

FREMONT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2009

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Fremont Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Gary Mitterer	President	2010
Bryan Archer	Vice President	2008
Melissa Gingrich	Board Member	2008
Jason Walker	Board Member	2009
Tom Judy	Board Member	2010
<b>Board of Education (After September 2008 Election)</b>		
Gary Mitterer	President	2011*
Jason Walker	Vice President	2009
Mark Doland	Board Member	2009
David Herr	Board Member	2009
Tom Judy	Board Member	2011*
<b>School Officials</b>		
Dr. Kevin McGuire	Superintendent (Resigned)	2009
Art Sathoff	Superintendent (Interim)	2009
Shelly Anderson	District Secretary	2009
Brian Gruhn	Attorney	2009

\* Board term changed per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Fremont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont Community School District, Fremont Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Fremont Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2010 on our consideration of the Fremont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 14 and 36 through 38 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Fremont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$1,836,628 in fiscal 2008 to \$1,870,625 in fiscal 2009, while General Fund expenditures decreased from \$1,934,164 in fiscal 2008 to \$1,832,196 in fiscal 2009. This resulted in an increase in the District's General Fund balance from a deficit \$16,895 in fiscal 2008 to \$21,534 in fiscal 2009.
- The increase in General Fund revenues was attributable to a increase in state sources in fiscal 2009. The decrease in expenditures can be attributed to the budget reductions in the support services functional area.
- A decrease in interest rates during the past fiscal year resulted in interest earnings in the General Fund to decrease from \$9,065 in fiscal year 2008 to \$1,389 in fiscal year 2009.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Fremont Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fremont Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Fremont Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Fremont Community School District Annual Financial Report**

