

Freeland
Community
School District



Year Ended
June 30, 2023

Financial
Statements and
Single Audit Act
Compliance

Rehmann

FREELAND COMMUNITY SCHOOL DISTRICT

For the Year Ended June 30, 2023

ADMINISTRATION

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Independent Auditors' Report

September 14, 2023

Board of Education
Freeland Community School District
Freeland, Michigan

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. Such information is 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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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, 2023. 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 \$26,739,543 in revenues and had \$25,153,931 in expenditures. The general fund's fund balance increased to \$6,740,019 from \$5,050,224. This was an increase of \$1,689,795.

The fund balance classifications for the general fund for the year ending June 30, 2023 are as follows: nonspendable fund balance was \$53,950, which equals the prepaids balance at year-end. Committed fund balance was \$3,652,131, or approximately 15% of the budgeted expenditures for fiscal year 2023-2024. Total assigned fund balance was \$1,876,063 was for future terminal pay and capital projects. The remaining fund balance of \$1,157,875 is unassigned.

General fund expenditures were less than the revised budget by \$1,370,183. This is a 5.17% variance from final budgeted amounts to actual amounts. Continuation of the COVID-19 pandemic continued in the 2022-2023 school year. Substitutes were needed throughout the District to cover staff absences and accounts were budgeted in excess to cover these unknown absences that did not occur. Also, supply chain and price increases with supplies and materials played a major part in budget discrepancies.

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/school 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 \$236,708 at June 30, 2023. 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, 2023 and 2022:

	Statement of Net Position	
	June 30, 2023	June 30, 2022
Assets		
Current and other assets	\$ 12,883,784	\$ 11,833,969
Capital assets, net	19,547,156	16,419,502
	<u>32,430,940</u>	<u>28,253,471</u>
Deferred outflows of resources	<u>15,136,085</u>	<u>7,960,692</u>
Liabilities		
Current and other liabilities	3,384,772	3,558,039
Net pension liability, due in more than one year	37,508,706	23,075,125
Net OPEB liability, due in more than one year	2,110,895	1,495,143
Long-term liabilities	335,996	274,189
	<u>43,340,369</u>	<u>28,402,496</u>
Deferred inflows of resources	<u>4,463,364</u>	<u>13,165,907</u>
Net position		
Net investment in capital assets	19,547,156	16,419,502
Restricted	2,055,075	2,624,050
Unrestricted (deficit)	<u>(21,838,939)</u>	<u>(24,397,792)</u>
Total net position (deficit)	<u>\$ (236,708)</u>	<u>\$ (5,354,240)</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 23% 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.

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 \$5,117,532 during the 2022-2023 school year, compared to an increase of \$3,300,011 during the 2021-2022 school year.

FREELAND COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

	Change in Net Position	
	Fiscal Year 2022-2023	Fiscal Year 2021-2022
Program revenues		
Charges for services	\$ 574,854	\$ 71,606
Operating grants and contributions	8,862,745	6,302,555
General revenues		
Property taxes	3,516,403	3,305,551
Unrestricted state aid	16,670,309	15,305,912
Other	204,844	212,570
Total revenues	<u>29,829,155</u>	<u>25,198,194</u>
Expenses		
Instruction	14,416,392	12,423,718
Supporting services	7,413,232	6,476,781
Food service	1,425,349	1,189,406
Athletics	203,931	211,935
Community service	433,210	421,745
Student school activity	566,548	458,825
Unallocated depreciation	252,961	715,773
Total expenses	<u>24,711,623</u>	<u>21,898,183</u>
Change in net position	5,117,532	3,300,011
Net position (deficit), beginning of year	<u>(5,354,240)</u>	<u>(8,654,251)</u>
Net position (deficit), end of year	<u>\$ (236,708)</u>	<u>\$ (5,354,240)</u>

The differences seen above, between 2022-2023 and 2021-2022 revenues, are mostly due to the increase in operating grants and contributions in the amount of \$2,560,190 and unrestricted state aid of \$1,364,397. These increases are due to one time MPSERS deposits that the District received and updated taxable value figures in the August State Aid payment. The increase in instruction expenses of \$1,992,674 is due to additional programs being offered with grant awards. The increase of \$936,451 in supporting services expense is due to additional service being provided due to incoming grants.

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 \$9,499,012 increased by \$1,152,672 from the previous year. The general fund which is the primary operating fund, increased by \$1,689,795. This increase is due to several projects that were planned and expected in the year but were not able to be completed due to supply chain and material delays.

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 capital projects sinking fund at June 30, 2023, was \$1,206,774. The capital projects sinking fund decreased its fund balance by \$641,967 due to a large renovation of the middle school/high school HVAC system upgrade that was started but not yet completed.

The student/school activity fund balance at June 30, 2023, was \$535,554, which increased by \$31,431 from the prior year.

The fund balance in the food service special revenue fund at June 30, 2023, was \$848,301, which is an increase of \$177,167 from the prior year. The district is preparing for a remodel in the elementary school kitchen in the upcoming school year and did not make any equipment purchases.

The last debt payment was made in May of 2020, this amount was transferred in the 22-23 school year to the general fund and the account was closed.

The property capital projects fund had a fund balance of \$168,364 at June 30, 2023. This fund was created to account for the funds assigned for planned purchases of property and only had minimal activity during the current 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 81% 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 categoricalals that will be approved by the State.

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 \$26,739,543 in revenues and had \$25,153,931 in expenditures. The general fund's fund balance increased to \$6,740,019 from \$5,050,224. The District's actual general fund expenditures were less than the revised budget by \$1,370,183, a variance of 5.2%.

FREELAND COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

The original budget for 2022-2023 was approved on June 30, 2022, and amended in February, 2023. The budget in June was amended to include all known expenditures at the actual time it was completed.

State revenue had a budget adjustment of \$2,441,730 from original to final due to several grants being awarded during the school year and taxable values being updated.

Federal revenue was under budget by \$89,164 due to planned projects that weren't completed in the 2022-2023 school year, these will be carried forward in the 2023-2024 school year.

Supporting services expenditures were under budget by \$276,750 due to grants that were approved and expected to be spent were not fully expended in the current year.

Capital outlay was under budget by \$1,012,479 due to several projects were budgeted for but not able to be completed due to material delays. Capital outlay had a budget adjustment of \$1,417,495 from original to final, the District was fully expecting all projects to be completed in the year.

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, 2023 are as follows: Nonspendable fund balance for the general fund was \$53,950, which consists of prepaids. Committed fund balance was \$3,652,131 or 15% of the budgeted expenditures for fiscal year 2023-2024. Total assigned fund balance was \$1,876,063 was assigned for future terminal pay and capital projects. The remaining fund balance of \$1,157,875 is unassigned.

The actual general fund expenditures totaled 95% 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, 2023, the District had \$19,547,156 in net capital assets including land, land improvements, buildings, vehicles, and equipment and other.

