

Freeland
Community
School District
Freeland, Michigan



Year Ended
June 30, 2021

Financial
Statements and
Single Audit Act
Compliance

Rehmann

FREELAND COMMUNITY SCHOOL DISTRICT

For the Year Ended June 30, 2021

ADMINISTRATION

<i>Superintendent</i>	Matthew A. Cairy
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FREELAND COMMUNITY SCHOOL DISTRICT

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Independent Auditors' Report

September 14, 2021

Board of Education
Freeland Community School District
Freeland, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund and the food service special revenue fund for the year ended June 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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 information is 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 September 14, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FREELAND COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

This section of the annual financial report presents management's discussion and analysis of Freeland Community School District's (hereon referred to as the "District") performance during the fiscal year ending June 30, 2021. Please read this along with the financial statements of the District, which immediately follow this section.

The financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District's finances as a whole.

Financial Highlights

The general fund reported \$20,488,384 in revenues and had \$20,093,374 in expenditures. The general fund's fund balance increased to \$4,737,377 from \$4,342,367. This was an increase of \$395,010.

The fund balance classifications for the general fund for the year ending June 30, 2021 are as follows: nonspendable fund balance was \$53,950, which equals the prepaids balance at year-end. Committed fund balance was \$3,238,527, or approximately 16% of the budgeted expenditures for fiscal year 2020-2021. Total assigned fund balance was \$766,720 of which \$488,901 was assigned for subsequent years' expenditures and \$277,819 was assigned for future terminal pay. The remaining fund balance of \$678,180 is unassigned.

General fund expenditures were less than the revised budget by \$754,398. This is a 3.6% variance from final budgeted amounts to actual amounts. COVID-19 left many uncertainties in the school year. The most noteworthy change in the final budget to actual expenditures was a decrease in the actual spending for on-line learning. Budgets were projected that online learning would continue at constant numbers throughout the school year.

Annual Report

The annual report consists of this Management's Discussion and Analysis, a series of financial statements, notes to those statements, required supplemental information and other supplemental information. The government-wide financial statements provide information about the activities of the District as a whole. There are two government-wide statements: the Statement of Net Position and the Statement of Activities. They present a year-end cumulative view and a longer-term view of the District's finances. The government-wide statements combine all fund level information, except fiduciary funds, with the District's capital asset information and long-term obligations. The fund financial statements (governmental fund statements) provide more detail showing the year's activity by fund. They also show the amount available to finance future programs.

The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The two statements, when analyzed together help the reader determine whether the District's financial position has improved or deteriorated because of the year's activities. However, the District's goal is to service its students, not to generate profits. One must consider many other non-financial factors, such as quality of the education, and the safety of the schools, to assess the overall health of the District.

FREELAND COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

The statement of net position presents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, which is one way of measuring the financial health of the District. In the statement of activities, the revenues less the expenses result in an increase or decrease in the net position. Increases or decreases in net position, over time, affect the financial health of the District. When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

The statement of activities covers all of the District's services, including instruction, supporting services, food service, athletics, community services and student activities. Property taxes, unrestricted State Aid, and State and Federal grants finance most of these activities.

Governmental Fund Financial Statements. The fund financial statements focus on individual parts of the District, by reporting the District's operation in more detail than the government-wide statements provide. 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 (i.e., food service). Many of the other funds are created to help control and manage money for a particular purpose, or to meet legal responsibilities for certain taxes, grants, and other money. The governmental funds of the District focus on showing how money flows into and out of funds, and the balances left at year-end. They provide a detailed, short-term view of the operations and services of the District. An accounting method called "modified accrual accounting" is used in fund accounting. This method focuses on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources, which consist of cash and all other financial assets that can readily be converted to cash, available at the end of the fiscal year.

The fund statements are formatted to comply with the legal requirement of the Michigan Department of Education's Public School Accounting Manual. In the State of Michigan, the District's major instructional and instructional support activities are reported in their relevant funds. The funds used by the District include the general fund, special revenue funds for food service and student/school activity, a debt service fund for bonded debt, a capital projects fund for the District's sinking fund and a capital projects fund for District property purchases.

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements. The individual and combining statements in connection with the general fund and nonmajor governmental funds are presented immediately following the required supplemental information.

FREELAND COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

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 and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,654,251 at June 30, 2021. The following schedule provides a summary of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2021 and 2020:

		Statement of Net Position	
		June 30, 2021	June 30, 2020
Assets			
Current and other assets	\$	10,705,902	\$ 9,061,371
Capital assets, net		15,893,937	15,762,243
		<u>26,599,839</u>	<u>24,823,614</u>
Deferred outflows of resources		<u>10,430,145</u>	<u>11,601,998</u>
Liabilities			
Current and other liabilities		3,397,485	2,253,774
Net pension liability, due in more than one year		32,934,713	31,214,332
Net OPEB liability, due in more than one year		5,146,758	6,757,189
Long-term liabilities		277,819	1,348,132
		<u>41,756,775</u>	<u>41,573,427</u>
Deferred inflows of resources		<u>3,927,460</u>	<u>3,753,646</u>
Net position			
Net investment in capital assets		15,893,937	14,671,696
Restricted		1,981,991	1,884,128
Unrestricted (deficit)		<u>(26,530,179)</u>	<u>(25,457,285)</u>
Total net position (deficit)		<u>\$ (8,654,251)</u>	<u>\$ (8,901,461)</u>

The largest portion of the District's net position reflects its investment in capital assets (i.e., land, land improvements, buildings, vehicles, and equipment and other), less accumulated depreciation. The District uses these capital assets to provide services to the students; consequently, these assets are not available for future spending. 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. Approximately 27% percent of the District's governmental activities assets are held in cash and cash equivalents. The largest portion is in the general fund, to fund the yearly operations of the district.

FREELAND COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Long-term liabilities, which include general obligation bonds used to finance acquisition of capital assets, were reduced by the normal scheduled principal payments during the year. The debt was repaid in May 2021 from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported to show legal constraints which limit use of some of the assets. Debt covenants and legislation limit the District's ability to use that net position for day-to-day operations. The long-term liabilities at end of the year consist of compensated absences.

The net position represents the accumulated results of all past years' activities. This amount will be affected by the year-to-year combined operations. The summary of the years' activity for the District as a whole are reported below.

The District's net position increased by \$247,210 during the 2020-2021 school year, compared to an increase of \$209,251 during the 2019-2020 school year.

	Change in Net Position	
	Fiscal Year 2020-2021	Fiscal Year 2019-2020
Program revenues		
Charges for services	\$ 31,431	\$ 287,547
Operating grants and contributions	5,819,644	4,437,613
General revenues		
Property taxes	3,186,089	3,293,877
Unrestricted state aid	14,319,877	13,966,206
Other	657,574	905,112
Total revenues	<u>24,014,615</u>	<u>22,890,355</u>
Expenses		
Instruction	14,793,930	13,948,303
Supporting services	6,328,933	6,192,856
Food service	1,063,020	814,907
Athletics	133,075	147,393
Community service	352,316	351,552
Student school activity	323,311	420,461
Interest on long-term debt	33,832	72,334
Unallocated depreciation	738,988	733,298
Total expenses	<u>23,767,405</u>	<u>22,681,104</u>
Change in net position	247,210	209,251
Net position (deficit), beginning of year, as restated	<u>(8,901,461)</u>	<u>(9,110,712)</u>
Net position (deficit), end of year	<u>\$ (8,654,251)</u>	<u>\$ (8,901,461)</u>

The differences seen above, between 2020-2021 and 2019-2020 revenues, are mostly due to operating grants and contributions, which are mainly due to the District receiving federal grants related to COVID-19. The increase in instruction expenses of \$845,627 is due to implementing both in person and online learning and the cost of staffing and materials district wide. This model was operated the entire year. The increase of \$248,113 in food service expense is due to meeting increased safety and sanitation criteria. All students were offered breakfast, lunch and dinner 7 days a week. Staffing was significantly increased to accommodate these guidelines.