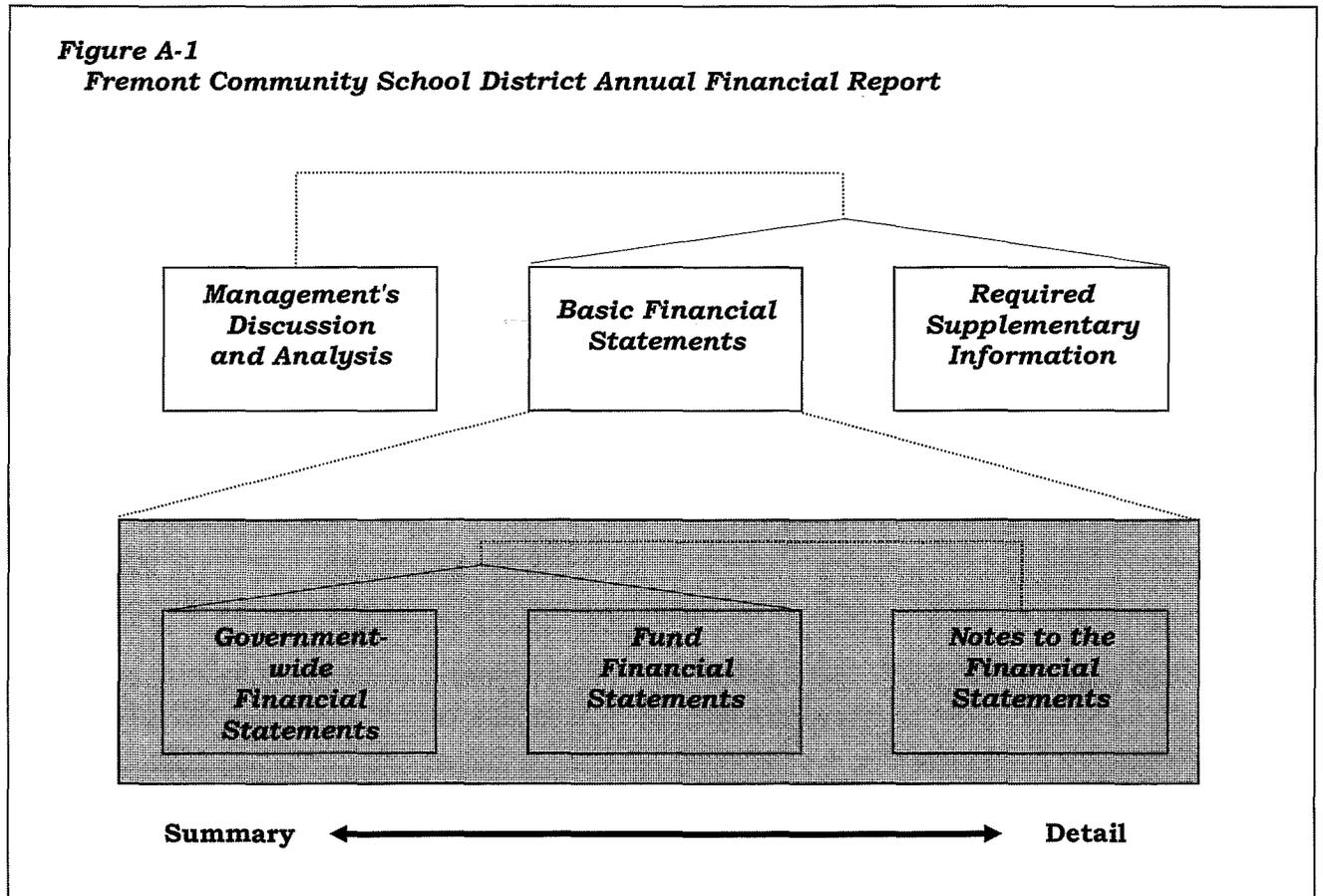


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Day Care Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 1,366,780	1,286,182	13,923	48,455	1,380,703	1,334,637	3.45%
Capital assets	1,129,494	1,156,094	5,622	7,610	1,135,116	1,163,704	-2.46%
Total assets	2,496,274	2,442,276	19,545	56,065	2,515,819	2,498,341	0.70%
Long-term obligations	600,000	717,500	-	-	600,000	717,500	-16.38%
Other liabilities	816,879	830,077	-	9,374	816,879	839,451	-2.69%
Total liabilities	1,416,879	1,547,577	-	9,374	1,416,879	1,556,951	-9.00%
Net assets:							
Invested in capital assets, net of related debt	529,494	438,594	5,622	7,610	535,116	446,204	19.93%
Restricted	519,466	479,441	-	-	519,466	479,441	8.35%
Unrestricted	30,435	(23,336)	13,923	39,081	44,358	15,745	181.73%
Total net assets	\$ 1,079,395	894,699	19,545	46,691	1,098,940	941,390	16.74%

The District's combined net assets increased by \$157,550, or 16.74% from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$40,025, or 8.35% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$28,613, or 181.73%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 44,324	85,920	91,373	120,694	135,697	206,614	-34.32%
Operating grants and contributions and restricted interest	355,980	294,572	61,482	44,318	417,462	338,890	23.19%
General revenues:							
Property tax	683,896	646,306	-	-	683,896	646,306	5.82%
Income surtax	91,432	70,283	-	-	91,432	70,283	30.09%
Statewide sales and services tax	165,560	178,147	-	-	165,560	178,147	-7.07%
Unrestricted state grants	809,136	818,945	-	-	809,136	818,945	-1.20%
Unrestricted investment earnings	1,484	10,852	47	159	1,531	11,011	-86.10%
Other	5,566	22,585	-	-	5,566	22,585	-75.36%
Total revenues	2,157,378	2,127,610	152,902	165,171	2,310,280	2,292,781	0.76%
Program expenses:							
Governmental activities:							
Instructional	1,364,462	1,350,177	-	-	1,364,462	1,350,177	1.06%
Support services	475,496	672,655	744	787	476,240	673,442	-29.28%
Non-instructional programs	-	-	179,304	201,694	179,304	201,694	-11.10%
Other expenses	132,724	142,336	-	-	132,724	142,336	-6.75%
Total expenses	1,972,682	2,165,168	180,048	202,481	2,152,730	2,367,649	-9.08%
Change in net assets	184,696	(37,558)	(27,146)	(37,310)	157,550	(74,868)	310.44%
Net assets beginning of year	894,699	932,257	46,691	84,001	941,390	1,016,258	-7.37%
Net assets end of year	\$ 1,079,395	894,699	19,545	46,691	1,098,940	941,390	16.74%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 81.11% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.97% of the revenue from business type activities.

The District's total revenues were approximately \$2.31 million of which \$2.16 million was for governmental activities and \$0.15 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.76% increase in revenues and a 9.08% decrease in expenses. The decrease in expenditures was due primarily to the decrease in support services expenditures compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$2,157,378 and expenses were \$1,972,682.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 1,364,462	1,350,177	1.06%	1,036,825	1,037,402	-0.06%
Support services	475,496	672,655	-29.31%	475,317	672,486	-29.32%
Other expenses	132,724	142,336	-6.75%	60,236	74,788	-19.46%
Totals	<u>\$ 1,972,682</u>	<u>2,165,168</u>	<u>-8.89%</u>	<u>1,572,378</u>	<u>1,784,676</u>	<u>-11.90%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$44,324.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$355,980.
- The net cost of governmental activities was financed with \$683,896 in property taxes, \$91,432 in income surtax, \$165,560 in statewide sales and service tax, \$809,136 in unrestricted state grants, \$1,484 in unrestricted investment earnings and \$5,566 in other general revenues.

### Business type Activities

Revenues for the District's business type activities were \$152,902 and expenses were \$180,048. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Fremont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$480,902, compared to last year's ending fund balances of \$398,635.

### Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases in local and state sources caused the increase in revenues. The decrease in expenditures along with the increase in revenues resulted in the General Fund balance to increase by \$38,429.
- The Capital Projects fund balance increased from \$292,666 in fiscal 2008 to \$326,294 in fiscal 2009 primarily because of the increase in revenues compared to the prior year.

### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$23,316 at June 30, 2008 to \$20,869 at June 30, 2009, while the Day Care Fund net assets decreased from \$23,375 to a deficit \$1,324. Combined this represents a net decrease of 58.14% in the proprietary funds.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$327,010 less than budgeted revenues, a variance of 12.45%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$1,135,116, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.46% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$51,500.