	Capital Assets (net of depreciation)	
	June 30, 2023	June 30, 2022
Land	\$ 3,802,953	\$ 139,653
Land improvements	1,951,121	1,951,121
Buildings	28,839,477	28,659,275
Vehicles	1,981,885	1,904,371
Equipment and other	8,061,049	8,011,698
Leased equipment	96,084	96,084
	<u>44,732,569</u>	<u>40,762,202</u>
Less accumulated depreciation	<u>(25,185,413)</u>	<u>(24,342,700)</u>
Total capital assets, net	<u><u>\$ 19,547,156</u></u>	<u><u>\$ 16,419,502</u></u>

FREELAND COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

The increase of \$3,127,654 from June 30, 2022 to June 30, 2023 is attributable to the current year additions of \$4,187,601, offset by the increase in accumulated depreciation of \$1,059,947. Additions during the year included the opportunity to add 2 buses, a new Ford F-250 pick up truck with a snow plow, a new football scoreboard and High School gymnasium balcony upgrades. The largest addition being the upgrade to the Middle School/High School HVAC system. A large renovation for a ASD/Cognitively Impaired classroom was also started.

Long-term Debt

Long-term debt consists of leases payable and compensated absences. The District had no other long-term debt obligation at June 30, 2023.

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 2023-2024 school year, the District budgeted a increase of \$454 per pupil in the foundation allowance. This will increase the per pupil foundation allowance to \$9,604. Additionally, the District has budgeted 2,045 pupils for the 2023-2024 school year, this is a flat budget in the student count. Management will amend the budget in January 2024 after the student count has taken place in October and a foundation allowance has been set by the State.

The membership blend for the 2023-2024 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 2023.

The Freeland Board of Education voted again to participate in schools of choice for the 2023-2024 school year. The Board approved accepting a minimum of one School of Choice student in kindergarten.

The following projects will be completed prior to the start of the 2023-2024 school year: A new track at the football stadium, visitor bleachers at the football stadium and a remodel of the ASD/Cognitively Impaired classrooms at the middle school, and resurfacing of the elementary school gym floor. The District also entered into a \$5,441,891 HVAC project with Honeywell in 2022-2023 and this project is expected to be fully completed in 2023-2024.

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. Management will enter into negotiations with the Support Staff in 2024 for a future contract.

FREELAND COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

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.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FREELAND COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,308,850
Receivables	5,494,993
Inventories	25,991
Prepays	53,950
Capital assets not being depreciated/amortized	3,802,953
Capital assets being depreciated/amortized, net	<u>15,744,203</u>
Total assets	<u>32,430,940</u>
Deferred outflows of resources	
Deferred pension amounts	12,124,935
Deferred OPEB amounts	<u>3,011,150</u>
Total deferred outflows of resources	<u>15,136,085</u>
Liabilities	
Accounts payable and accrued liabilities	3,044,643
Unearned revenue	340,129
Long-term debt:	
Due within one year	122,748
Due in more than one year	213,248
Net pension liability, due in more than one year	37,508,706
Net OPEB liability, due in more than one year	<u>2,110,895</u>
Total liabilities	<u>43,340,369</u>
Deferred inflows of resources	
Deferred pension amounts	151,153
Deferred OPEB amounts	<u>4,312,211</u>
Total deferred inflows of resources	<u>4,463,364</u>
Net position	
Net investment in capital assets	19,547,156
Restricted for:	
Capital projects - sinking fund	1,206,774
Food service	848,301
Unrestricted (deficit)	<u>(21,838,939)</u>
Total net position (deficit)	<u>\$ (236,708)</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, 2023

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 14,416,392	\$ 3,100	\$ 7,735,205	\$ (6,678,087)
Supporting services	7,413,232	-	-	(7,413,232)
Food service	1,425,349	459,650	529,561	(436,138)
Athletics	203,931	105,923	-	(98,008)
Community service	433,210	6,181	-	(427,029)
Student/school activity	566,548	-	597,979	31,431
Unallocated depreciation	252,961	-	-	(252,961)
Total	\$ 24,711,623	\$ 574,854	\$ 8,862,745	(15,274,024)
General revenues:				
Property taxes				3,516,403
Unrestricted state aid				16,670,309
Grants and contributions not restricted to specific programs				193,214
Unrestricted investment earnings				11,630
Total general revenues				20,391,556
Change in net position				5,117,532
Net position (deficit), beginning of year				(5,354,240)
Net position (deficit), end of year				\$ (236,708)

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, 2023

	General Fund	Capital Projects Sinking Fund	Nonmajor Governmental Funds	Totals
Assets				
Cash and cash equivalents	\$ 4,107,226	\$ 1,652,381	\$ 1,549,243	\$ 7,308,850
Due from other funds	-	-	21,394	21,394
Due from other governmental units	5,480,502	-	14,491	5,494,993
Inventories	-	-	25,991	25,991
Prepays	53,950	-	-	53,950
Total assets	<u>\$ 9,641,678</u>	<u>\$ 1,652,381</u>	<u>\$ 1,611,119</u>	<u>\$ 12,905,178</u>
Liabilities				
Accounts payable	\$ 456,422	\$ 445,607	\$ 36,665	\$ 938,694
Salaries payable	1,062,714	-	-	1,062,714
Accrued liabilities	1,043,235	-	-	1,043,235
Due to other funds	21,394	-	-	21,394
Unearned revenue	317,894	-	22,235	340,129
Total liabilities	<u>2,901,659</u>	<u>445,607</u>	<u>58,900</u>	<u>3,406,166</u>
Fund balances				
Nonspendable	53,950	-	25,991	79,941
Restricted	-	1,206,774	822,310	2,029,084
Committed	3,652,131	-	535,554	4,187,685
Assigned	1,876,063	-	168,364	2,044,427
Unassigned	1,157,875	-	-	1,157,875
Total fund balances	<u>6,740,019</u>	<u>1,206,774</u>	<u>1,552,219</u>	<u>9,499,012</u>
Total liabilities and fund balances	<u>\$ 9,641,678</u>	<u>\$ 1,652,381</u>	<u>\$ 1,611,119</u>	<u>\$ 12,905,178</u>

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, 2023

Fund balances - total governmental funds	\$ 9,499,012
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Capital assets not being depreciated	3,802,953
Capital assets being depreciated, net	15,744,203
<p>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.</p>	
Net pension liability	(37,508,706)
Net OPEB liability	(2,110,895)
Deferred inflows related to the net pension liability	(151,153)
Deferred inflows related to the net OPEB liability	(4,312,211)
Deferred outflows related to the net pension liability	12,124,935
Deferred outflows related to the net OPEB liability	3,011,150
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>	
Lease payable	(44,738)
Compensated absences	(291,258)
Net position (deficit) of governmental activities	<u>\$ (236,708)</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, 2023