FREELAND COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Summary of Fund Financial Statements

The District uses funds to help it control and manage money for particular purposes. Looking at the funds help the reader consider whether the District is being accountable for the resources taxpayers and others provide to it, and may provide more insight into the District's overall financial health.

The combined governmental fund balance of \$7,308,417 increased by \$494,153 from the previous year. The general fund which is the primary operating fund, increased by \$395,010. This increase is due to following strict spending guidelines due to the uncertainty of in person learning going forward. Some programs were not able to take place. The food service special revenue fund decreased \$58,686. The decrease is due to all guidance issued by the State to fullfull the requirements of the spend down plan. The fund balances of the District's other governmental funds increased by \$157,829.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the general fund, food service and student/school activity special revenue funds to demonstrate compliance with those budgets.

The fund balance in the food service fund at June 30, 2021, was \$928,142. The food service fund decreased its fund balance by \$58,686. Renovations and improvements have been made to all kitchens in the district. We are following all guidance by the State to fullfill the requirements of the spend down plan.

The fund balance in the sinking fund capital projects fund at June 30, 2021, was \$949,685, which is an increase of \$263,124 from the prior year. This increase resulted from a planned project that was not approved to proceed.

The property capital projects fund had a fund balance of \$167,926 at June 30, 2021. This fund was created to account for the funds assigned for planned purchases of property and only had minimal activity during the current year.

The debt service fund balance at June 30, 2021, was \$104,164, which decreased by \$113,242 from the prior year. This decrease is due to final payment being made on the District debt. This fund balance is restricted for one year after completion.

The student/school activity fund balance at June 30, 2021, was \$421,123, which increased by \$7,931 from the prior year.

General Fund Budget

By law, the District must establish an original budget in June, with a beginning fiscal date of July 1, for the general fund and each special revenue fund. Budgets were revised two times this year. Approximately 82% of the District's general fund revenue comes from the State through a Foundation Allowance and Categoricals (specific program grants). The State Foundation Allowance is based on student enrollment and an amount per pupil designated by the State. Therefore, the budget is primarily based on an estimate of the student population including the following September count, the per-pupil amount set by the State, and an estimate of the categoricals that will be approved by the State.

FREELAND COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

State law requires that budgets be amended to ensure that expenditures do not exceed appropriations. Original and final budgets, as well as actual amount of expenditures and revenues, are included in the basic financial statements.

The general fund reported \$20,488,384 in revenues and had \$20,093,374 in expenditures. The general fund's fund balance increased to \$4,737,377 from \$4,342,367. The District's actual general fund expenditures were less than the revised budget by \$754,398, a variance of 3.6%.

The original budget for 2020-2021 was approved on June 22, 2020, and amended in December 2020. The budget in June was amended to include all known expenses at the actual time it was completed.

GASB requires that governmental entities classify fund balances that "comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent." The general fund classifications for the year ending June 30, 2021 are as follows: Nonspendable fund balance for the general fund was \$53,950, which consists of prepaids. Committed fund balance was \$3,238,527 or 16% of the budgeted expenditures for fiscal year 2021-2022. Total assigned fund balance was \$766,720 of which \$488,901 was assigned for subsequent year's budget and \$277,819 was assigned for future terminal pay. The remaining fund balance of \$678,180 is unassigned.

The actual general fund expenditures totaled 96% of the final budget amounts. The decrease in the actual general fund expenditures from the final budgeted amounts is due to budgets not being spent in the last two months of the fiscal year, due to changing needs and demands.

Capital Assets

As of June 30, 2021, the District had \$15,893,937 in net capital assets including land, land improvements, buildings, vehicles, and equipment and other.

	Capital Assets (net of depreciation)	
	June 30, 2021	June 30, 2020
Land	\$ 54,500	\$ 54,500
Land improvements	1,412,307	1,412,307
Buildings	28,667,500	28,640,900
Vehicles	1,799,312	1,697,225
Equipment and other	7,363,427	6,408,854
	<u>39,297,046</u>	<u>38,213,786</u>
Less accumulated depreciation	<u>(23,403,109)</u>	<u>(22,451,543)</u>
Total capital assets, net	<u>\$ 15,893,937</u>	<u>\$ 15,762,243</u>

The increase of \$131,694 from June 30, 2020 to June 30, 2021 is attributable to the current year additions of \$1,083,260, offset by the increase in accumulated depreciation of \$951,566. Additions during the year included new restrooms at the elementary school and the kitchen serving line remodel at the high school. Additional information on the District's capital assets can be found in the notes to the financial statements.

FREELAND COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Long-term Debt

The long-term debt obligations for the District decreased from \$1,348,132 at June 30, 2020 to \$277,819 at the end of June 30, 2021. The total decrease of \$1,070,313 is mainly the result of the scheduled payments made on the outstanding debt issuance. The final payment on the bonds was made in May 2021. The remaining balance consists of compensated absences.

Additional information on the District's long-term debt can be found in the notes to financial statements.

Economic Factors and Next Year's Budget and Rates

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the blended count is a key factor in forecasting revenue. Once the final student count is known in late October, State law requires the District to amend the budget if actual revenues will vary significantly from those originally appropriated. Since the District's revenue is heavily dependent on State Funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. Under State law, the District cannot assess additional property tax revenue for general operations.

For the 2021-2022 school year, the District budgeted a increase of \$385 per pupil in the foundation allowance. This will increase the per pupil foundation allowance to \$8,496. Additionally, the District has budgeted 2010 pupils for the 2021-2022 school year, this is a flat student count. Management will amend the budget in December 2021 after the student count has taken place in October and a foundation allowance has been set by the State.

The membership blend for the 2021-2022 school year will be 90% of FTE pupils in grade K-12 enrolled and in regular daily attendance in the district on the pupil membership count day for the current year. 10% of the final audited count of the number of full-time equated pupils engaged in pandemic learning for Spring 2021.

The Freeland Board of Education voted again to participate in schools of choice for the 2021-2022 school year. The Board approved accepting a minimum of (1) one School of Choice student in kindergarten.

The following projects will be completed prior to the start of the 2021-2022 school year: The High School kitchen remodel and cafeteria flooring project has been completed. The Learning Center café project has been completed. Paving to the Athletic complex project has also been completed prior to the start of the first day of school.

The FEA labor agreement has been settled. The Freeland Education Association (FEA) labor agreement is effective from July 21, 2021 - June 30, 2025. This is a four year contract. The Freeland Educational Support Association labor agreement is also settled and is effective from July 1, 2021 - June 30, 2024.

Requests for Information

This financial report is designed to provide a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Jodi K. Rokosz, Freeland Community School District, 710 Powley Drive, Freeland, MI 48623.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FREELAND COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,061,416
Receivables	3,576,768
Inventories	13,768
Prepays	53,950
Capital assets not being depreciated	54,500
Capital assets being depreciated, net	<u>15,839,437</u>
Total assets	<u>26,599,839</u>
Deferred outflows of resources	
Deferred pension amounts	7,740,234
Deferred OPEB amounts	<u>2,689,911</u>
Total deferred outflows of resources	<u>10,430,145</u>
Liabilities	
Accounts payable and accrued liabilities	2,557,022
Unearned revenue	660,361
State aid note payable	180,102
Long-term debt:	
Due within one year	92,597
Due in more than one year	185,222
Net pension liability, due in more than one year	32,934,713
Net OPEB liability, due in more than one year	<u>5,146,758</u>
Total liabilities	<u>41,756,775</u>
Deferred inflows of resources	
Deferred pension amounts	86,287
Deferred OPEB amounts	<u>3,841,173</u>
Total deferred inflows of resources	<u>3,927,460</u>
Net position	
Net investment in capital assets	15,893,937
Restricted for:	
Food service	928,142
Debt service	104,164
Capital projects	949,685
Unrestricted (deficit)	<u>(26,530,179)</u>
Total net position (deficit)	<u>\$ (8,654,251)</u>

The accompanying notes are an integral part of these basic financial statements.

FREELAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2021

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 14,793,930	\$ -	\$ 4,170,945	\$ (10,622,985)
Supporting services	6,328,933	-	-	(6,328,933)
Food service	1,063,020	31,431	1,648,699	617,110
Athletics	133,075	-	-	(133,075)
Community service	352,316	-	-	(352,316)
Student/school activity	323,311	-	-	(323,311)
Interest on long-term debt	33,832	-	-	(33,832)
Unallocated depreciation	738,988	-	-	(738,988)
Total	<u>\$ 23,767,405</u>	<u>\$ 31,431</u>	<u>\$ 5,819,644</u>	<u>(17,916,330)</u>
General revenues:				
Property taxes				3,186,089
Unrestricted state aid				14,319,877
Grants and contributions not restricted to specific programs				656,768
Unrestricted investment earnings				<u>806</u>
Total general revenues				<u>18,163,540</u>
Change in net position				247,210
Net position (deficit), beginning of year				<u>(8,901,461)</u>
Net position (deficit), end of year				<u>\$ (8,654,251)</u>

The accompanying notes are an integral part of these basic financial statements.

FUND FINANCIAL STATEMENTS

FREELAND COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2021

	General Fund	Food Service Special Revenue Fund	Nonmajor Governmental Funds	Totals
Assets				
Cash and cash equivalents	\$ 4,202,405	\$ 1,216,113	\$ 1,642,898	\$ 7,061,416
Due from other funds	-	41,009	-	41,009
Due from other governmental units	3,488,723	88,045	-	3,576,768
Inventories	-	13,768	-	13,768
Prepays	53,950	-	-	53,950
Total assets	\$ 7,745,078	\$ 1,358,935	\$ 1,642,898	\$ 10,746,911
Liabilities				
Accounts payable	\$ 184,376	\$ 394,695	\$ -	\$ 579,071
Salaries payable	1,046,051	-	-	1,046,051
Accrued liabilities	931,900	-	-	931,900
Due to other funds	41,009	-	-	41,009
Unearned revenue	624,263	36,098	-	660,361
State aid note payable	180,102	-	-	180,102
Total liabilities	3,007,701	430,793	-	3,438,494
Fund balances				
Nonspendable	53,950	13,768	-	67,718
Restricted	-	914,374	1,053,849	1,968,223
Committed	3,238,527	-	421,123	3,659,650
Assigned	766,720	-	167,926	934,646
Unassigned	678,180	-	-	678,180
Total fund balances	4,737,377	928,142	1,642,898	7,308,417
Total liabilities and fund balances	\$ 7,745,078	\$ 1,358,935	\$ 1,642,898	\$ 10,746,911

The accompanying notes are an integral part of these basic financial statements.

FREELAND COMMUNITY SCHOOL DISTRICT

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2021

Fund balances - total governmental funds	\$ 7,308,417
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	54,500
Capital assets being depreciated, net	15,839,437
Certain pension and OPEB-related amounts, such as the net pension and OPEB liabilities and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(32,934,713)
Net OPEB liability	(5,146,758)
Deferred inflows related to the net pension	(86,287)
Deferred inflows related to the net OPEB liability	(3,841,173)
Deferred outflows related to the net pension liability	7,740,234
Deferred outflows related to the net OPEB liability	2,689,911
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	<u>(277,819)</u>
Net position (deficit) of governmental activities	<u>\$ (8,654,251)</u>

The accompanying notes are an integral part of these basic financial statements.

FREELAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2021

	General Fund	Food Service Special Revenue Fund	Nonmajor Governmental Funds	Totals
Revenues				
Local sources:				
Taxes	\$ 1,815,210	\$ -	\$ 1,370,879	\$ 3,186,089
Food service	-	31,431	-	31,431
Transfers from other districts	441,858	-	-	441,858
Interest	544	112	150	806
Other	222,817	12,162	331,242	566,221
State sources:				
State school aid, unrestricted	14,186,828	-	-	14,186,828
Restricted grants	2,524,907	41,009	-	2,565,916
Federal sources	1,296,220	1,648,699	-	2,944,919
Total revenues	20,488,384	1,733,413	1,702,271	23,924,068
Expenditures				
Current:				
Instruction	13,662,721	-	-	13,662,721
Supporting services	5,799,705	-	-	5,799,705
Food service activities	-	1,041,299	-	1,041,299
Community services	402,754	-	-	402,754
Student/school activity	-	-	323,311	323,311
Capital outlay	228,194	750,800	180,632	1,159,626
Debt service:				
Principal	-	-	1,000,000	1,000,000
Interest and fiscal charges	-	-	40,499	40,499
Total expenditures	20,093,374	1,792,099	1,544,442	23,429,915
Net change in fund balances	395,010	(58,686)	157,829	494,153
Fund balances, beginning of year	4,342,367	986,828	1,485,069	6,814,264
Fund balances, end of year	\$ 4,737,377	\$ 928,142	\$ 1,642,898	\$ 7,308,417

The accompanying notes are an integral part of these basic financial statements.

FREELAND COMMUNITY SCHOOL DISTRICT

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$ 494,153
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets constructed/purchased	1,083,260
Depreciation expense	(951,566)

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	1,000,000
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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 the funds.

Change in bond premium	90,547
Change in net pension liability and related deferred amounts	(2,244,109)
Change in net OPEB liability and related deferred amounts	788,492
Change in the accrual for compensated absences	(20,234)

Change in net position of governmental activities	<u>\$ 247,210</u>
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The accompanying notes are an integral part of these basic financial statements.

FREELAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 2,180,105	\$ 2,495,678	\$ 2,480,429	\$ (15,249)
State sources	14,900,760	16,832,655	16,711,735	(120,920)
Federal sources	522,000	1,327,668	1,296,220	(31,448)
Total revenues	<u>17,602,865</u>	<u>20,656,001</u>	<u>20,488,384</u>	<u>(167,617)</u>
Expenditures				
Current:				
Instruction	13,055,343	14,007,111	13,662,721	(344,390)
Supporting services	5,532,676	6,129,066	5,799,705	(329,361)
Community services	499,346	447,044	402,754	(44,290)
Capital outlay	81,767	264,551	228,194	(36,357)
Total expenditures	<u>19,169,132</u>	<u>20,847,772</u>	<u>20,093,374</u>	<u>(754,398)</u>
Net change in fund balance	(1,566,267)	(191,771)	395,010	586,781
Fund balance, beginning of year	<u>4,342,367</u>	<u>4,342,367</u>	<u>4,342,367</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,776,100</u>	<u>\$ 4,150,596</u>	<u>\$ 4,737,377</u>	<u>\$ 586,781</u>

The accompanying notes are an integral part of these basic financial statements.

FREELAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Food Service Special Revenue Fund

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Food service	\$ 367,800	\$ 29,900	\$ 31,431	\$ 1,531
Interest	800	110	112	2
Other	7,500	12,800	12,162	(638)
State sources:				
Restricted grants	25,000	41,009	41,009	-
Federal sources	847,000	1,789,413	1,648,699	(140,714)
Total revenues	<u>1,248,100</u>	<u>1,873,232</u>	<u>1,733,413</u>	<u>(139,819)</u>
Expenditures				
Current:				
Salaries	31,186	14,672	14,503	(169)
Employee benefits	14,962	7,198	7,086	(112)
Purchased services	745,000	1,005,500	935,119	(70,381)
Supplies and materials	67,500	80,913	78,848	(2,065)
Other expense	15,000	15,000	5,743	(9,257)
Capital outlay	1,200,000	1,200,000	750,800	(449,200)
Total expenditures	<u>2,073,648</u>	<u>2,323,283</u>	<u>1,792,099</u>	<u>(531,184)</u>
Net change in fund balance	(825,548)	(450,051)	(58,686)	391,365
Fund balance, beginning of year	<u>986,828</u>	<u>986,828</u>	<u>986,828</u>	<u>-</u>
Fund balance, end of year	<u>\$ 161,280</u>	<u>\$ 536,777</u>	<u>\$ 928,142</u>	<u>\$ 391,365</u>

The accompanying notes are an integral part of these basic financial statements.

NOTES TO FINANCIAL STATEMENTS

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Freeland Community School District (the "District") has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include entities for which the District is considered to be financially accountable.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. The District had no *business-type activities* during the year ended June 30, 2021.

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

Separate financial statements are provided for governmental funds, even though the latter are excluded from the government-wide financial statements. The major governmental funds (general fund and food service fund) are reported as a separate column in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Property taxes, intergovernmental revenues, and interest 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for and reported in another fund.

The *food service special revenue fund* accounts for the activity related to the District's food service program, which includes federal grants as well as sales to the students.

Additionally, the District reports the following fund types:

The *special revenue fund* is used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The *debt service fund* is used to account for all financial resources restricted, committed or assigned to expenditure of principal and interest.

The *capital projects funds* are used to account for financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

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

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

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.

Investments, if any, for the District are reported at fair value.

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).

Amounts due from other governments include State Aid and amounts due from grantors for specific programs. State Aid payments to be received by the District in July and August are recorded as a receivable and revenue of the previous fiscal year. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Inventories and Prepaids

All inventories are valued at cost using the first-in/first out (“FIFO”) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the 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 acquisition 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	20
Buildings	50
Vehicles	8-15
Equipment and other	5-20

Deferred Outflows of Resources

In addition to assets, the statement of financial 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 one or more future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to the net pension and OPEB liabilities. A portion of this balance represents contributions to the plan subsequent to the pension and OPEB liabilities measurement date.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

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

Compensated Absences

It is the District's policy to permit employees to accumulate various earned but unused sick pay benefits. These are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Benefits are accrued based on various contract stipulations and lengths of service for the various bargaining units. In addition, the District's teacher's bargaining units are entitled to severance payouts upon separation from the District.

In addition to liabilities, the statement of financial 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reports deferred inflows of resources related to the net pension and OPEB liabilities.

Long-term Obligations

In the government-wide financial statements, long term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, 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 expense when 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.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Fund Equity

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. There was a formal resolution by the Board of Education to commit an amount, equal to at least 15% of the District's subsequent year's budgeted expenditures and outgoing transfers, from the general fund balance, to be used for budget stabilization. Such commitments are intended to insulate the District programs and current service levels from large and unanticipated one-time general fund expenditure requirements, adverse judgments, catastrophic losses, emergency replacements, or any other similar unforeseen events. The District reports assigned fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the District's Superintendent. Unassigned fund balance is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed, assigned, and finally unassigned.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding, which includes State Aid and restricted grants, represented 82% of the District's general fund revenue during the current fiscal year.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

3. BUDGETARY INFORMATION

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (“GAAP”), which is the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis and all annual appropriations lapse at fiscal year-end.

For the year ended June 30, 2021, the District incurred expenditures in excess of the amounts appropriated, as follows:

	Final Budget	Actual	Budget Variance
Special revenue fund:			
Student/School Activity	\$ 294,200	\$ 323,311	\$ 29,111

4. DEPOSITS

Following is a reconciliation of cash and cash equivalents as shown on the Statement of Net Position as of June 30, 2021.

Statement of Net Position	
Cash and cash equivalents	<u>\$ 7,061,416</u>
Deposits	\$ 7,061,266
Cash on hand	<u>150</u>
Total	<u>\$ 7,061,416</u>

Michigan law authorizes the District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers’ acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Deposit and Investment Risk

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$7,436,769 of the District's bank balance of \$7,686,769 was exposed to credit risk because it was uninsured and uncollateralized.

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the below list of authorized investments. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District has no investments that would be subject to interest rate risk.

Credit risk. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The District has no investments for which ratings are required.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk.

5. RECEIVABLES

Receivables at year end consisted of amounts due from other governmental units, which are all expected to be collected within the next year.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 54,500	\$ -	\$ -	\$ 54,500
Capital assets being depreciated:				
Land improvements	1,412,307	-	-	1,412,307
Buildings	28,640,900	26,600	-	28,667,500
Vehicles	1,697,225	102,087	-	1,799,312
Equipment and other	6,408,854	954,573	-	7,363,427
	<u>38,159,286</u>	<u>1,083,260</u>	<u>-</u>	<u>39,242,546</u>
Less accumulated depreciation for:				
Land improvements	(1,164,866)	(89,327)	-	(1,254,193)
Buildings	(14,642,036)	(617,175)	-	(15,259,211)
Vehicles	(1,176,008)	(116,259)	-	(1,292,267)
Equipment and other	(5,468,633)	(128,805)	-	(5,597,438)
	<u>(22,451,543)</u>	<u>(951,566)</u>	<u>-</u>	<u>(23,403,109)</u>
Capital assets being depreciated, net	<u>15,707,743</u>	<u>131,694</u>	<u>-</u>	<u>15,839,437</u>
Governmental activities capital assets, net	<u>\$ 15,762,243</u>	<u>\$ 131,694</u>	<u>\$ -</u>	<u>\$ 15,893,937</u>

Depreciation expense was charged to functions / programs as follows:

Governmental activities:	
Supporting services - transportation	\$ 126,228
Food service	25,143
Athletics	61,207
Unallocated	<u>738,988</u>
Total depreciation expense - governmental activities	<u>\$ 951,566</u>

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2021, for the District, are as follows:

	General Fund	Food Service Special Revenue Fund	Total
Fund financial statements:			
Accounts payable	\$ 184,376	\$ 394,695	\$ 579,071
Salaries payable	1,046,051	-	1,046,051
Accrued liabilities	931,900	-	931,900
Total accounts payable and accrued liabilities	<u>\$ 2,162,327</u>	<u>\$ 394,695</u>	<u>\$ 2,557,022</u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The District often reports interfund balances between many of its funds. These interfund balances result primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

At June 30, 2021, the District interfund receivables and payables in the fund financial statements consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$ -	\$ 41,009
Food Service	41,009	-
	<u>\$ 41,009</u>	<u>\$ 41,009</u>

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

For the year ended June 30, 2021, the District had no interfund transfers.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

9. LONG-TERM DEBT

The following is a summary of general obligation bond, bond premium, and compensated absence transactions of the District for the year ended June 30, 2021

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -	\$ -
Bond premium	90,547	-	(90,547)	-	-
Subtotal	1,090,547	-	(1,090,547)	-	-
Compensated absences	257,585	20,234	-	277,819	92,597
	<u>\$ 1,348,132</u>	<u>\$ 20,234</u>	<u>\$ (1,090,547)</u>	<u>\$ 277,819</u>	<u>\$ 92,597</u>

Compensated absences are generally liquidated by the general fund.