The original cost of the District's capital assets was \$1,944,192. Governmental funds account for \$1,931,961 with the remainder of \$12,231 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$1,031,037 at June 30, 2009 compared to \$1,062,787 at June 30, 2008. The decrease is due to the current year depreciation.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 27,500	27,500	-	-	27,500	27,500	0.00%
Buildings	1,031,037	1,062,787	-	-	1,031,037	1,062,787	-2.99%
Land improvements	15,880	16,909	-	-	15,880	16,909	-6.09%
Machinery and equipment	55,077	48,898	5,622	7,610	60,699	56,508	7.42%
Total	\$ 1,129,494	1,156,094	5,622	7,610	1,135,116	1,163,704	-2.46%

### Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$600,000 in general obligation bonds. This represents a decrease of 16.38% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$600,000 at June 30, 2009.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 600,000	680,000	-11.76%
Computer loan	-	37,500	-100.00%
Totals	<u>\$ 600,000</u>	<u>717,500</u>	<u>-16.38%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.
- The District's continuing decline in student enrollment mirrors the state-wide trend. Since funding is received primarily on a per pupil basis, revenues have increased more slowly than expenditures.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shelly Anderson, Business Manager/Board Secretary, Fremont Community School District, 525 East Main Street, Fremont, Iowa, 52561.

BASIC FINANCIAL STATEMENTS

FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 553,129	19,607	572,736
Receivables:			
Property tax:			
Delinquent	10,842	-	10,842
Succeeding year	682,438	-	682,438
Income surtax	72,850	-	72,850
Interfund	9,950	(9,950)	-
Due from other governments	37,571	4,089	41,660
Inventories	-	177	177
Capital assets, net of accumulated depreciation	1,129,494	5,622	1,135,116
<b>Total Assets</b>	<b>2,496,274</b>	<b>19,545</b>	<b>2,515,819</b>
<b>Liabilities</b>			
Salaries and benefits payable	130,590	-	130,590
Interest payable	3,851	-	3,851
Deferred revenue:			
Succeeding year property tax	682,438	-	682,438
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	85,000	-	85,000
Portion due after one year:			
General obligation bonds	515,000	-	515,000
<b>Total Liabilities</b>	<b>1,416,879</b>	<b>-</b>	<b>1,416,879</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	529,494	5,622	535,116
Restricted for:			
Categorical funding	29,744	-	29,744
Capital projects	326,294	-	326,294
Management levy	58,281	-	58,281
Physical plant and equipment levy	83,331	-	83,331
Other special revenue purposes	21,816	-	21,816
Unrestricted	30,435	13,923	44,358
<b>Total Net Assets</b>	<b>\$ 1,079,395</b>	<b>19,545</b>	<b>1,098,940</b>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
<b>Governmental activities:</b>						
<b>Instruction:</b>						
Regular	\$ 1,062,123	17,830	231,437	(812,856)	-	(812,856)
Special	183,921	-	17,564	(166,357)	-	(166,357)
Other	118,418	26,494	34,312	(57,612)	-	(57,612)
	<u>1,364,462</u>	<u>44,324</u>	<u>283,313</u>	<u>(1,036,825)</u>	<u>-</u>	<u>(1,036,825)</u>
<b>Support services:</b>						
Student	6,169	-	-	(6,169)	-	(6,169)
Instructional staff	36,141	-	-	(36,141)	-	(36,141)
Administration	203,751	-	-	(203,751)	-	(203,751)
Operation and maintenance of plant	169,755	-	-	(169,755)	-	(169,755)
Transportation	59,680	-	179	(59,501)	-	(59,501)
	<u>475,496</u>	<u>-</u>	<u>179</u>	<u>(475,317)</u>	<u>-</u>	<u>(475,317)</u>
<b>Other expenditures:</b>						
Facilities acquisitions	-	-	-	-	-	-
Long-term debt interest	27,457	-	-	(27,457)	-	(27,457)
AEA flowthrough	72,488	-	72,488	-	-	-
Depreciation(unallocated)*	32,779	-	-	(32,779)	-	(32,779)
	<u>132,724</u>	<u>-</u>	<u>72,488</u>	<u>(60,236)</u>	<u>-</u>	<u>(60,236)</u>
Total governmental activities	<u>1,972,682</u>	<u>44,324</u>	<u>355,980</u>	<u>(1,572,378)</u>	<u>-</u>	<u>(1,572,378)</u>
<b>Business Type activities:</b>						
Administration	744	-	-	-	(744)	(744)
<b>Non-instructional programs:</b>						
Nutrition services	82,791	20,426	60,200	-	(2,165)	(2,165)
Daycare	96,513	70,947	1,282	-	(24,284)	(24,284)
	<u>179,304</u>	<u>91,373</u>	<u>61,482</u>	<u>-</u>	<u>(26,449)</u>	<u>(26,449)</u>
Total business type activities	<u>180,048</u>	<u>91,373</u>	<u>61,482</u>	<u>-</u>	<u>(27,193)</u>	<u>(27,193)</u>
Total	\$ <u>2,152,730</u>	<u>135,697</u>	<u>417,462</u>	<u>(1,572,378)</u>	<u>(27,193)</u>	<u>(1,599,571)</u>
<b>General Revenues:</b>						
<b>Local tax for:</b>						
General purposes				\$ 664,437	-	664,437
Capital outlay				19,459	-	19,459
Income surtax				91,432	-	91,432
Statewide sales and services tax				165,560	-	165,560
Unrestricted state grants				809,136	-	809,136
Unrestricted investment earnings				1,484	47	1,531
Other general revenues				5,566	-	5,566
Total general revenues				<u>1,757,074</u>	<u>47</u>	<u>1,757,121</u>
Changes in net assets				184,696	(27,146)	157,550
Net assets beginning of year				894,699	46,691	941,390
Net assets end of year				\$ <u>1,079,395</u>	<u>19,545</u>	<u>1,098,940</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 116,595	304,906	131,628	553,129
Receivables:				
Property tax:				
Delinquent	9,898	-	944	10,842
Succeeding year	623,020	-	59,418	682,438
Income surtax	42,496	-	30,354	72,850
Interfund	10,025	-	502	10,527
Due from other governments	16,183	21,388	-	37,571
<b>Total Assets</b>	<b>\$ 818,217</b>	<b>326,294</b>	<b>222,846</b>	<b>1,367,357</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Interfund payable	\$ 577	-	-	577
Salaries and benefits payable	130,590	-	-	130,590
Deferred revenue:				
Succeeding year property tax	623,020	-	59,418	682,438
Income surtax	42,496	-	30,354	72,850
Total liabilities	796,683	-	89,772	886,455
Fund balances:				
Reserved for categorical funding	29,744	-	-	29,744
Unreserved	(8,210)	326,294	133,074	451,158
Total fund balances	21,534	326,294	133,074	480,902
<b>Total Liabilities and Fund Balances</b>	<b>\$ 818,217</b>	<b>326,294</b>	<b>222,846</b>	<b>1,367,357</b>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