	General Fund	Capital Projects Sinking Fund	Nonmajor Governmental Funds	Totals
Revenues				
Local sources:				
Taxes	\$ 2,019,058	\$ 1,497,345	\$ -	\$ 3,516,403
Food service	-	-	459,650	459,650
Transfers from other districts	510,626	-	-	510,626
Interest	6,553	2,662	2,415	11,630
Other	308,418	-	602,630	911,048
State sources:				
State school aid, unrestricted	16,670,309	-	-	16,670,309
Restricted grants	5,009,620	-	21,394	5,031,014
Federal sources	2,214,959	-	503,516	2,718,475
Total revenues	26,739,543	1,500,007	1,589,605	29,829,155
Expenditures				
Current:				
Instruction	15,119,635	-	-	15,119,635
Supporting services	7,334,344	-	-	7,334,344
Food service activities	-	-	805,180	805,180
Community services	523,741	-	-	523,741
Student/school activity	-	-	566,548	566,548
Capital outlay	2,176,211	2,141,974	8,850	4,327,035
Total expenditures	25,153,931	2,141,974	1,380,578	28,676,483
Revenues over (under) expenditures	1,585,612	(641,967)	209,027	1,152,672
Other financing sources (uses)				
Transfers in	104,183	-	-	104,183
Transfers out	-	-	(104,183)	(104,183)
Total other financing sources (uses)	104,183	-	(104,183)	-
Net change in fund balances	1,689,795	(641,967)	104,844	1,152,672
Fund balances, beginning of year	5,050,224	1,848,741	1,447,375	8,346,340
Fund balances, end of year	\$ 6,740,019	\$ 1,206,774	\$ 1,552,219	\$ 9,499,012

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, 2023

Net change in fund balances - total governmental funds \$ 1,152,672

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	4,187,601
Depreciation/amortization expense	(1,059,947)

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.

Principal payments on lease payable	25,672
Change in net pension liability and related deferred amounts	(593,779)
Change in net OPEB liability and related deferred amounts	1,422,382
Change in the accrual for compensated absences	(17,069)

Change in net position of governmental activities \$ 5,117,532

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 2,645,176	\$ 2,805,706	\$ 2,844,655	\$ 38,949
State sources	19,312,444	21,754,174	21,679,929	(74,245)
Federal sources	3,005,399	2,125,795	2,214,959	89,164
Total revenues	<u>24,963,019</u>	<u>26,685,675</u>	<u>26,739,543</u>	<u>53,868</u>
Expenditures				
Current:				
Instruction	14,867,627	15,189,348	15,119,635	(69,713)
Supporting services	7,685,707	7,611,094	7,334,344	(276,750)
Community services	486,436	534,982	523,741	(11,241)
Capital outlay	1,771,195	3,188,690	2,176,211	(1,012,479)
Total expenditures	<u>24,810,965</u>	<u>26,524,114</u>	<u>25,153,931</u>	<u>(1,370,183)</u>
Other financing sources				
Transfers in	-	-	(104,183)	(104,183)
Net change in fund balance	152,054	161,561	1,689,795	1,528,234
Fund balance, beginning of year	<u>5,050,224</u>	<u>5,050,224</u>	<u>5,050,224</u>	-
Fund balance, end of year	<u>\$ 5,202,278</u>	<u>\$ 5,211,785</u>	<u>\$ 6,740,019</u>	<u>\$ 1,528,234</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, 2023.

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 capital projects sinking 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.

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.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

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 *capital projects sinking fund* is used to account for property tax millage specific for the expenditure for the acquisition or construction of capital assets.

Additionally, the District reports the following fund types:

The *special revenue funds* are 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 fund* is 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.

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.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to 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 assets 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.

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.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

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.

Deferred Inflows of Resources

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.

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.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to the net pension and OPEB liabilities.

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 81% of the District's general fund revenue during the current fiscal year.

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.

4. DEPOSITS

Following is a reconciliation of cash and cash equivalents as shown on the Statement of Net Position as of June 30, 2023.

Statement of Net Position	
Cash and cash equivalents	<u>\$ 7,308,850</u>
Deposits	\$ 7,308,700
Cash on hand	<u>150</u>
Total	<u>\$ 7,308,850</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.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

- 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.
- 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, \$7,495,718 of the District's bank balance of \$7,745,718 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, 2023, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated/amortized:					
Land	\$ 54,500	\$ -	\$ -	\$ -	\$ 54,500
Construction in progress	85,153	3,748,453	-	(85,153)	3,748,453
	<u>139,653</u>	<u>3,748,453</u>	<u>-</u>	<u>(85,153)</u>	<u>3,802,953</u>
Capital assets being depreciated/amortized:					
Land improvements	1,951,121	-	-	-	1,951,121
Buildings	28,659,275	95,049	-	85,153	28,839,477
Vehicles	1,904,371	294,748	(217,234)	-	1,981,885
Equipment and other	8,011,698	49,351	-	-	8,061,049
Leased equipment (Note 9)	96,084	-	-	-	96,084
	<u>40,622,549</u>	<u>439,148</u>	<u>(217,234)</u>	<u>85,153</u>	<u>40,929,616</u>
Less accumulated depreciation/amortization for:					
Land improvements	(1,314,189)	(102,486)	-	-	(1,416,675)
Buildings	(15,772,647)	(616,857)	-	-	(16,389,504)
Vehicles	(1,371,061)	(133,626)	217,234	-	(1,287,453)
Equipment and other	(5,852,775)	(171,773)	-	-	(6,024,548)
Leased equipment (Note 9)	(32,028)	(35,205)	-	-	(67,233)
	<u>(24,342,700)</u>	<u>(1,059,947)</u>	<u>217,234</u>	<u>-</u>	<u>(25,185,413)</u>
Capital assets being depreciated/amortized, net	<u>16,279,849</u>	<u>(620,799)</u>	<u>-</u>	<u>85,153</u>	<u>15,744,203</u>
Governmental activities capital assets, net	<u>\$ 16,419,502</u>	<u>\$ 3,127,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,547,156</u>

Depreciation/amortization expense was charged to functions / programs as follows:

Governmental activities:	
Supporting services - transportation	\$ 190,790
Food service	499,602
Athletics	116,594
Unallocated	<u>252,961</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 1,059,947</u>

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2023, for the District, are as follows:

	General Fund	Capital Projects Sinking Fund	Nonmajor Funds	Total
Fund financial statements:				
Accounts payable	\$ 456,422	\$ 445,607	\$ 36,665	\$ 938,694
Salaries payable	1,062,714	-	-	1,062,714
Accrued liabilities	1,043,235	-	-	1,043,235
Total accounts payable and accrued liabilities	\$ 2,562,371	\$ 445,607	\$ 36,665	\$ 3,044,643

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, 2023, the District's interfund receivables and payables in the fund financial statements consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 21,394
Nonmajor special revenue fund	21,394	-
	<u>\$ 21,394</u>	<u>\$ 21,394</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, 2023, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 104,183	\$ -
Nonmajor funds	-	104,183
	<u>\$ 104,183</u>	<u>\$ 104,183</u>

The transfer out of nonmajor funds to general fund is due to closing the Debt Service Refunding Bond Fund.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

9. LEASES

Lessee - The District is involved in five agreements as a lessee that qualify as long-term lease agreements. Below is a summary of the nature of these agreements. These agreements qualify as intangible, right-to-use assets and not financed purchases, as the District will not own the asset at the end of the contract term and the noncancelable term of the agreement surpasses one year.

