the District's controls, including control activities, relevant to such risks.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Fremont Public Schools is included in Note A to the financial statements. For the year ended June 30, 2022, The District adopted GASB Statement No. 84, *Fiduciary Activities*, changing how the District reports fiduciary activities. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

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

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent and clear.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

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

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 28, 2022.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Over Budget

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

Accounting records and personnel

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

Other Information in Documents Containing Audited Financial Statements

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

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

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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

Respectfully,

H & S Companies, P.C.

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