10. STATE AID NOTE

On September 21, 2020, the District received funding through a state aid note in the amount of \$904,736 with 0.700% interest which matures on July 21, 2021. Proceeds of the note were used to fund school operations. The District has an outstanding balance of \$108,102 consisting of principal and interest as of June 30, 2021.

Changes in short-term state aid notes for the year ended June 30, 2021, were as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid note	<u>\$ -</u>	<u>\$ 904,736</u>	<u>\$ (724,634)</u>	<u>\$ 180,102</u>

11. OPERATING LEASES

The District leases eight copiers from Xerox. The leases, which expire 60 months from the date of the lease, are renewable at the end of the lease. Lease expense for the year ended June 30, 2021, was \$25,505. Future minimum lease payments under the terms of the lease are as follows:

Year Ended June 30,	Amount
2022	\$ 20,760
2023	20,760
2024	20,760
2025	<u>14,973</u>
	<u>\$ 77,253</u>

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

12. 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 to the grantor or regulatory agencies. However, management does not believe such disallowances, if any, will be material to the financial position of the District.

As in the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. It is the opinion of the District's legal counsel that no potential claims or legal proceedings exist that could have a material effect on the financial condition of the District exist.

13. RISK MANAGEMENT

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

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

14. PROPERTY TAXES

Property taxes are assessed as of December 31 each year and attach as an enforceable lien on property as of the following July 1. School property taxes are levied on December 1 each year, based on the previous year's assessment, by Township governments whose boundaries include property within the District, and are due by February 28. Delinquent real taxes are advanced to the District by the Counties involved. Taxes are recorded as revenue in the year levied. Tax revenue is recorded for property taxes collected within 60 days of year-end, if any.

15. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

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 at the ORS website at www.michigan.gov/orsschools.

Pension 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% to 1.50%. 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 plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Other Postemployment Benefits Provided

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2021:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	19.41% - 19.78%
Member Investment Plan (MIP)	3.00% - 7.00%	19.41% - 19.78%
Pension Plus	3.00% - 6.40%	16.46% - 16.82%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

For the year ended June 30, 2021, required and actual contributions from the District to the pension plan were \$2,897,317, which included \$1,242,738, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2021:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.09% - 8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

For the year ended June 30, 2021, required and actual contributions from the District to the OPEB plan were \$722,245.

The table below summarizes defined contribution rates in effect for fiscal year 2021:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2021, required and actual contributions from the District for those members with a defined contribution benefit were \$72,130.

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

At June 30, 2021, the District reported a liability of \$32,934,713 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the District's proportion was 0.09588%, which was an increase of 0.00162% from its proportion measured as of September 30, 2019.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

For the year ended June 30, 2021, the District recognized pension expense of \$5,134,680. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 503,215	\$ 70,294	\$ 432,921
Changes in assumptions	3,649,484	-	3,649,484
Net difference between projected and actual earnings on pension plan investments	138,377	-	138,377
Changes in proportion and differences between employer contributions and proportionate share of contributions	715,322	15,993	699,329
	<u>5,006,398</u>	<u>86,287</u>	<u>4,920,111</u>
District contributions subsequent to the measurement date	2,733,836	-	2,733,836
Total	<u><u>\$ 7,740,234</u></u>	<u><u>\$ 86,287</u></u>	<u><u>\$ 7,653,947</u></u>

The \$2,733,836 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Year Ended June 30,	Amount
2022	\$ 2,223,126
2023	1,575,421
2024	851,117
2025	<u>270,447</u>
Total	<u><u>\$ 4,920,111</u></u>

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

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

At June 30, 2021, the District reported a liability of \$5,146,758 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the District's proportion was 0.09607% which was an increase of 0.00193% from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$60,498. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 3,834,816	\$ (3,834,816)
Changes in assumptions	1,696,988	-	1,696,988
Net difference between projected and actual earnings on OPEB plan investments	42,955	-	42,955
Changes in proportion and differences between employer contributions and proportionate share of contributions	291,754	6,357	285,397
	<u>2,031,697</u>	<u>3,841,173</u>	<u>(1,809,476)</u>
District contributions subsequent to the measurement date	658,214	-	658,214
Total	<u><u>\$ 2,689,911</u></u>	<u><u>\$ 3,841,173</u></u>	<u><u>\$ (1,151,262)</u></u>

The \$658,214 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 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:

Year Ended June 30,	Amount
2022	\$ (487,071)
2023	(427,175)
2024	(353,760)
2025	(300,891)
2026	<u>(240,579)</u>
Total	<u><u>\$ (1,809,476)</u></u>

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2019 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	7.75%, net of investment and administrative expense including inflation
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB 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.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2020, are based on the results of an actuarial valuation date of September 30, 2019 for pension and September 30, 2017 for OPEB, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4892 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.29%	1.32%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	15.00%	6.98%	1.05%
Fixed income pools	10.50%	0.47%	0.05%
Real estate and infrastructure pools	10.00%	4.62%	0.46%
Absolute return pools	9.00%	3.02%	0.27%
Real return/opportunistic pools	12.50%	6.23%	0.78%
Short-term investment pools	2.00%	-0.09%	0.00%
	<u>100.00%</u>		5.33%
Inflation			2.10%
Risk adjustment			<u>-0.63%</u>
Investment rate of return			<u><u>6.80%</u></u>

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.29%	1.32%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	15.00%	6.98%	1.05%
Fixed income pools	10.50%	0.47%	0.05%
Real estate and infrastructure pools	10.00%	4.62%	0.46%
Absolute return pools	9.00%	3.02%	0.27%
Real return/opportunistic pools	12.50%	6.23%	0.78%
Short-term investment pools	2.00%	-0.09%	0.00%
	<u>100.00%</u>		5.33%
Inflation			2.10%
Risk adjustment			<u>-0.48%</u>
Investment rate of return			<u><u>6.95%</u></u>

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

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, both of which are hybrid plans provided through non-university employers only) and a 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 pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates 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 and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.00% 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 (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
District's proportionate share of the net pension liability	\$ 42,628,400	\$ 32,934,713	\$ 24,900,808

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

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

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net OPEB liability	\$ 6,611,596	\$ 5,146,758	\$ 3,913,488

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

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

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net OPEB liability	\$ 3,866,268	\$ 5,146,758	\$ 6,603,158

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan’s fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2021, the District reported a payable of \$424,113 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2021.

Payable to the OPEB Plan

At June 30, 2021, the District reported a payable of \$83,329 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2021.

Pension and OPEB obligations are generally liquidated by the general fund.

16. SINKING FUNDS

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

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

17. FUND BALANCE - GOVERNMENTAL FUNDS

The District classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Food Service Special Revenue Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventories	\$ -	\$ 13,768	\$ -	\$ 13,768
Prepays	53,950	-	-	53,950
Total nonspendable	53,950	13,768	-	67,718
Restricted for:				
Food service program	-	914,374	-	914,374
Debt service	-	-	104,164	104,164
Capital projects	-	-	949,685	949,685
Total restricted	-	914,374	1,053,849	1,968,223
Committed for:				
Budget stabilization	3,238,527	-	-	3,238,527
Student/school activity	-	-	421,123	421,123
Total committed	3,238,527	-	421,123	3,659,650
Assigned for:				
Subsequent year's budget	488,901	-	-	488,901
Future terminal pay	277,819	-	-	277,819
Capital projects	-	-	167,926	167,926
Total assigned	766,720	-	167,926	934,646
Unassigned	678,180	-	-	678,180
Total fund balances - governmental funds	\$ 4,737,377	\$ 928,142	\$ 1,642,898	\$ 7,308,417

18. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. The District received over \$1.1 million during 2021 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the CARES Act and other funding sources. This funding was used to purchase personal protection equipment (PPE), cleaning and sanitizing materials, and supplies, as well as for activities to support remote learning for all students.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Additionally, other District revenues have remained steady throughout the pandemic and the economy continues to recover at a robust pace. While nobody can predict the future, additional Federal funding, strong revenue performance and targeted expenditure control should work to mitigate any significant financial issues facing the District as a result of the pandemic going forward.