The right-of-use assets and the related activity are included in Note 6, Capital Assets. The lease liability and related activity are presented in Note 10, Long-Term Debt.

Asset Type	Remaining Term of
Equipment	2 to 3 years

The assets acquired through leases in governmental activities are summarized as follows:

Equipment	\$ 96,084
Less accumulated depreciation/amortization	<u>(67,233)</u>
Net book value	<u><u>\$ 28,851</u></u>

The future minimum payments as of year end were as follows:

Year Ended June 30,	Principal
2024	\$ 14,426
2025	<u>14,426</u>
Total	<u><u>\$ 28,851</u></u>

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

10. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 274,189	\$ 27,615	\$ (10,546)	\$ 291,258	\$ 97,076
Lease payable (Note 9)	70,410	-	(25,672)	44,738	25,672
	<u>\$ 344,599</u>	<u>\$ 27,615</u>	<u>\$ (36,218)</u>	<u>\$ 335,996</u>	<u>\$ 122,748</u>

Compensated absences are generally liquidated by the general fund.

11. COMMITMENTS AND CONTINGENCIES

The District entered into a contract with Honeywell on June 28, 2022 for improvements to the HVAC system at the high school and other energy conservation projects throughout the District. The remaining outstanding commitment at June 30, 2023 is \$2,020,991. This will be paid for with ESSER money and sinking fund.

The District entered into an agreement with Wobig on January 6, 2023 for the material, installation of the High School football visitor bleachers and press box platform for \$458,400. The District also had a remaining outstanding balance of \$92,597 for the addition of the high school/classroom conversion.

The District entered into an agreement with Star Trec Enterprise for replacement of the track surface for \$183,000.

12. 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.

13. 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.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

14. 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).

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.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

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 MPERS 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.

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.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

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, 2021 valuation will be amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	20.14% - 20.16%
Member Investment Plan (MIP)	3.00% - 7.00%	20.14% - 20.16%
Pension Plus	3.00% - 6.40%	17.22% - 17.24%
Pension Plus 2	6.20%	19.93% - 19.95%
Defined Contribution	0.00%	13.73% - 13.75%

For the year ended June 30, 2023, required and actual contributions from the District to the pension plan were \$4,509,993, which included \$2,686,205, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate. In addition, the District had additional contributions of \$988,641, which was a one-time, state payment toward the MPSERS unfunded liability.

The table below summarizes OPEB contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.07% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.21% - 7.23%

For the year ended June 30, 2023, required and actual contributions from the District to the OPEB plan were \$764,528.

The table below summarizes defined contribution rates in effect for fiscal year 2023:

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, 2023, required and actual contributions from the District for those members with a defined contribution benefit were \$112,974.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

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

At June 30, 2023, the District reported a liability of \$37,508,706 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the District's proportion was 0.09973% which was an increase of 0.00227% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$5,045,814. At June 30, 2023, 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	\$ 375,218	\$ 83,865	\$ 291,353
Changes in assumptions	6,445,340	-	6,445,340
Net difference between projected and actual earnings on pension plan investments	87,958	-	87,958
Changes in proportion and differences between employer contributions and proportionate share of contributions	966,986	67,288	899,698
	<u>7,875,502</u>	<u>151,153</u>	<u>7,724,349</u>
District contributions subsequent to the measurement date	4,249,433	-	4,249,433
Total	<u><u>\$ 12,124,935</u></u>	<u><u>\$ 151,153</u></u>	<u><u>\$ 11,973,782</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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
2024	\$ 2,345,065
2025	1,744,585
2026	1,426,923
2027	<u>2,207,776</u>
Total	<u><u>\$ 7,724,349</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, 2023, the District reported a liability of \$2,110,895 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the District’s proportion was 0.09966% which was an increase of 0.00171% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense (benefit) of \$(703,177). At June 30, 2023, 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	\$ -	\$ 4,134,435	\$ (4,134,435)
Changes in assumptions	1,881,509	153,203	1,728,306
Net difference between projected and actual earnings on OPEB plan investments	164,983	-	164,983
Changes in proportion and differences between employer contributions and proportionate share of contributions	309,579	24,573	285,006
	<u>2,356,071</u>	<u>4,312,211</u>	<u>(1,956,140)</u>
District contributions subsequent to the measurement date	655,079	-	655,079
Total	<u>\$ 3,011,150</u>	<u>\$ 4,312,211</u>	<u>\$ (1,301,061)</u>

The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. 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
2024	\$ (696,659)
2025	(640,669)
2026	(577,985)
2027	(19,476)
2028	(24,328)
Thereafter	<u>2,977</u>
Total	<u>\$ (1,956,140)</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, 2021 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:	
MIP and Basic plans (non-hybrid)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
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	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% 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, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2022, are based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.3922 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2250 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions. The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, 6.00% for the Pension Plus Plan, and 6.00% for OPEB.

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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate
Domestic equity pools	25.00%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	-0.19%	-0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short-term investment pools	<u>2.00%</u>	-0.47%	<u>-0.01%</u>
	<u>100.00%</u>		4.67%
Inflation			2.20%
Risk adjustment			<u>-0.87%</u>
Investment rate of return			<u><u>6.00%</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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate
Domestic equity pools	25.00%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	-0.19%	-0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short-term investment pools	2.00%	-0.47%	-0.01%
	<u>100.00%</u>		4.67%
Inflation			2.20%
Risk adjustment			<u>-0.87%</u>
Investment rate of return			<u><u>6.00%</u></u>

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was -4.18% and -4.99%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. 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.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

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 6.00%, 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 (5.00%)	Current Discount Rate	1% Increase (7.00%)
District's proportionate share of the net pension liability	\$ 49,497,558	\$ 37,508,706	\$ 27,629,353

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 6.00%, 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 (5.00%)	Current Discount Rate	1% Increase (7.00%)
District's proportionate share of the net OPEB liability	\$ 3,540,825	\$ 2,110,895	\$ 906,718

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	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 883,942	\$ 2,110,895	\$ 3,488,174

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, 2023, the District reported a payable of \$510,190 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2023.

Payable to the OPEB Plan

At June 30, 2023, the District reported a payable of \$84,597 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2023.

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

15. 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.