<b>Total fund balances of governmental funds (page 18)</b>	\$	480,902
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,129,494
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(3,851)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(600,000)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		<u>72,850</u>
<b>Net assets of governmental activities (page 16)</b>	<b>\$</b>	<b><u><u>1,079,395</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 671,412	165,560	93,474	930,446
Tuition	15,999	-	-	15,999
Other	19,082	-	17,274	36,356
State sources	1,088,136	-	3	1,088,139
Federal sources	75,996	-	-	75,996
Total revenues	<u>1,870,625</u>	<u>165,560</u>	<u>110,751</u>	<u>2,146,936</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,058,683	-	-	1,058,683
Special	183,921	-	-	183,921
Other	103,459	-	14,959	118,418
	<u>1,346,063</u>	<u>-</u>	<u>14,959</u>	<u>1,361,022</u>
Support services:				
Student	6,169	-	-	6,169
Instructional staff	36,141	-	-	36,141
Administration	191,892	6,424	5,435	203,751
Operation and maintenance of plant	131,059	4,400	40,411	175,870
Transportation	48,384	14,800	-	63,184
	<u>413,645</u>	<u>25,624</u>	<u>45,846</u>	<u>485,115</u>
Other expenditures:				
Long-term debt:				
Principal	-	-	117,500	117,500
Interest and fiscal charges	-	-	28,544	28,544
AEA flowthrough	72,488	-	-	72,488
	<u>72,488</u>	<u>-</u>	<u>146,044</u>	<u>218,532</u>
Total expenditures	<u>1,832,196</u>	<u>25,624</u>	<u>206,849</u>	<u>2,064,669</u>
Excess(deficiency) of revenues over(under) expenditures	38,429	139,936	(96,098)	82,267
<b>OTHER FINANCING SOURCES(USES):</b>				
Transfer in	-	-	146,044	146,044
Transfer out	-	(106,308)	(39,736)	(146,044)
TOTAL OTHER FINANCING SOURCES(USES)	<u>-</u>	<u>(106,308)</u>	<u>106,308</u>	<u>-</u>
Net change in fund balances	38,429	33,628	10,210	82,267
Fund balance beginning of year	(16,895)	292,666	122,864	398,635
Fund balance end of year	<u>\$ 21,534</u>	<u>326,294</u>	<u>133,074</u>	<u>480,902</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 20) \$ 82,267

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year is as follows:

Capital expenditures	\$ 22,912	
Depreciation expense	(49,512)	(26,600)

Repayment of long-term liabilities provide current financial is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 117,500