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REQUIRED SUPPLEMENTARY INFORMATION

FREELAND COMMUNITY SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District's Proportionate Share of Net Pension Liability

	Year Ended June 30,			
	2021	2020	2019	2018
District's proportionate share of the net pension liability	\$ 32,934,713	\$ 31,214,332	\$ 27,918,365	\$ 23,620,625
District's proportion of the net pension liability	0.09588%	0.09426%	0.09287%	0.09115%
District's covered payroll	\$ 8,470,921	\$ 8,425,249	\$ 7,967,596	\$ 7,645,342
District's proportionate share of the net pension liability as a percentage of its covered payroll	388.80%	370.49%	350.40%	308.95%
Plan fiduciary net position as a percentage of the total pension liability	59.72%	60.31%	64.21%	64.21%

See notes to required supplementary information.



Year Ended June 30,		
2017	2016	2015
\$ 22,453,879	\$ 21,994,636	\$ 19,321,648
0.09000%	0.09005%	0.08772%
\$ 7,551,294	\$ 7,533,723	\$ 7,542,697
297.35%	291.95%	256.16%
63.27%	63.17%	66.20%

FREELAND COMMUNITY SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan
Schedule of District's Pension Contributions

	Year Ended June 30,			
	2021	2020	2019	2018
Statutorily required contribution	\$ 2,897,317	\$ 2,632,416	\$ 2,491,226	\$ 2,420,880
Contributions in relation to the statutorily required contribution	<u>(2,897,317)</u>	<u>(2,632,416)</u>	<u>(2,491,226)</u>	<u>(2,420,880)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,779,716	\$ 8,607,754	\$ 8,283,286	\$ 8,089,650
Contributions as a percentage of covered payroll	33.00%	30.58%	30.89%	29.93%

See notes to required supplementary information.

Year Ended June 30,		
2017	2016	2015
\$ 2,121,581	\$ 2,042,056	\$ 2,335,303
(2,121,581)	(2,042,056)	(2,335,303)
\$ -	\$ -	\$ -
\$ 7,772,332	\$ 7,533,910	\$ 7,602,594
27.30%	27.03%	30.72%

FREELAND COMMUNITY SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability

	Year Ended June 30,			
	2021	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 5,146,758	\$ 6,757,189	\$ 7,455,971	\$ 8,038,742
District's proportion of the net OPEB liability	0.09607%	0.09414%	0.09380%	0.09078%
District's covered payroll	\$ 8,470,921	\$ 8,425,249	\$ 7,967,596	\$ 7,645,342
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.76%	84.81%	93.58%	105.15%
Plan fiduciary net position as a percentage of the total OPEB liability	59.44%	48.46%	36.39%	36.39%

See notes to required supplementary information

FREELAND COMMUNITY SCHOOL DISTRICT

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,			
	2021	2020	2019	2018
Statutorily required contribution	\$ 722,245	\$ 700,712	\$ 673,402	\$ 617,863
Contributions in relation to the statutorily required contribution	<u>(722,245)</u>	<u>(700,712)</u>	<u>(673,402)</u>	<u>(617,863)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,779,716	\$ 8,607,754	\$ 8,283,286	\$ 8,089,650
Contributions as a percentage of covered payroll	8.23%	8.14%	8.13%	7.64%

See notes to required supplementary information

Freeland Community School District

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

FREELAND COMMUNITY SCHOOL DISTRICT

Detailed Schedule of Revenues and Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	Original Budget	Final Budget	2021 Actual	Actual Over (Under) Final Budget	2020 Actual
Revenues					
Local sources:					
Taxes	\$ 1,695,177	\$ 1,875,518	\$ 1,815,210	\$ (60,308)	\$ 1,733,171
Transfers from other districts	205,728	407,666	441,858	34,192	254,891
Interest	10,300	813	544	(269)	15,633
Other	268,900	211,681	222,817	11,136	265,498
	<u>2,180,105</u>	<u>2,495,678</u>	<u>2,480,429</u>	<u>(15,249)</u>	<u>2,269,193</u>
State sources:					
State school aid, unrestricted	12,964,828	14,312,006	14,186,828	(125,178)	13,966,206
Special education	336,605	417,551	417,554	3	399,975
State school aid, restricted	1,599,327	2,103,098	2,107,353	4,255	1,761,567
	<u>14,900,760</u>	<u>16,832,655</u>	<u>16,711,735</u>	<u>(120,920)</u>	<u>16,127,748</u>
Federal sources:					
Title I	160,000	116,202	116,202	-	147,869
Title II	-	57,591	25,109	(32,482)	41,762
Title IV	10,000	10,000	10,000	-	10,067
Special education	350,000	341,900	341,900	-	353,930
Other federal sources	2,000	801,975	803,009	1,034	103,382
	<u>522,000</u>	<u>1,327,668</u>	<u>1,296,220</u>	<u>(31,448)</u>	<u>657,010</u>
Total revenues	<u>\$ 17,602,865</u>	<u>\$ 20,656,001</u>	<u>\$ 20,488,384</u>	<u>\$ (167,617)</u>	<u>\$ 19,053,951</u>

continued...

FREELAND COMMUNITY SCHOOL DISTRICT

Detailed Schedule of Revenues and Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	Original Budget	Final Budget	2021 Actual	Actual Over (Under) Final Budget	2020 Actual
Expenditures					
Instruction:					
Basic programs:					
Elementary:					
Salaries	\$ 3,276,214	\$ 3,289,284	\$ 3,281,759	\$ (7,525)	\$ 3,151,338
Employee benefits	2,311,936	2,488,874	2,474,666	(14,208)	2,264,628
Purchased services	51,000	93,600	76,569	(17,031)	48,127
Supplies and materials	229,267	231,102	222,920	(8,182)	76,287
	<u>5,868,417</u>	<u>6,102,860</u>	<u>6,055,914</u>	<u>(46,946)</u>	<u>5,540,380</u>
Middle-High School:					
Salaries	2,394,940	2,352,207	2,363,377	11,170	2,238,180
Employee benefits	1,605,297	1,696,158	1,701,756	5,598	1,511,216
Purchased services	725,075	1,382,252	1,205,597	(176,655)	720,393
Supplies and materials	87,828	144,160	103,774	(40,386)	83,549
	<u>4,813,140</u>	<u>5,574,777</u>	<u>5,374,504</u>	<u>(200,273)</u>	<u>4,553,338</u>
Total basic programs	<u>10,681,557</u>	<u>11,677,637</u>	<u>11,430,418</u>	<u>(247,219)</u>	<u>10,093,718</u>
Added needs:					
Special Education:					
Salaries	1,095,712	977,958	975,935	(2,023)	910,790
Employee benefits	637,811	636,691	632,766	(3,925)	551,313
Purchased services	219,850	362,152	286,280	(75,872)	382,607
Supplies and materials	6,760	5,673	4,267	(1,406)	4,310
	<u>1,960,133</u>	<u>1,982,474</u>	<u>1,899,248</u>	<u>(83,226)</u>	<u>1,849,020</u>
Compensatory education:					
Salaries	179,156	144,267	133,744	(10,523)	178,272
Employee benefits	109,428	67,341	67,346	5	101,809
Supplies and materials	-	-	-	-	59
	<u>288,584</u>	<u>211,608</u>	<u>201,090</u>	<u>(10,518)</u>	<u>280,140</u>
Vocational education:					
Salaries	69,000	77,000	77,000	-	80,955
Employee benefits	51,919	53,550	53,480	(70)	49,204
Purchased services	950	-	-	-	392
Supplies and materials	3,200	4,842	1,485	(3,357)	1,431
	<u>125,069</u>	<u>135,392</u>	<u>131,965</u>	<u>(3,427)</u>	<u>131,982</u>
Total added needs	<u>2,373,786</u>	<u>2,329,474</u>	<u>2,232,303</u>	<u>(97,171)</u>	<u>2,261,142</u>
Total Instruction	<u>13,055,343</u>	<u>14,007,111</u>	<u>13,662,721</u>	<u>(344,390)</u>	<u>12,354,860</u>

continued...