16. 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	Capital Projects Sinking Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventories	\$ -	\$ -	\$ 25,991	\$ 25,991
Prepays	53,950	-	-	53,950
Total nonspendable	53,950	-	25,991	79,941
Restricted for:				
Food service program	-	-	822,310	822,310
Capital projects	-	1,206,774	-	1,206,774
Total restricted	-	1,206,774	822,310	2,029,084
Committed for:				
Budget stabilization	3,652,131	-	-	3,652,131
Student/school activity	-	-	535,554	535,554
Total committed	3,652,131	-	535,554	4,187,685
Assigned for:				
Future terminal pay	274,189	-	-	274,189
Capital projects	1,601,874	-	168,364	1,770,238
Total assigned	1,876,063	-	168,364	2,044,427
Unassigned	1,157,875	-	-	1,157,875
Total fund balances - governmental funds	\$ 6,740,019	\$ 1,206,774	\$ 1,552,219	\$ 9,499,012

FREELAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

17. 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 \$1,703,928 during 2023 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, Coronavirus State and Local Fiscal Recovery Fund (SLFRF) program authorized by the American Rescue Plan Act and other funding sources.

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.



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,			
	2023	2022	2021	2020
District's proportionate share of the net pension liability	\$ 37,508,706	\$ 23,075,125	\$ 32,934,713	\$ 31,214,332
District's proportion of the net pension liability	0.09973%	0.09746%	0.09588%	0.09426%
District's covered payroll	\$ 9,596,108	\$ 8,791,404	\$ 8,470,921	\$ 8,425,249
District's proportionate share of the net pension liability as a percentage of its covered payroll	390.87%	262.47%	388.80%	370.49%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%	60.31%

See notes to required supplementary information.



Year Ended June 30,				
2019	2018	2017	2016	2015
\$ 27,918,365	\$ 23,620,625	\$ 22,453,879	\$ 21,994,636	\$ 19,321,648
0.09287%	0.09115%	0.09000%	0.09005%	0.08772%
\$ 7,967,596	\$ 7,645,342	\$ 7,551,294	\$ 7,533,723	\$ 7,542,697
350.40%	308.95%	297.35%	291.95%	256.16%
64.21%	64.21%	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,			
	2023	2022	2021	2020
Statutorily required contribution	\$ 3,521,352	\$ 3,299,333	\$ 2,897,317	\$ 2,632,416
Contributions in relation to the statutorily required contribution	(3,521,352)	(3,299,333)	(2,897,317)	(2,632,416)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,620,098	\$ 9,374,985	\$ 8,779,716	\$ 8,607,754
Contributions as a percentage of covered payroll	36.60%	35.19%	33.00%	30.58%

See notes to required supplementary information.



Year Ended June 30,				
2019	2018	2017	2016	2015
\$ 2,491,226	\$ 2,420,880	\$ 2,121,581	\$ 2,042,056	\$ 2,335,303
<u>(2,491,226)</u>	<u>(2,420,880)</u>	<u>(2,121,581)</u>	<u>(2,042,056)</u>	<u>(2,335,303)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,283,286	\$ 8,089,650	\$ 7,772,332	\$ 7,533,910	\$ 7,602,594
30.89%	29.93%	27.30%	27.03%	30.72%

FREELAND COMMUNITY SCHOOL DISTRICT

Required Supplementary Information

MPERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,					
	2023	2022	2021	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 2,110,895	\$ 1,495,143	\$ 5,146,758	\$ 6,757,189	\$ 7,455,971	\$ 8,038,742
District's proportion of the net OPEB liability	0.09966%	0.09795%	0.09607%	0.09414%	0.09380%	0.09078%
District's covered payroll	\$ 9,596,108	\$ 8,791,404	\$ 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	22.00%	17.01%	60.76%	84.81%	93.58%	105.15%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%	59.44%	48.46%	36.39%	36.39%

See notes to required supplementary information

FREELAND COMMUNITY SCHOOL DISTRICT

Required Supplementary Information

MPERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,					
	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 764,528	\$ 746,291	\$ 722,245	\$ 700,712	\$ 673,402	\$ 617,863
Contributions in relation to the statutorily required contribution	<u>(764,528)</u>	<u>(746,291)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,620,098	\$ 9,374,985	\$ 8,779,716	\$ 8,607,754	\$ 8,283,286	\$ 8,089,650
Contributions as a percentage of covered payroll	7.95%	7.96%	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:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 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 date 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:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 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, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	Original Budget	Final Budget	2023 Actual	Actual Over (Under) Final Budget	2022 Actual
Revenues					
Local sources:					
Taxes	\$ 2,048,626	\$ 2,091,919	\$ 2,019,058	\$ (72,861)	\$ 1,901,866
Transfers from other districts	431,000	452,355	510,626	58,271	571,185
Interest	550	5,440	6,553	1,113	350
Other	165,000	255,992	308,418	52,426	212,006
	<u>2,645,176</u>	<u>2,805,706</u>	<u>2,844,655</u>	<u>38,949</u>	<u>2,685,407</u>
State sources:					
State school aid, unrestricted	16,063,424	16,227,711	16,670,309	442,598	15,305,912
Special education	440,000	764,740	494,220	(270,520)	479,768
State school aid, restricted	2,809,020	4,761,723	4,515,400	(246,323)	2,423,169
	<u>19,312,444</u>	<u>21,754,174</u>	<u>21,679,929</u>	<u>(74,245)</u>	<u>18,208,849</u>
Federal sources:					
Title I	112,457	134,459	114,459	(20,000)	112,457
Title II	35,000	43,779	43,784	5	52,075
Title IV	10,000	25,618	19,227	(6,391)	10,000
Special education	367,097	308,706	308,706	-	322,186
ESSER	2,472,676	1,498,893	1,599,588	100,695	118,241
Other federal sources	8,169	114,340	129,195	14,855	145,838
	<u>3,005,399</u>	<u>2,125,795</u>	<u>2,214,959</u>	<u>89,164</u>	<u>760,797</u>
Total revenues	<u>\$ 24,963,019</u>	<u>\$ 26,685,675</u>	<u>\$ 26,739,543</u>	<u>\$ 53,868</u>	<u>\$ 21,655,053</u>

continued...