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,087

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 10,442

**Changes in net assets of governmental activities (page 17) \$ 184,696**

FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

	School Nutrition	Day Care	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 10,981	8,626	19,607
Interfund receivable	-	75	75
Due from other governments	4,089	-	4,089
Inventories	177	-	177
Capital assets, net of accumulated depreciation	5,622	-	5,622
<b>Total Assets</b>	<b>20,869</b>	<b>8,701</b>	<b>29,570</b>
<b>Liabilities</b>			
Interfund payable	-	10,025	10,025
<b>Total Liabilities</b>	<b>-</b>	<b>10,025</b>	<b>10,025</b>
<b>Net Assets</b>			
Invested in capital assets	5,622	-	5,622
Unrestricted	15,247	(1,324)	13,923
<b>Total Net Assets</b>	<b>\$ 20,869</b>	<b>(1,324)</b>	<b>19,545</b>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 20,426	70,947	91,373
TOTAL OPERATING REVENUES	<u>20,426</u>	<u>70,947</u>	<u>91,373</u>
OPERATING EXPENSES:			
Support services:			
Administration:			
Benefits	282	462	744
Non-instructional programs:			
Salaries	33,248	84,407	117,655
Benefits	4,617	10,105	14,722
Services	169	635	804
Supplies	42,769	1,366	44,135
Depreciation	1,988	-	1,988
	<u>82,791</u>	<u>96,513</u>	<u>179,304</u>
TOTAL OPERATING EXPENSES	<u>83,073</u>	<u>96,975</u>	<u>180,048</u>
OPERATING LOSS	<u>(62,647)</u>	<u>(26,028)</u>	<u>(88,675)</u>
NON-OPERATING REVENUES:			
Interest income	-	47	47
State sources	956	1,282	2,238
Federal sources	59,244	-	59,244
TOTAL NON-OPERATING REVENUES	<u>60,200</u>	<u>1,329</u>	<u>61,529</u>
Change in net assets	(2,447)	(24,699)	(27,146)
Net assets at beginning of year	<u>23,316</u>	<u>23,375</u>	<u>46,691</u>
Net assets end of year	<u>\$ 20,869</u>	<u>(1,324)</u>	<u>19,545</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 21,924	-	21,924
Cash received from miscellaneous operating activities	4	72,788	72,792
Cash payments to employees for services	(40,433)	(102,062)	(142,495)
Cash payments to suppliers for goods or services	(38,024)	(2,001)	(40,025)
Net cash used in operating activities	(56,529)	(31,275)	(87,804)
Cash flows from non-capital financing activities:			
Interfund borrowings from the General Fund	-	10,000	10,000
State grants received	956	1,282	2,238
Federal grants received	54,198	-	54,198
Net cash provided by non-capital financing activities	55,154	11,282	66,436
Cash flows from investing activities:			
Interest on investments	-	47	47
Net cash provided by investing activities	-	47	47
Net decrease in cash and cash equivalents	(1,375)	(19,946)	(21,321)
Cash and cash equivalents at beginning of year	12,356	28,572	40,928
Cash and cash equivalents at end of year	\$ 10,981	8,626	19,607
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (62,647)	(26,028)	(88,675)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	4,646	-	4,646
Depreciation	1,988	-	1,988
Decrease in inventories	268	-	268
Decrease in accounts receivables	1,502	1,841	3,343
Decrease in salaries and benefits payable	(2,286)	(7,088)	(9,374)
Net cash used in operating activities	\$ (56,529)	(31,275)	(87,804)

## Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$4,646 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The Fremont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through eight and special education pre-kindergarten. The geographic area served includes the City of Fremont, Iowa, and the predominate agricultural territory in Keokuk, Mahaska, and Wapello Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Fremont Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Fremont Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Keokuk, Mahaska and Wapello Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary 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 tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. 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 and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition of capital facilities.

The District reports the following proprietary funds:

The District's proprietary funds include the School Nutrition Fund and the Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for child care services for the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund 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 tax is recognized as revenue in the year for which

it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared

by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business type activities columns in the

government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that

are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net assets restricted through enabling legislation consists of \$29,744 for categorical funding, \$133,074 for capital projects, \$58,281 for management levy, \$83,331 for physical plant and equipment levy, and \$21,816 for other special revenue purposes (student activity fund).

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 45,585</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise, Day Care	\$ 10,025
Special Revenue, Student Activity	General	502
Enterprise, Day Care	General	75
Total		<u>\$ 10,602</u>

**(4) Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 106,308
Debt Service	Special Revenue, Physical Plant and Equipment Levy	39,736
Total		<u>\$ 146,044</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 12,231	-	-	12,231
Less accumulated depreciation	4,621	1,988	-	6,609
Business type activities capital assets, net	<u>\$ 7,610</u>	<u>(1,988)</u>	<u>-</u>	<u>5,622</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 27,500	-	-	27,500
Total capital assets not being depreciated	27,500	-	-	27,500
Capital assets being depreciated:				
Buildings	1,662,733	-	-	1,662,733
Land improvements	20,593	-	-	20,593
Machinery and equipment	246,787	22,912	48,564	221,135
Total capital assets being depreciated	1,930,113	22,912	48,564	1,904,461
Less accumulated depreciation for:				
Buildings	599,946	31,750	-	631,696
Land improvements	3,684	1,029	-	4,713
Machinery and equipment	197,889	16,733	48,564	166,058
Total accumulated depreciation	801,519	49,512	48,564	802,467
Total capital assets being depreciated, net	1,128,594	(26,600)	-	1,101,994
Governmental activities capital assets, net	\$ 1,156,094	(26,600)	-	1,129,494

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 3,440
Support services:		
Operation and maintenance of plant		1,997
Transportation		11,296
		<u>16,733</u>
Unallocated depreciation		<u>32,779</u>
Total governmental activities depreciation expense		<u>\$ 49,512</u>
Business type activities:		
Food services		<u>\$ 1,988</u>

## (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 680,000	-	80,000	600,000	85,000
Computer loan	37,500	-	37,500	-	-
Totals	\$ 717,500	-	117,500	600,000	85,000

### General Obligation Bonds Payable

Details of the District's June 30, 2009 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond issue February 1, 2006				
	Interest Rate		Principal	Interest	Total
2010	3.60	% \$	85,000	23,107	108,107
2011	3.70		85,000	20,048	105,048
2012	3.80		90,000	16,903	106,903
2013	3.90		95,000	13,483	108,483
2014	3.95		95,000	9,778	104,778
2015-2016	4.00-4.05		150,000	8,050	158,050
Total		\$	600,000	91,369	691,369

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual payroll for the years ended June 30, 2009, 2008, and 2007. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$58,876, \$56,014, and \$47,879, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The District is a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides dental coverage for employees of the District. The District's contributions to ISEBA for the year ended June 30, 2009 totaled \$5,058.