FREELAND COMMUNITY SCHOOL DISTRICT

Detailed Schedule of Revenues and Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	Original Budget	Final Budget	2021 Actual	Actual Over (Under) Final Budget	2020 Actual
Expenditures (continued)					
Supporting services:					
Pupil services:					
Salaries	\$ 278,899	\$ 207,443	\$ 202,160	\$ (5,283)	\$ 285,231
Employee benefits	212,532	140,331	135,630	(4,701)	176,887
Purchased services	379,647	449,570	439,472	(10,098)	360,673
Supplies and materials	100	500	406	(94)	151
	<u>871,178</u>	<u>797,844</u>	<u>777,668</u>	<u>(20,176)</u>	<u>822,942</u>
Instructional staff:					
Salaries	154,507	256,994	238,221	(18,773)	200,730
Employee benefits	102,318	162,197	146,153	(16,044)	107,792
Purchased services	17,900	18,381	10,992	(7,389)	34,749
Supplies and materials	4,050	1,000	-	(1,000)	134,620
	<u>278,775</u>	<u>438,572</u>	<u>395,366</u>	<u>(43,206)</u>	<u>477,891</u>
General administration:					
Salaries	187,791	191,769	190,985	(784)	186,032
Employee benefits	133,563	140,111	140,107	(4)	130,749
Purchased services	49,900	36,468	43,866	7,398	32,491
Supplies and materials	5,500	4,000	2,501	(1,499)	2,437
Other expenditure	24,850	34,502	29,877	(4,625)	20,233
	<u>401,604</u>	<u>406,850</u>	<u>407,336</u>	<u>486</u>	<u>371,942</u>
School administration:					
Salaries	372,040	434,072	434,072	-	427,500
Employee benefits	230,527	280,570	281,071	501	259,901
Purchased services	198,258	152,718	151,247	(1,471)	147,744
Supplies and materials	5,430	4,883	5,073	190	7,101
Other expenditure	2,296	400	400	-	590
	<u>808,551</u>	<u>872,643</u>	<u>871,863</u>	<u>(780)</u>	<u>842,836</u>
Business services:					
Fiscal services:					
Salaries	85,000	86,245	86,245	-	85,000
Employee benefits	60,847	61,684	61,429	(255)	57,832
Purchased services	61,750	61,315	54,724	(6,591)	56,130
Supplies and materials	2,000	2,000	1,167	(833)	1,121
Other expenditure	600	79	79	-	170
	<u>210,197</u>	<u>211,323</u>	<u>203,644</u>	<u>(7,679)</u>	<u>200,253</u>
Other business services:					
Purchased services	17,350	18,095	18,060	(35)	17,310
Other expenditure	15,000	29,219	29,219	-	13,548
	<u>32,350</u>	<u>47,314</u>	<u>47,279</u>	<u>(35)</u>	<u>30,858</u>
Total business services	<u>242,547</u>	<u>258,637</u>	<u>250,923</u>	<u>(7,714)</u>	<u>231,111</u>

continued...

FREELAND COMMUNITY SCHOOL DISTRICT

Detailed Schedule of Revenues and Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	Original Budget	Final Budget	2021 Actual	Actual Over (Under) Final Budget	2020 Actual
Expenditures (concluded)					
Supporting services (concluded):					
Operation and maintenance:					
Salaries	\$ 310,896	\$ 353,567	\$ 341,791	\$ (11,776)	\$ 374,733
Employee benefits	311,598	296,414	284,898	(11,516)	299,215
Purchased services	397,955	574,321	533,513	(40,808)	380,500
Supplies and materials	506,000	523,921	509,331	(14,590)	437,910
	<u>1,526,449</u>	<u>1,748,223</u>	<u>1,669,533</u>	<u>(78,690)</u>	<u>1,492,358</u>
Transportation services:					
Salaries	201,676	191,706	187,286	(4,420)	199,623
Employee benefits	75,278	108,631	105,195	(3,436)	102,667
Purchased services	215,625	234,045	209,446	(24,599)	178,604
Supplies and materials	137,650	147,200	138,994	(8,206)	139,785
Other expenditure	500	-	-	-	135
	<u>630,729</u>	<u>681,582</u>	<u>640,921</u>	<u>(40,661)</u>	<u>620,814</u>
Central services:					
Salaries	103,406	100,651	99,282	(1,369)	103,649
Employee benefits	53,759	48,744	47,382	(1,362)	46,192
Purchased services	225,961	209,717	134,906	(74,811)	147,685
Supplies and materials	161,000	381,612	335,767	(45,845)	207,009
Other expenditure	104,000	50,623	39,747	(10,876)	87,631
	<u>648,126</u>	<u>791,347</u>	<u>657,084</u>	<u>(134,263)</u>	<u>592,166</u>
Other supporting services:					
Salaries	17,355	13,599	13,598	(1)	15,105
Employee benefits	8,741	6,848	6,747	(101)	7,078
Purchased services	98,621	112,921	108,666	(4,255)	99,313
	<u>124,717</u>	<u>133,368</u>	<u>129,011</u>	<u>(4,357)</u>	<u>121,496</u>
Total supporting services	<u>5,532,676</u>	<u>6,129,066</u>	<u>5,799,705</u>	<u>(329,361)</u>	<u>5,573,556</u>
Community services:					
Salaries	96,242	67,934	67,484	(450)	88,707
Employee benefits	66,404	47,110	48,775	1,665	58,462
Purchased services	260,200	267,000	234,386	(32,614)	221,108
Supplies and materials	55,300	50,300	40,764	(9,536)	37,882
Equipment	-	-	-	-	24,170
Other expenditure	21,200	14,700	11,345	(3,355)	10,108
Total community services	<u>499,346</u>	<u>447,044</u>	<u>402,754</u>	<u>(44,290)</u>	<u>440,437</u>
Capital outlay:					
Instruction:					
Middle-high school	15,000	3,699	3,699	-	15,160
Supporting services:					
Central services	47,767	91,491	64,134	(27,357)	39,084
Operation and maintenance	19,000	67,273	58,273	(9,000)	5,750
Transportation services	-	102,088	102,088	-	218,376
Total capital outlay	<u>81,767</u>	<u>264,551</u>	<u>228,194</u>	<u>(36,357)</u>	<u>278,370</u>
Total expenditures	<u>\$ 19,169,132</u>	<u>\$ 20,847,772</u>	<u>\$ 20,093,374</u>	<u>\$ (754,398)</u>	<u>\$ 18,647,223</u>

concluded.

FREELAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2021

	Special Revenue	Debt Service	Capital Projects		
	Student/School Activity Fund	Refunding Bond Fund	Sinking Fund	Property	Totals
Assets					
Cash and cash equivalents	\$ 421,123	\$ 104,164	\$ 949,685	\$ 167,926	\$ 1,642,898
Fund balances					
Restricted	\$ -	\$ 104,164	\$ 949,685	\$ -	\$ 1,053,849
Committed	421,123	-	-	-	421,123
Assigned	-	-	-	167,926	167,926
Total fund balances	\$ 421,123	\$ 104,164	\$ 949,685	\$ 167,926	\$ 1,642,898

FREELAND COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures

and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Special Revenue	Debt Service	Capital Projects		
	Student/School Activity Fund	Refunding Bond Fund	Sinking Fund	Property	Totals
Revenues					
Local sources:					
Taxes	\$ -	\$ 927,223	\$ 443,656	\$ -	\$ 1,370,879
Interest	-	34	100	16	150
Other	331,242	-	-	-	331,242
Total revenues	<u>331,242</u>	<u>927,257</u>	<u>443,756</u>	<u>16</u>	<u>1,702,271</u>
Expenditures					
Current:					
Student/school activity	323,311	-	-	-	323,311
Capital outlay	-	-	180,632	-	180,632
Debt service:					
Principal	-	1,000,000	-	-	1,000,000
Interest and fiscal charges	-	40,499	-	-	40,499
Total expenditures	<u>323,311</u>	<u>1,040,499</u>	<u>180,632</u>	<u>-</u>	<u>1,544,442</u>
Net change in fund balances	7,931	(113,242)	263,124	16	157,829
Fund balances, beginning of year	413,192	217,406	686,561	167,910	1,485,069
Fund balances, end of year	<u>\$ 421,123</u>	<u>\$ 104,164</u>	<u>\$ 949,685</u>	<u>\$ 167,926</u>	<u>\$ 1,642,898</u>

FREELAND COMMUNITY SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Student/School Activity Special Revenue Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Other	\$ 467,157	\$ 299,252	\$ 331,242	\$ 31,990
Expenditures				
Current:				
Student/school activity	466,690	294,200	323,311	29,111
Net change in fund balance	467	5,052	7,931	2,879
Fund balance, beginning of year	413,192	413,192	413,192	-
Fund balance, end of year	<u>\$ 413,659</u>	<u>\$ 418,244</u>	<u>\$ 421,123</u>	<u>\$ 2,879</u>

SINGLE AUDIT ACT COMPLIANCE

**Independent Auditors' Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

September 14, 2021

Board of Education
Freeland Community School District
Freeland, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Freeland Community School District** (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated September 14, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rehmann Lobson LLC

Rehmann is an independent member of Nexia International.



FREELAND COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
Non-cash assistance (commodities):				
National School Lunch - entitlement	10.555	MDE	38120	\$ 76,756
COVID-19 - Summer Feeding School Program				
Section 11	10.555	MDE	200902	1,344,358
Summer Food Service Program (SFSP)	10.559	MDE	200900	440,935
Summer Food Service Program (SFSP)	10.559	MDE	210904	1,131,008
Total U.S. Department of Agriculture (Child Nutrition Cluster)				
U.S. Department of Treasury				
Coronavirus Relief Funds:				
COVID-19 - Coronavirus Relief Fund - MAISA MiConnect	21.019	SISD	N/A	20,778
COVID-19 - Coronavirus Relief Fund - District COVID 19 Costs	21.019	MDE	N/A	24,769
COVID-19 - Coronavirus Relief Fund - 11p	21.019	MDE	N/A	703,658
Total U.S. Department of Treasury				
U.S. Department of Education				
Title I, Part A - Carryover	84.010	MDE	201530-1920	150,399
Title I, Part A - Regular	84.010	MDE	211530-2021	116,202
Special Education Cluster (IDEA):				
IDEA Special Education Grants	84.027A	SISD	190450-1920	353,930
IDEA Special Education Grants	84.027A	SISD	210450-2021	341,900
IDEA Special Education Grants Pre-School	84.173A	SISD	200460-1920	20,583
IDEA Special Education Grants Pre-School	84.173A	SISD	210460-2021	28,683
Title II, Part A - Regular	84.367	MDE	200520-1920	67,775
Title II, Part A - Regular	84.367	MDE	210520-2021	57,591
Title IV - Regular	84.424A	MDE	210750-2021	10,000
COVID-19 - Elementary and secondary emergency relief (ESSER) fund	84.425D	MDE	203710-1920	106,179
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Medicaid Cluster:				
Special Education Medicaid	93.778	SISD	N/A	680
Special Education Medicaid	93.778	SISD	N/A	1,057
Total U.S. Department of Health and Human Services				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Expenditures (Memo Only) Prior Year(s)	Accrued Revenue at June 30, 2020	Current Year Cash Received	Expenditures Year Ended June 30, 2021	Accrued Revenue at June 30, 2021
\$ -	\$ -	\$ 76,756	\$ 76,756	\$ -
1,097,671	246,687	246,687	-	-
	246,687	323,443	76,756	-
-	-	440,935	440,935	-
-	-	1,042,963	1,131,008	88,045
	-	1,483,898	1,571,943	88,045
	246,687	1,807,341	1,648,699	88,045
-	-	20,778	20,778	-
-	-	24,769	24,769	-
-	-	703,658	703,658	-
	-	749,205	749,205	-
147,868	73,388	73,388	-	-
-	-	67,614	116,202	48,588
	73,388	141,002	116,202	48,588
353,930	123,650	123,650	-	-
-	-	151,068	341,900	190,832
	123,650	274,718	341,900	190,832
-	-	20,583	20,583	-
-	-	197	28,683	28,486
	-	20,780	49,266	28,486
41,762	9,359	9,359	-	-
-	-	7,332	25,113	17,781
	9,359	16,691	25,113	17,781
-	-	-	10,000	10,000
102,702	102,702	106,179	3,477	-
	309,099	559,370	545,958	295,687
-	680	680	-	-
-	-	1,057	1,057	-
	680	1,737	1,057	-
	<u>\$ 556,466</u>	<u>\$ 3,117,653</u>	<u>\$ 2,944,919</u>	<u>\$ 383,732</u>

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Freeland Community School District (the "District") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts 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.

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

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

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

2. DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

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

MDE	Michigan Department of Education
SISD	Saginaw Intermediate School District

4. ACCOUNTS RECEIVABLE

In the prior year, the District recorded accounts receivable of \$246,687 for the Summer Feeding School Program in the general ledger, however, this amount was not included on the SEFA as accrued revenue at June 30, 2020. The accrued revenue at June 30, 2020 on the SEFA was updated in the current year to reflect this.

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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

September 14, 2021

Board of Education
Freeland Community School District
Freeland, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Freeland Community School District** (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 14, 2021.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

**Independent Auditors' Report on Compliance for the Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance**

September 14, 2021

Board of Education
Freeland Community School District
Freeland, Michigan

Report on Compliance for The Major Federal Program

We have audited the compliance of the **Freeland Community School District** (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2021. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

FREELAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were
prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 yes X no

Significant deficiency(ies) identified?

 yes X none reported

Noncompliance material to financial statements
noted?

 yes X no

Federal Awards

Material weakness(es) identified?

 yes X no

Significant deficiency(ies) identified?

 yes X none reported

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)?

 yes X no

Identification of major programs and type of auditors'
report issued on compliance for each major program:

CFDA Number

Name of Federal Program or Cluster

Type of Report

10.553, 10.555, 10.559 Child Nutrition Cluster

Unmodified

Dollar threshold used to distinguish
between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes no

FREELAND COMMUNITY SCHOOL DISTRICT

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

FREELAND COMMUNITY SCHOOL DISTRICT

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

FREELAND COMMUNITY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2021

2020-001 – Program Income - Food Service Fund Balance

The USDA requires that the ending balance of the non-profit school food service fund does not exceed three months' average of operating expenses. As of June 30, 2020, the District's fund balance exceeded three months' average of operating expenses. The District has submitted its plans to reduce fund balance as required by the Michigan Department of Education. This matter is considered to be adequately resolved.

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