FREELAND COMMUNITY SCHOOL DISTRICT

Detailed Schedule of Revenues and Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	Original Budget	Final Budget	2023 Actual	Actual Over (Under) Final Budget	2022 Actual
Expenditures					
Instruction:					
Basic programs:					
Elementary:					
Salaries	\$ 3,681,196	\$ 3,406,209	\$ 3,398,555	\$ (7,654)	\$ 3,343,139
Employee benefits	2,699,044	3,204,691	3,250,039	45,348	2,602,990
Purchased services	88,500	114,400	117,049	2,649	133,493
Supplies and materials	196,697	222,242	177,430	(44,812)	141,061
	<u>6,665,437</u>	<u>6,947,542</u>	<u>6,943,073</u>	<u>(4,469)</u>	<u>6,220,683</u>
Middle-High School:					
Salaries	2,560,548	2,514,434	2,486,509	(27,925)	2,406,413
Employee benefits	1,752,054	2,205,398	2,231,831	26,433	1,750,151
Purchased services	1,215,725	1,013,132	1,036,668	23,536	1,059,652
Supplies and materials	198,035	293,672	263,442	(30,230)	68,805
	<u>5,726,362</u>	<u>6,026,636</u>	<u>6,018,450</u>	<u>(8,186)</u>	<u>5,285,021</u>
Total basic programs	<u>12,391,799</u>	<u>12,974,178</u>	<u>12,961,523</u>	<u>(12,655)</u>	<u>11,505,704</u>
Added needs:					
Special Education:					
Salaries	1,012,148	1,043,941	1,044,194	253	1,035,965
Employee benefits	657,615	716,830	694,179	(22,651)	658,034
Purchased services	387,750	19,301	33,181	13,880	321,147
Supplies and materials	8,340	12,125	9,052	(3,073)	2,668
	<u>2,065,853</u>	<u>1,792,197</u>	<u>1,780,606</u>	<u>(11,591)</u>	<u>2,017,814</u>
Compensatory education:					
Salaries	164,833	179,629	153,784	(25,845)	148,116
Employee benefits	99,034	101,850	82,111	(19,739)	85,785
Supplies and materials	-	-	-	-	58
	<u>263,867</u>	<u>281,479</u>	<u>235,895</u>	<u>(45,584)</u>	<u>233,959</u>
Vocational education:					
Salaries	83,000	79,000	79,405	405	78,662
Employee benefits	58,908	57,294	57,246	(48)	54,360
Purchased services	1,000	500	-	(500)	-
Supplies and materials	3,200	4,700	4,960	260	3,918
	<u>146,108</u>	<u>141,494</u>	<u>141,611</u>	<u>117</u>	<u>136,940</u>
Total added needs	<u>2,475,828</u>	<u>2,215,170</u>	<u>2,158,112</u>	<u>(57,058)</u>	<u>2,388,713</u>
Total Instruction	<u>14,867,627</u>	<u>15,189,348</u>	<u>15,119,635</u>	<u>(69,713)</u>	<u>13,894,417</u>

continued...

FREELAND COMMUNITY SCHOOL DISTRICT

Detailed Schedule of Revenues and Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	Original Budget	Final Budget	2023 Actual	Actual Over (Under) Final Budget	2022 Actual
Expenditures (continued)					
Supporting services:					
Pupil services:					
Salaries	\$ 385,817	\$ 458,712	\$ 476,493	\$ 17,781	\$ 432,865
Employee benefits	274,023	301,211	306,909	5,698	267,244
Purchased services	382,647	89,701	101,352	11,651	411,598
Supplies and materials	67,100	-	45	45	2,939
	<u>1,109,587</u>	<u>849,624</u>	<u>884,799</u>	<u>35,175</u>	<u>1,114,646</u>
Instructional staff:					
Salaries	310,634	323,936	316,504	(7,432)	287,009
Employee benefits	208,464	168,002	174,565	6,563	162,195
Purchased services	80,000	52,500	58,698	6,198	50,771
Supplies and materials	2,200	12,157	5,799	(6,358)	1,408
	<u>601,298</u>	<u>556,595</u>	<u>555,566</u>	<u>(1,029)</u>	<u>501,383</u>
General administration:					
Salaries	211,414	245,552	244,030	(1,522)	196,764
Employee benefits	113,892	184,983	185,104	121	145,805
Purchased services	64,800	39,150	33,806	(5,344)	25,060
Supplies and materials	2,500	4,224	4,395	171	1,685
Other expenditure	32,850	34,850	31,807	(3,043)	28,813
	<u>425,456</u>	<u>508,759</u>	<u>499,142</u>	<u>(9,617)</u>	<u>398,127</u>
School administration:					
Salaries	483,460	502,348	502,348	-	473,981
Employee benefits	314,617	463,551	460,550	(3,001)	305,707
Purchased services	213,480	241,236	217,161	(24,075)	160,623
Supplies and materials	6,700	6,808	8,863	2,055	5,015
Other expenditure	5,896	4,212	4,211	(1)	4,050
	<u>1,024,153</u>	<u>1,218,155</u>	<u>1,193,133</u>	<u>(25,022)</u>	<u>949,376</u>
Business services:					
Fiscal services:					
Salaries	89,258	92,258	92,258	-	87,508
Employee benefits	63,078	67,246	67,246	-	63,191
Purchased services	60,250	59,200	55,667	(3,533)	53,321
Supplies and materials	2,500	4,000	3,526	(474)	1,416
Other expenditure	600	170	170	-	340
	<u>215,686</u>	<u>222,874</u>	<u>218,867</u>	<u>(4,007)</u>	<u>205,776</u>
Other business services:					
Purchased services	18,350	33,686	33,651	(35)	28,010
Other expenditure	20,000	20,000	10,759	(9,241)	10,852
	<u>38,350</u>	<u>53,686</u>	<u>44,410</u>	<u>(9,276)</u>	<u>38,862</u>
Total business services	<u>254,036</u>	<u>276,560</u>	<u>263,277</u>	<u>(13,283)</u>	<u>244,638</u>

continued...

FREELAND COMMUNITY SCHOOL DISTRICT

Detailed Schedule of Revenues and Expenditures

Budget and Actual - General Fund

For the Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	Original Budget	Final Budget	2023 Actual	Actual Over (Under) Final Budget	2022 Actual
Expenditures (continued)					
Supporting services (concluded):					
Operation and maintenance:					
Salaries	\$ 428,846	\$ 384,940	\$ 382,771	\$ (2,169)	\$ 405,996
Employee benefits	317,818	336,852	332,163	(4,689)	320,858
Purchased services	587,652	718,675	663,964	(54,711)	549,412
Supplies and materials	464,000	586,800	544,045	(42,755)	537,296
	<u>1,798,316</u>	<u>2,027,267</u>	<u>1,922,943</u>	<u>(104,324)</u>	<u>1,813,562</u>
Transportation services:					
Salaries	166,396	150,964	147,528	(3,436)	162,750
Employee benefits	91,710	80,720	77,249	(3,471)	88,549
Purchased services	395,353	318,005	354,692	36,687	257,464
Supplies and materials	150,250	260,000	244,509	(15,491)	191,658
Other expenditure	400	160	160	-	7,500
	<u>804,109</u>	<u>809,849</u>	<u>824,138</u>	<u>14,289</u>	<u>707,921</u>
Central services:					
Salaries	143,576	147,496	147,496	-	135,151
Employee benefits	98,249	91,756	93,129	1,373	74,433
Purchased services	229,167	219,382	185,136	(34,246)	208,850
Supplies and materials	45,000	159,372	69,896	(89,476)	51,466
Other expenditure	1,016,400	624,420	573,911	(50,509)	379,297
	<u>1,532,392</u>	<u>1,242,426</u>	<u>1,069,568</u>	<u>(172,858)</u>	<u>849,197</u>
Other supporting services:					
Salaries	11,502	18,505	18,491	(14)	15,002
Employee benefits	5,858	9,609	9,589	(20)	7,512
Purchased services	119,000	93,745	93,698	(47)	97,945
	<u>136,360</u>	<u>121,859</u>	<u>121,778</u>	<u>(81)</u>	<u>120,459</u>
Total supporting services	<u>7,685,707</u>	<u>7,611,094</u>	<u>7,334,344</u>	<u>(276,750)</u>	<u>6,699,309</u>
Community services:					
Salaries	81,507	83,932	83,582	(350)	75,599
Employee benefits	56,529	58,617	58,612	(5)	53,914
Purchased services	276,900	318,733	313,595	(5,138)	289,864
Supplies and materials	50,300	50,300	45,089	(5,211)	60,376
Equipment	-	-	-	-	10,500
Other expenditure	21,200	23,400	22,863	(537)	20,264
Total community services	<u>486,436</u>	<u>534,982</u>	<u>523,741</u>	<u>(11,241)</u>	<u>510,517</u>

continued...