Fremont Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$72,488 for the year ended June 30, 2009 and is recorded in the General Fund

by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Deficit Fund Balance/Net Assets**

The District has a deficit undesignated fund balance in the General Fund of \$8,210. The District had a deficit unrestricted net assets in the Enterprise, Day Care Fund of \$1,324.

**(11) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Projects</u>	<u>Amount</u>
Gifted and talented	\$ 26,397
Beginning teacher mentoring	752
Educator quality, market factor incentives	1,328
Market factor	<u>1,267</u>
Total categorical funding	<u>\$ 29,744</u>

**(12) Other Postemployment Benefits (OPEB)**

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45 for the year ended June 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual
<b>Revenues:</b>			
Local sources	\$ 982,801	91,420	1,074,221
State sources	1,088,139	2,238	1,090,377
Federal sources	75,996	59,224	135,220
Total revenues	<u>2,146,936</u>	<u>152,882</u>	<u>2,299,818</u>
<b>Expenditures/expenses:</b>			
Instruction	1,361,022	-	1,361,022
Support services	485,115	744	485,859
Non-instructional programs	-	179,304	179,304
Other expenditures	218,532	-	218,532
Total expenditures/expenses	<u>2,064,669</u>	<u>180,048</u>	<u>2,244,717</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	82,267	(27,166)	55,101
Balance beginning of year	<u>398,635</u>	<u>46,691</u>	<u>445,326</u>
Balance end of year	<u>\$ 480,902</u>	<u>19,525</u>	<u>500,427</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
1,374,365	1,374,365	(300,144)
1,092,463	1,092,463	(2,086)
160,000	160,000	(24,780)
<u>2,626,828</u>	<u>2,626,828</u>	<u>(327,010)</u>
1,503,500	1,503,500	142,478
656,000	656,000	170,141
225,000	225,000	45,696
313,461	313,461	94,929
<u>2,697,961</u>	<u>2,697,961</u>	<u>453,244</u>
(71,133)	(71,133)	126,234
<u>207,735</u>	<u>207,735</u>	<u>237,591</u>
<u>136,602</u>	<u>136,602</u>	<u>363,825</u>

FREMONT COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
<b>Assets</b>				
Cash and pooled investments	\$ 57,646	21,314	52,668	131,628
Receivables:				
Property tax:				
Current year delinquent	635	-	309	944
Succeeding year	40,000	-	19,418	59,418
Income surtax	-	-	30,354	30,354
Interfund	-	502	-	502
<b>Total Assets</b>	<b>\$ 98,281</b>	<b>21,816</b>	<b>102,749</b>	<b>222,846</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 40,000	-	19,418	59,418
Income surtax	-	-	30,354	30,354
Total liabilities	40,000	-	49,772	89,772
Unreserved fund balances	58,281	21,816	52,977	133,074
<b>Total Liabilities and Fund Balances</b>	<b>\$ 98,281</b>	<b>21,816</b>	<b>102,749</b>	<b>222,846</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 40,083	-	53,391	93,474	-	93,474
Other	-	16,649	625	17,274	-	17,274
State sources	3	-	-	3	-	3
<b>TOTAL REVENUES</b>	<b>40,086</b>	<b>16,649</b>	<b>54,016</b>	<b>110,751</b>	<b>-</b>	<b>110,751</b>
EXPENDITURES:						
Current:						
Instruction:						
Other	-	14,959	-	14,959	-	14,959
Support services:						
Administration	205	-	5,230	5,435	-	5,435
Operation and maintenance of plant	25,266	-	15,145	40,411	-	40,411
	25,471	-	20,375	45,846	-	45,846
Other expenditures:						
Long-term debt:						
Principal	-	-	-	-	117,500	117,500
Interest and fiscal charges	-	-	-	-	28,544	28,544
	-	-	-	-	146,044	146,044
<b>TOTAL EXPENDITURES</b>	<b>25,471</b>	<b>14,959</b>	<b>20,375</b>	<b>60,805</b>	<b>146,044</b>	<b>206,849</b>
Excess(deficiency) of revenues over(under) expenditures	14,615	1,690	33,641	49,946	(146,044)	(96,098)
Other financing sources(uses):						
Transfers in	-	-	-	-	146,044	146,044
Transfers out	-	-	(39,736)	(39,736)	-	(39,736)
Total other financing sources(uses)	-	-	(39,736)	(39,736)	146,044	106,308
Net change in fund balance	14,615	1,690	(6,095)	10,210	-	10,210
Fund balance beginning of year	43,666	20,126	59,072	122,864	-	122,864
Fund balance end of year	\$ 58,281	21,816	52,977	133,074	-	133,074

