

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information - Budgetary Reporting		41
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	44
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	45
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	47
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 <u>Government Auditing Standards</u>		48-49
Schedule of Findings and Responses		50-54



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Independent Auditor's Report

To the Board of Education of  
Fremont-Mills 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-Mills Community School District, Tabor, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as 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 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 Fremont-Mills Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2010, on our consideration of Fremont-Mills 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 4 through 13 and 40 through 41 are not required parts of the basic financial statements, but are supplementary 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 required 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-Mills 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 five years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

February 10, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Fremont-Mills 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 \$4,243,165 in fiscal 2008 to \$4,470,434 in fiscal 2009, while General Fund expenditures increased from \$3,899,535 in fiscal 2008 to \$4,143,277 in fiscal 2009. The District's General Fund balance shows an increase of 107.70% from \$288,105 in fiscal 2008 to \$598,394 in fiscal 2009.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

### 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 the Fremont-Mills Community School 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-Mills Community School 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-Mills Community School Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to 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 Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.



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.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
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 fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</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	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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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	All additions and deductions during the year, regardless of when cash is received or paid

## 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 financial 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 three 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, Debt Service Fund and Capital Projects Fund.

The required financial statements for 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 one Enterprise Fund, the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Condensed Statement of Net Assets						Percentage Change
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,137,617	3,462,027	32,835	20,894	5,170,452	3,482,921	48.45%
Capital assets	4,594,244	3,772,419	17,743	21,484	4,611,987	3,793,903	21.56%
<b>Total assets</b>	<b>9,731,861</b>	<b>7,234,446</b>	<b>50,578</b>	<b>42,378</b>	<b>9,782,439</b>	<b>7,276,824</b>	<b>34.43%</b>
Long-term liabilities	3,682,295	1,847,535			3,682,295	1,847,535	99.31%
Other liabilities	2,478,317	2,664,511	2,856	1,761	2,481,173	2,666,272	-6.94%
<b>Total liabilities</b>	<b>6,160,612</b>	<b>4,512,046</b>	<b>2,856</b>	<b>1,761</b>	<b>6,163,468</b>	<b>4,513,807</b>	<b>36.55%</b>
Net assets:							
Invested in capital assets net of related debt	2,544,290	1,932,419	17,743	21,485	2,562,033	1,953,904	31.12%
Restricted	393,533	454,652			393,533	454,652	-13.44%
Unrestricted	633,426	335,329	29,979	19,132	663,405	354,461	87.16%
<b>TOTAL NET ASSETS</b>	<b>3,571,249</b>	<b>2,722,400</b>	<b>47,722</b>	<b>40,617</b>	<b>3,618,971</b>	<b>2,763,017</b>	<b>30.98%</b>

The District's combined net assets increased by 30.98% or approximately \$855,954, over 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 that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by -\$61,119 over the prior year. The decrease was primarily a result of increased expenditures in the capital projects fund

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 approximately \$308,944 or 87.16% This increase in unrestricted net assets was a result of the District's increased revenue and by decreasing expenses.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

**Figure A-4**  
**Fremont-Mills Community**  
**School**  
**Changes in Net Assets - June 30, 2008**

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>							
<b>Program Revenues:</b>							
Charges for services	285,432	318,613	113,421	101,163	398,853	419,776	
Operating grants & contributions	709,323	565,566	111,944	105,870	821,267	671,436	
Capital grants & contributions	365,088	0	0	0	365,088	0	
<b>General Revenues</b>							
Property taxes	1,734,288	1,563,335			1,734,288	1,563,335	
Income Surtax	234,610	203,474			234,610	203,474	
Statewide sales tax	275,639	268,942			275,639	268,942	
Unrestricted state grants	1,927,124	1,886,570			1,927,124	1,886,570	
Unrestricted investment earnings	26,173	60,275	457	1,540	26,630	61,815	
Other revenue	8,638	11,167			8,638	11,167	
<b>Total Revenues</b>	<b>\$5,566,315</b>	<b>\$4,877,942</b>	<b>\$225,822</b>	<b>\$208,573</b>	<b>\$5,792,137</b>	<b>\$5,086,515</b>	<b>14%</b>
<b>Expenses:</b>							
Instruction	2,863,390	2,733,986			2,863,390	2,733,986	
Support services	1,350,093	1,233,055			1,350,093	1,233,055	
Non-instructional programs	4,370	1,788	218,717	234,596	223,087	236,384	
Other expenditures	499,613	382,951			499,613	382,951	
<b>Total Expenses</b>	<b>\$4,717,466</b>	<b>\$4,351,780</b>	<b>\$218,717</b>	<b>\$234,596</b>	<b>\$4,936,183</b>	<b>\$4,586,376</b>	<b>8%</b>
<b>Transfers</b>							
<b>CHANGE IN NET ASSETS</b>	<b>\$848,849</b>	<b>\$526,162</b>	<b>\$7,105</b>	<b>-\$26,023</b>	<b>\$855,954</b>	<b>\$500,139</b>	<b>71%</b>
Net assets beginning of year	2,722,400	2,196,238	40,617	66,640	2,763,017	2,262,878	22%
Net assets end of year	\$3,571,249	\$2,722,400	\$47,722	\$40,617	\$3,618,971	\$2,763,017	31%