FREELAND COMMUNITY SCHOOL DISTRICT

Detailed Schedule of Revenues and Expenditures

Budget and Actual - General Fund
 For the Year Ended June 30, 2023
 (With Comparative Totals for the Year Ended June 30, 2022)

	Original Budget	Final Budget	2023 Actual	Actual Over (Under) Final Budget	2022 Actual
Expenditures (concluded)					
Capital outlay:					
Instruction:					
Middle-high school	\$ 15,000	\$ 9,626	\$ 9,626	\$ -	\$ 69,159
Supporting services:					
Central services	1,598,195	2,360,544	1,428,025	(932,519)	47,796
Operation and maintenance	45,000	581,761	501,801	(79,960)	18,920
Transportation services	113,000	236,759	236,759	-	102,088
	<u>1,771,195</u>	<u>3,188,690</u>	<u>2,176,211</u>	<u>(1,012,479)</u>	<u>237,963</u>
Total capital outlay					
	<u>1,771,195</u>	<u>3,188,690</u>	<u>2,176,211</u>	<u>(1,012,479)</u>	<u>237,963</u>
Total expenditures	<u>\$ 24,810,965</u>	<u>\$ 26,524,114</u>	<u>\$ 25,153,931</u>	<u>\$ (1,370,183)</u>	<u>\$ 21,342,206</u>

concluded

FREELAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023

	Special Revenue		Debt Service	Capital Projects	Totals
	Student/School Activity Fund	Food Service	Refunding Bond Fund	Property	
Assets					
Cash and cash equivalents	\$ 535,554	\$ 845,325	\$ -	\$ 168,364	\$ 1,549,243
Due from other funds	-	21,394	-	-	21,394
Due from other governmental units	-	14,491	-	-	14,491
Inventories	-	25,991	-	-	25,991
Total assets	<u>\$ 535,554</u>	<u>\$ 907,201</u>	<u>\$ -</u>	<u>\$ 168,364</u>	<u>\$ 1,611,119</u>
Liabilities					
Accounts payable	\$ -	\$ 36,665	\$ -	\$ -	\$ 36,665
Unearned revenue	-	22,235	-	-	22,235
Total liabilities	<u>-</u>	<u>58,900</u>	<u>-</u>	<u>-</u>	<u>58,900</u>
Fund balances					
Nonspendable	-	25,991	-	-	25,991
Restricted	-	822,310	-	-	822,310
Committed	535,554	-	-	-	535,554
Assigned	-	-	-	168,364	168,364
Total fund balances	<u>\$ 535,554</u>	<u>\$ 848,301</u>	<u>\$ -</u>	<u>\$ 168,364</u>	<u>\$ 1,552,219</u>

FREELAND COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures

and Changes in Fund Balances - Nonmajor Governmental Funds

For the Year Ended June 30, 2023

	Special Revenue		Debt Service	Capital Projects	Totals
	Student/School Activity Fund	Food Service Fund	Refunding Bond Fund	Property Fund	
Revenues					
Local sources:					
Food service	\$ -	\$ 459,650	\$ -	\$ -	\$ 459,650
Interest	-	1,986	8	421	2,415
Other	597,979	4,651	-	-	602,630
State sources:					
Restricted grants	-	21,394	-	-	21,394
Federal sources	-	503,516	-	-	503,516
Total revenues	597,979	991,197	8	421	1,589,605
Expenditures					
Current:					
Salaries	-	-	-	-	-
Employee benefits	-	-	-	-	-
Purchased services	-	714,207	-	-	714,207
Supplies and materials	-	84,236	-	-	84,236
Other expense	-	6,737	-	-	6,737
Student/school activity	566,548	-	-	-	566,548
Capital outlay	-	8,850	-	-	8,850
Total expenditures	566,548	814,030	-	-	1,380,578
Other financing uses					
Transfers out	-	-	(104,183)	-	(104,183)
Net change in fund balances	31,431	177,167	(104,175)	421	104,844
Fund balances, beginning of year	504,123	671,134	104,175	167,943	1,447,375
Fund balances, end of year	\$ 535,554	\$ 848,301	\$ -	\$ 168,364	\$ 1,552,219

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Other	\$ 466,019	\$ 566,500	\$ 597,979	\$ 31,479
Expenditures				
Current:				
Student/school activity	<u>416,898</u>	<u>572,300</u>	<u>566,548</u>	<u>(5,752)</u>
Net change in fund balance	49,121	(5,800)	31,431	37,231
Fund balance, beginning of year	<u>504,123</u>	<u>504,123</u>	<u>504,123</u>	<u>-</u>
Fund balance, end of year	<u>\$ 553,244</u>	<u>\$ 498,323</u>	<u>\$ 535,554</u>	<u>\$ 37,231</u>

FREELAND COMMUNITY SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Food Service Special Revenue Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Food service	\$ 414,300	\$ 426,200	\$ 459,650	\$ 33,450
Interest	50	1,635	1,986	351
Other	2,000	3,600	4,651	1,051
State Sources:				
Restricted grants	37,000	26,072	21,394	(4,678)
Federal Sources	257,500	478,373	503,516	25,143
Total revenues	<u>710,850</u>	<u>935,880</u>	<u>991,197</u>	<u>55,317</u>
Expenditures				
Current:				
Purchased services	860,000	753,000	714,207	(38,793)
Supplies and materials	71,000	76,311	84,236	7,925
Other expense	15,000	10,029	6,737	(3,292)
Capital outlay	500,000	8,850	8,850	-
Total expenditures	<u>1,446,000</u>	<u>848,190</u>	<u>814,030</u>	<u>(34,160)</u>
Net change in fund balance	(735,150)	87,690	177,167	89,477
Fund balance, beginning of year	<u>671,134</u>	<u>671,134</u>	<u>671,134</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (64,016)</u></u>	<u><u>\$ 758,824</u></u>	<u><u>\$ 848,301</u></u>	<u><u>\$ 89,477</u></u>

SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

September 14, 2023

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, 2023, 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, 2023, 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



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FREELAND COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