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT

FREMONT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
6th Grade Activities	\$ 429	-	-	429
7th Grade Activities	499	-	-	499
8th Grade Activities	110	-	-	110
Student Council	1,398	621	888	1,131
Yearbook	2,973	815	1,256	2,532
District - Wide Activities	2,459	-	7,123	(4,664)
Book Fair	2,079	4,350	200	6,229
Fundraiser	4,107	-	58	4,049
Sports	5,028	-	-	5,028
Garden	128	-	-	128
MS Trip	280	6,699	1,719	5,260
Field trips	(308)	3,973	3,715	(50)
Resale	1,167	96	-	1,263
Blue Jean	121	-	-	121
Fund Balance	(344)	95	-	(249)
Total	\$ 20,126	16,649	14,959	21,816

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST NINE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 930,446	867,082	837,145	780,046	735,887
Tuition	15,999	42,306	79,228	139,554	68,310
Other	36,356	77,030	128,150	154,275	63,733
Intermediate sources	-	-	-	-	4,596
State sources	1,088,139	1,028,606	963,674	780,487	729,875
Federal sources	75,996	84,807	82,767	108,785	115,611
<b>Total</b>	<b>\$ 2,146,936</b>	<b>2,099,831</b>	<b>2,090,964</b>	<b>1,963,147</b>	<b>1,718,012</b>
Expenditures:					
Instruction:					
Regular	\$ 1,058,683	1,165,474	1,039,528	1,063,887	947,368
Special	183,921	179,631	240,540	174,150	172,113
Other	118,418	1,632	18,253	42,497	26,834
Support services:					
Student	6,169	7,920	5,592	16,900	4,900
Instructional staff	36,141	84,818	29,525	38,360	36,270
Administration	203,751	261,416	250,641	277,925	152,025
Operation and maintenance of plant	175,870	220,010	168,537	157,972	130,981
Transportation	63,184	88,935	71,670	64,763	106,917
Non-instructional	-	-	2,841	-	-
Other expenditures:					
Facilities acquisitions	-	10,979	31	18,891	17,247
Long-term debt:					
Principal	117,500	87,500	65,000	60,000	55,000
Interest and fiscal charges	28,544	30,863	45,327	47,914	50,662
AEA flow-through	72,488	67,548	60,273	52,468	52,202
<b>Total</b>	<b>\$ 2,064,669</b>	<b>2,206,726</b>	<b>1,997,758</b>	<b>2,015,727</b>	<b>1,752,519</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis			
Years Ended June 30,			
2004	2003	2002	2001
765,780	807,701	720,850	697,939
75,534	77,996	63,409	65,675
60,527	35,454	47,318	64,680
-	-	-	3,000
691,071	720,808	753,781	785,240
36,541	69,757	30,112	31,090
<u>1,629,453</u>	<u>1,711,716</u>	<u>1,615,470</u>	<u>1,647,624</u>
920,401	768,102	775,568	774,537
254,925	230,408	231,342	190,290
21,042	19,447	14,777	39,801
4,693	27,489	18,823	11,198
33,975	39,970	45,328	22,989
184,048	183,450	175,290	154,768
241,780	160,885	98,224	69,538
33,222	36,522	23,053	41,547
18,568	-	2,967	-
-	-	19,190	23,484
50,000	50,000	45,000	45,000
53,100	55,888	58,619	61,438
53,473	57,320	57,628	60,735
<u>1,869,227</u>	<u>1,629,481</u>	<u>1,565,809</u>	<u>1,495,325</u>

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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### Independent Auditor's Report on Internal Control over financial Reporting and on Compliance and Other Matters

#### Based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Fremont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 29, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fremont Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Fremont Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fremont Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fremont Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Fremont Community School District's financial statements that is more than inconsequential will not be prevented or detected by Fremont Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Fremont Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

#### Compliance and Other Matters

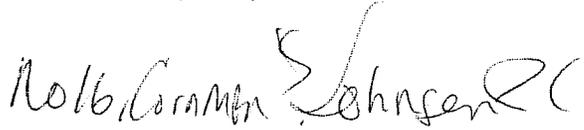
As part of obtaining reasonable assurance about whether Fremont Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fremont Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Fremont Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fremont Community School District and other parties to whom Fremont Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fremont Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2010

FREMONT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response -The District will review the policy and structure for possible adjustments in duties.

Conclusion - Response accepted.

I-B-09 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, year-end inventory adjustments, depreciation of capital assets and grant coding are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no end of year adjustments made to the Nutrition Fund to convert the financial statements to GAAP basis.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District will seek additional training for employees through IASBO or other suitable organizations will be sought.

Conclusion - Response accepted.

I-C-09 Accounting Records - It was noted during the audit that there was a bank account that was not being accounted for within the District software system.

Recommendation - The District should add the insurance bank account onto the accounting software. The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - The District will explore the capabilities of Software Unlimited and will work to improve financial reporting and show the account reconciliation of the insurance account.

Conclusion - Response accepted.

I-D-09 Grants - We noted during our audit, that when expenditures for specific projects were posted, expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will work on improving the coding of expenditures.

Conclusion - Response accepted.