Property tax, income surtax, local option sales taxes and unrestricted state grants account for nearly 72.02% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85.36% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$5,566,315 and expenses were \$4,717,466. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

**Total and Net Cost of Governmental Activities**

	<b>Total Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Instruction	2,863,390	2,733,986	2,037,239	2,014,922
Support Services	1,350,093	1,233,055	1,349,518	1,221,305
Non-instructional Programs	4,370	1,788	4,370	1,788
Other Expenses	499,613	382,951	-33,504	229,586
<b>TOTAL</b>	<b>4,717,466</b>	<b>4,351,780</b>	<b>3,357,623</b>	<b>3,467,601</b>

- The cost financed by users of the District's programs was \$285,432.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,074,411.
- The net cost of governmental activities was financed with \$2,244,537 in property and other taxes and in \$1,927,124 unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$225,822 and expenses were \$218,717. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The net increase of \$7,105 in the School Nutrition Fund is attributed increased revenues. The District did increase meal prices from the previous year

**INDIVIDUAL FUND ANALYSIS**

As previously noted, the Fremont-Mills Community School 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 a combined fund balance of \$2,487,727 above last year's ending fund balances of \$633,093. The primary reason for the increase in combined fund balances is due to increased revenue in the Capital Projects Funds.

## **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues, and reduced expenditures contributed to the increase.
- The General Fund balance increased from \$288,105 to \$598,394, due in part to early retirement settlements, increased revenue, and staff reductions.
- The Capital Projects funds increased from \$229,481 to \$1,647,984 due to the issuance of bonds for the construction of an elementary gymnasium
- The Nonmajor Government Funds increase from \$115,507 to \$241,349 is due in part to an increase in special revenue funds.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$40,617 at June 30, 2008 to \$47,722 at June 30, 2009, representing a increase of approximately 17%. For fiscal 2009 The District did increase meal prices from the previous year

The Internal Service Fund balance of \$3,850 at June 30, 2009 is an increase in the balance of \$2,363 at June 30, 2008 – attributable to normal annual fluctuations.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Fremont-Mills Community School District did not amend its annual budget.

The District's receipts were -\$32,741 less than budgeted receipts, a variance of -0.56%

Total expenditures were \$2,454,098 less than budgeted, a variance of 29.43%, due primarily to the District's budget for the Capital Projects fund, as construction on the gymnasium project did not proceed until after the end of the fiscal year. It is the District's practice to budget expenditures at the maximum authorized spending authority for the all funds. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2009, the District had invested \$4,611,987, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, and transportation equipment. (See Figure A-6) This represents a net decrease of 21.56% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$187,353.

The original cost of the District's capital assets was \$6,920,911. Governmental funds account for \$6,823,612, with the remainder of \$97,299 accounted for in the Proprietary, School Nutrition Fund.

During fiscal year 2009 the District completed construction on a \$376,000 all weather track and started construction on a \$180,000 bus barn. The bus barn was almost complete at June 30, 2009. Construction in progress also includes \$421,000 of architect fees and other planning costs for a gymnasium. The District plans to spend approximately \$3,000,000 for the gymnasium construction.

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental		Business type		Total		Percentage Change
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
Land	40,000	40,000			40,000	40,000	0.00%
Construction in progress	600,281				600,281		n/a
Buildings	3,254,556	3,354,089			3,254,556	3,354,089	-2.97%
Improvements	449,839	84,874			449,839	84,874	430.01%
Equipment & Furniture	249,568	293,456	17,743	21,484	267,311	314,940	-15.12%
	4,594,244	3,772,419	17,743	21,484	4,611,987	3,793,903	21.56%

**Long-Term Debt**

At June 30, 2009, the District had \$3,682,295 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 99.31% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7