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):				
Summer Feeding School Program				
SSO - Breakfast	10.553	MDE	221971	\$ 8,742
SSO - Breakfast	10.553	MDE	221970	46,182
National School Lunch - entitlement	10.555	MDE	38120	75,456
SSO - Lunch	10.555	MDE	211961	36,445
SSO - Lunch	10.555	MDE	221960	297,043
SSO - Lunch	10.555	MDE	221980	242
SSO - Supply Chain	10.555	MDE	220910	39,295
SSO - Supply Chain	10.555	MDE	230910	22,193
Summer Food Service Program (SFSP)	10.559	MDE	220904	3,387
Summer Food Service Program (SFSP)	10.559	MDE	220900	23,345
Total Child Nutrition Cluster				
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I, Part A - Carryover	84.010	MDE	211530-2122	112,457
Title I, Part A - Regular	84.010	MDE	231530-2223	114,459
Special Education Cluster (IDEA):				
IDEA Special Education Grants	84.027A	SISD	210450-2122	322,186
IDEA Special Education Grants	84.027A	SISD	210450-2223	308,706
IDEA Special Education Grants Pre-School	84.173A	SISD	210460-2122	27,196
IDEA Special Education Grants Pre-School	84.173A	SISD	210460-2223	15,618
IDEA Grant Funded initiatives	84.027A	MARESA	230470-2D33	8,000
Total Special Education Cluster (IDEA)				
Title II, Part A - Regular	84.367	MDE	210520-2122	67,773
Title II, Part A - Regular	84.367	MDE	230520-2223	43,784
Title IV - Regular	84.424A	MDE	230750-2223	10,000
Title IV - Student Support & Academic Enrichment	84.424A	MDE	220775-2023	20,000

Expenditures (Memo Only) Prior Year(s)	Accrued Revenue at June 30, 2022	Current Year Cash Received	Expenditures Year Ended June 30, 2023	Accrued Revenue at June 30, 2023
\$ -	\$ 8,742	\$ 8,742	\$ -	\$ -
-	-	44,288	46,182	1,894
	<u>8,742</u>	<u>53,030</u>	<u>46,182</u>	<u>1,894</u>
-	-	75,456	75,456	-
-	36,445	36,445	-	-
-	-	287,167	297,043	9,876
-	242	242	-	-
	<u>36,687</u>	<u>323,854</u>	<u>297,043</u>	<u>9,876</u>
-	-	39,295	39,295	-
-	-	22,193	22,193	-
	-	<u>61,488</u>	<u>61,488</u>	-
-	3,387	3,387	-	-
-	-	20,624	23,347	2,723
	<u>3,387</u>	<u>24,011</u>	<u>23,347</u>	<u>2,723</u>
	<u>48,816</u>	<u>537,839</u>	<u>503,516</u>	<u>14,493</u>
	<u>48,816</u>	<u>537,839</u>	<u>503,516</u>	<u>14,493</u>
112,457	7,275	7,275	-	-
-	-	-	114,459	114,459
	<u>7,275</u>	<u>7,275</u>	<u>114,459</u>	<u>114,459</u>
322,186	322,186	322,186	-	-
-	-	258,302	308,706	50,404
	<u>322,186</u>	<u>580,488</u>	<u>308,706</u>	<u>50,404</u>
27,196	27,196	27,196	-	-
-	-	14,053	15,618	1,565
	<u>27,196</u>	<u>41,249</u>	<u>15,618</u>	<u>1,565</u>
-	-	8,000	8,000	-
	<u>349,382</u>	<u>629,737</u>	<u>332,324</u>	<u>51,969</u>
52,075	35,995	35,995	-	-
-	-	-	43,784	43,784
	<u>35,995</u>	<u>35,995</u>	<u>43,784</u>	<u>43,784</u>
-	-	-	10,000	10,000
-	-	-	9,227	9,227
	-	-	<u>19,227</u>	<u>19,227</u>

continued...

FREELAND COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
U.S. Department of Education (Concluded)				
COVID-19 - Education Stabilization Fund: GEER II - Teach & Support Staff Payments	84.425C	MDE	211202-2122	\$ 22,250
COVID-19 - ESSER II - Summer Programming				
COVID-19 - ESSER II - Summer Program	84.425D	MDE	213722-2122	49,500
COVID-19 - ESSER II Credit Recovery	84.425D	MDE	213742-2122	29,700
COVID-19 - ESSER II Before & After School Programs	84.425D	MDE	213752-2122	25,000
COVID-19 - ESSER II - Formula Funds	84.425D	MDE	213712-2021	357,524
COVID-19 - ESSER - Benchmark Assessments	84.425D	MDE	213762-2122	17,388
COVID-19 - ESSER II 98c Learning Loss	84.425D	MDE	213782-2223	104,340
COVID-19 - ESSER III - Formula	84.425U	MDE	213713-2122	535,298
COVID-19 - ESSER III - Formula American Rescue Plan	84.425U	MDE	213713-2122	803,518
COVID-19 - ESSER III - Formula 11t	84.425U	MDE	213723-2122	1,394,254
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Medicaid Cluster:				
Special Education Medicaid	93.778	SISD	N/A	1,237
Total U.S. Department of Health and Human Services (Medicaid Cluster)				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Expenditures (Memo Only) Prior Year(s)	Accrued Revenue at June 30, 2022	Current Year Cash Received	Expenditures Year Ended June 30, 2023	Accrued Revenue at June 30, 2023
\$ -	\$ 22,250	\$ 22,250	\$ -	\$ -
-	39,986	39,986	-	-
-	29,700	29,700	-	-
-	25,000	25,000	-	-
-	-	357,524	357,524	-
-	-	17,387	17,387	-
-	-	104,340	104,340	-
	<u>94,686</u>	<u>573,937</u>	<u>479,251</u>	<u>-</u>
118,518	118,241	-	-	-
-	-	-	685,277	685,277
-	-	-	539,400	539,400
	<u>118,241</u>	<u>-</u>	<u>1,224,677</u>	<u>1,224,677</u>
	<u>627,829</u>	<u>1,269,194</u>	<u>2,213,722</u>	<u>1,454,116</u>
-	-	-	1,237	1,237
	<u>-</u>	<u>-</u>	<u>1,237</u>	<u>1,237</u>
	<u>\$ 676,645</u>	<u>\$ 1,807,033</u>	<u>\$ 2,718,475</u>	<u>\$ 1,469,846</u>

concluded

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, 2023. 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
MARESA	Marquette Alger Regional Education Service Agency
SISD	Saginaw Intermediate School District



**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, 2023

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, 2023, 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, 2023.

Report on 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 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 or significant deficiencies may exist that have not been identified.



Report on 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 "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

September 14, 2023

Board of Education
Freeland Community School District
Freeland, Michigan

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the compliance of the **Freeland Community School District** (the "District") with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 its major federal programs for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

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

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



Responsibilities of Management for Compliance

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

Independent Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Rehmann Johnson LLC

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FREELAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

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:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
84.425D, 84.425U	COVID-19 Education Stabilization Fund	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, 2023

None noted.