I-E-09 Credit Card and Cell Phone Policies - We noted during our audit that the District had not implemented a credit card policy that states the procedures to be used for the use of the District's Wal-Mart and Casey's credit cards. We also noted that the District does not have a policy in place for the procedures on the use of a District owned cell phone.

Recommendation - The District should review the policies in place and update the necessary credit card and cell phone policies.

Response - The District will review and update its policies.

Conclusion - Response accepted.

I-F-09 Title I Grant - The final report for Title I Budget was not certified accurately and was not amended to reflect general ledger expenditures.

Recommendation - The District should contact the Iowa Department of Education and amend the Title I Budget final report to reflect general ledger expenditures.

Response - The District will contact the Iowa Department of Education and amend the Title I Budget final report to reflect general ledger expenditures.

Conclusion - Response accepted.

I-G-09 Sponsor Procedures - We noted that sponsors of student organizations were collecting from individuals, fundraising events and other revenue fees. We noted during our audit that a sponsor of a student organizations collected fundraising monies and deposited them into her personal bank account, which were subsequently disbursed from that account. We also noted the collections, which subsequently are turned into the office for receipting, depositing and posting, do not appear to always include documentation for later reconciliation uses. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The District must record all money collected from fundraisers on the school accounting system. The Board should approve all fundraisers. Money collected should never go into a sponsor's personal account. When sponsors or fundraising chairpersons submit money to the office for previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts. When funds are turned in for depositing, the sponsors should receive a pre-numbered receipt from the office for supporting documentation. The sponsors should also receive a monthly and yearly printout of their individual accounts for review of all of the transactions. The sponsors should be monitoring their individual accounts for missing or inaccurate data that may be recorded in their accounts. When checks are received that are not made out to the school, the District should forward those checks to the organization.

Response - The Board will review fundraising policy and inform staff of procedures to be followed.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.
- II-B-09 Questionable Expenditures - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Mitterer, Board President Owner of Country Store	School supplies	\$1,738
Dennis Paxton, Janitor	Snow removal services	\$795
Mark Poland, Board Member Spouse is a Teacher Associate	Payroll	\$6,671

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Mr. Mitterer do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transaction with the Mr. Paxton does not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transaction with the Mrs. Poland does not appear to represent a conflict of interest.

- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-09 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. In addition, we noted significant deficiencies in the amounts reported.  
  
Recommendation - The District should submit the Certified Annual Report in a timely manner in the future with accurate figures.  
  
Response - The CAR will be submitted on time with accurate figures in the future.  
  
Conclusion - Response accepted.
- II-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Statewide sales and services tax		165,560
Expenditures/transfers out:		
School infrastructure:		
Equipment	\$	25,624
Debt service for school infrastructure:		
General obligation debt	106,308	131,932
		<hr style="border-top: 1px solid black;"/>
Ending balance	\$	<u><u>33,628</u></u>

Levies reduced as a result of statewide sales and services tax received:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt Service Levy	\$ 2.13589	\$ 106,308

II-L-09 Financial Condition - During our audit we noted that the District had three negative account balances in the Special Revenue, Student Activity Fund totaling \$4,963. We noted during our audit that the District had a deficit unreserved fund balance in the General Fund for \$8,210. We noted during our audit that the District had deficit unrestricted net assets in the Enterprise, Day Care Fund for \$1,324.

Recommendation - The District should investigate alternatives to eliminate these deficit balances.

Response - The District will investigate alternatives to eliminate these deficit balances.

Conclusion - Response accepted.

II-M-09 Student Activity Fund - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Monies in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. In addition, several accounts were inactive during the year. These accounts should be reviewed and closed.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear all of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. The District should consider closing the Student Activity Fund and set up accounts in the General Fund for activities that are administratively maintained.

Response - The District will consider closing the Student Activity Fund and setting up accounts in the General Fund for activities that are administratively maintained.

Conclusion - Response accepted.

II-N-09 Corrective Transfer - We noted during our audit that the District had purchases from the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund which do not appear to be in compliance with Chapter 298.3 of the Code of Iowa. The District purchased software for \$2,640. We also noted during our audit that the District sold a bus for \$625 and recorded the revenue in the PPEL Fund which do not appear to be in compliance with Chapter 297.22 of the Code of Iowa

Recommendation - We are requesting a corrective transfer be made from the General Fund to the PPEL Fund for the net total of \$2,015. The District should review Chapter 298.3 of the Code of Iowa for allowability of expenditures from the PPEL Fund. The District should review Chapter 297.22 of the Code of Iowa for coding of sale of property and equipment.

Response - The District will make a corrective transfer from General Fund to PPEL Fund for the net total of \$2,015.

Conclusion - Response accepted.

II-O-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>.

Response - The District will determine the proper handling of the outstanding items and heed deadlines of such future items.

Conclusion - Response accepted.

II-P-09 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2009, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District needs to make the adjustments on the general ledger and transfer the money at the bank to remove interfund loans. The District should seek financing from the local bank for deficit in the Enterprise, Day Care Fund or consider moving the Day Care Fund into the General Fund.

Response - The District will make adjustments to remove interfund loans. The District will also make decisions on the continuation of the Day Care Fund as a separate fund.

Conclusion - Response accepted.

FREMONT COMMUNITY SCHOOL DISTRICT