**Fremont-Mills Community School  
Outstanding Long-Term Liabilities**

	Total School District		Percentage Change
	2009	2008	
General Obligation Bonds	3,445,000	1,575,000	118.73%
Capital Loan Notes	205,000	265,000	-22.64%
Early Retirement	32,295	7,535	328.60%
	3,682,295	1,847,535	99.31%

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

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

- School financing is highly dependent upon student enrollment. The District's October 2009 enrollment decreased by 27 resident students. This decrease in enrollment of students will impact the District's funding for fiscal year 2010-11
- A Bond Issue was passed in March 2008 for the construction of an elementary gymnasium in the amount of \$1,985,000. An additional \$1,600,000 grant from the Lied Foundation was attained to build additional weight and exercise rooms, restrooms increasing the project named the Lied Gymnasium and Sports Complex, with a completion date of August, 2010.

## **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 Susan Shepherd, Board Secretary/Business Manager, Fremont-Mills Community School, 1114 US Hwy 275, Tabor, Iowa

## BASIC FINANCIAL STATEMENTS

## FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:	2,967,664	32,689	3,000,353
Receivables:			
Property tax:			
Delinquent	28,198	-	28,198
Succeeding year	1,842,471	-	1,842,471
Accounts	2,532	-	2,532
Accrued interest - ISCAP	2,225	-	2,225
Due from other governments	293,559	-	293,559
Inventories	-	1,114	1,114
Interfund balances	968	(968)	-
Capital assets, net of accumulated depreciation	4,594,244	17,743	4,611,987
<b>Total assets</b>	<b>9,731,861</b>	<b>50,578</b>	<b>9,782,439</b>
<b>Liabilities</b>			
Accounts payable	184,218	890	185,108
Salaries and benefits payable	369,450	-	369,450
Accrued interest payable	29,505	-	29,505
Deferred revenue:			
Succeeding year property tax	1,842,471	-	1,842,471
Other	52,673	1,966	54,639
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	115,000	-	115,000
Capital loan notes	65,000	-	65,000
Termination benefits	32,295	-	32,295
Portion due after one year:			
General obligation bonds payable	3,330,000	-	3,330,000
Capital loan notes	140,000	-	140,000
<b>Total liabilities</b>	<b>6,160,612</b>	<b>2,856</b>	<b>6,163,468</b>

## FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,544,290	17,743	2,562,033
Restricted for:			
Categorical funding	81,064	-	81,064
Management levy	14,548	-	14,548
Physical plant and equipment levy	237,699	-	237,699
Other special revenue purposes	12,284	-	12,284
Sales tax capital projects	47,938	-	47,938
Unrestricted	<u>633,426</u>	<u>29,979</u>	<u>663,405</u>
<b>Total net assets</b>	<u><u>3,571,249</u></u>	<u><u>47,722</u></u>	<u><u>3,618,971</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,810,222	211,795	423,474	-
Special	517,949	-	26,106	-
Other	535,219	73,637	91,139	-
	<u>2,863,390</u>	<u>285,432</u>	<u>540,719</u>	<u>-</u>
Support services:				
Student	47,179	-	-	-
Instructional staff	96,461	-	-	-
Administration	594,268	-	-	-
Operation and maintenance of plant	331,347	-	-	-
Transportation	280,838	-	575	-
	<u>1,350,093</u>	<u>-</u>	<u>575</u>	<u>-</u>
Non-instructional programs	4,370	-	-	-
Other expenditures:				
Facilities acquisition	32,949	-	-	365,088
Long-term debt interest	173,742	-	7	-
AEA flowthrough	168,022	-	168,022	-
Depreciation (unallocated)*	124,900	-	-	-
	<u>499,613</u>	<u>-</u>	<u>168,029</u>	<u>365,088</u>
Total governmental activities	4,717,466	285,432	709,323	365,088
Business type activities:				
Non-instructional programs:				
Food service operations	218,717	113,421	111,944	-
Total	<u>4,936,183</u>	<u>398,853</u>	<u>821,267</u>	<u>365,088</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net  
Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,174,953)	-	(1,174,953)
(491,843)	-	(491,843)
(370,443)	-	(370,443)
<u>(2,037,239)</u>	<u>-</u>	<u>(2,037,239)</u>
(47,179)	-	(47,179)
(96,461)	-	(96,461)
(594,268)	-	(594,268)
(331,347)	-	(331,347)
(280,263)	-	(280,263)
<u>(1,349,518)</u>	<u>-</u>	<u>(1,349,518)</u>
(4,370)	-	(4,370)
332,139	-	332,139
(173,735)	-	(173,735)
-	-	-
<u>(124,900)</u>	<u>-</u>	<u>(124,900)</u>
<u>33,504</u>	<u>-</u>	<u>33,504</u>
(3,357,623)	-	(3,357,623)
<u>-</u>	<u>6,648</u>	<u>6,648</u>
<u>(3,357,623)</u>	<u>6,648</u>	<u>(3,350,975)</u>
1,562,896	-	1,562,896
53,752	-	53,752
117,640	-	117,640
234,610	-	234,610
275,639	-	275,639
1,927,124	-	1,927,124
26,173	457	26,630
8,638	-	8,638
<u>4,206,472</u>	<u>457</u>	<u>4,206,929</u>
848,849	7,105	855,954
<u>2,722,400</u>	<u>40,617</u>	<u>2,763,017</u>
<u>3,571,249</u>	<u>47,722</u>	<u>3,618,971</u>

## FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	1,094,805	1,625,296	243,980	2,964,081
Receivables:				
Property tax:				
Delinquent	23,595	-	4,603	28,198
Succeeding year	1,523,322	-	319,149	1,842,471
Accounts	1,467	-	798	2,265
Accrued interest - ISCAP	2,225	-	-	2,225
Interfund receivable	968	-	-	968
Due from other governments	181,834	55,374	56,351	293,559
<b>Total assets</b>	<b>2,828,216</b>	<b>1,680,670</b>	<b>624,881</b>	<b>5,133,767</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	143,500	32,686	8,032	184,218
Salaries and benefits payable	369,450	-	-	369,450
Deferred revenue:				
Succeeding year property tax	1,523,322	-	319,149	1,842,471
Income surtax	140,877	-	56,351	197,228
Other	52,673	-	-	52,673
Total liabilities	2,229,822	32,686	383,532	2,646,040
Fund balances:				
Reserved for:				
Categorical funding	81,064	-	-	81,064
Debt service	-	-	874	874
Unreserved reported in:				
General fund	517,330	-	-	517,330
Special revenue funds	-	-	240,475	240,475
Capital projects funds	-	1,647,984	-	1,647,984
Total fund balances	598,394	1,647,984	241,349	2,487,727
<b>Total liabilities and fund balances</b>	<b>2,828,216</b>	<b>1,680,670</b>	<b>624,881</b>	<b>5,133,767</b>

FREMONT-MILLS 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 (Exhibit C)</b>	2,487,727
 <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.	4,594,244
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	197,228
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.	(29,505)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	3,850
Long-term liabilities, including bonds payable, capital loan notes payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,682,295)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,571,249</u></u>

## FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,604,531	275,130	344,273	2,223,934
Tuition	188,907	-	-	188,907
Other	88,398	372,797	82,393	543,588
State sources	2,427,246	509	225	2,427,980
Federal sources	161,352	-	-	161,352
Total revenues	<u>4,470,434</u>	<u>648,436</u>	<u>426,891</u>	<u>5,545,761</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,775,306	-	10,496	1,785,802
Special	517,949	-	-	517,949
Other	442,766	-	86,116	528,882
	<u>2,736,021</u>	<u>-</u>	<u>96,612</u>	<u>2,832,633</u>
Support services:				
Student	47,179	-	-	47,179
Instructional staff	95,906	-	-	95,906
Administration	585,356	248	653	586,257
Plant operation and maintenance	275,696	-	48,116	323,812
Transportation	230,727	-	14,984	245,711
	<u>1,234,864</u>	<u>248</u>	<u>63,753</u>	<u>1,298,865</u>
Non-instructional programs	4,370	-	-	4,370
Other expenditures:				
Facilities acquisition	-	1,004,047	34,339	1,038,386
Long-term debt:				
Principal	-	-	160,000	160,000
Interest and fiscal charges	-	-	162,719	162,719
AEA flowthrough	168,022	-	-	168,022
	<u>168,022</u>	<u>1,004,047</u>	<u>357,058</u>	<u>1,529,127</u>
Total expenditures	<u>4,143,277</u>	<u>1,004,295</u>	<u>517,423</u>	<u>5,664,995</u>
Excess (deficiency) of revenues over (under) expenditures	<u>327,157</u>	<u>(355,859)</u>	<u>(90,532)</u>	<u>(119,234)</u>

## FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Bonds issued	-	1,970,000	-	1,970,000
Accrued interest on bonds issued	-	3,408	-	3,408
Sales of materials and equipment	460	-	-	460
Operating transfers in	-	-	287,119	287,119
Operating transfers out	(17,328)	(199,046)	(70,745)	(287,119)
Total other financing sources (uses)	<u>(16,868)</u>	<u>1,774,362</u>	<u>216,374</u>	<u>1,973,868</u>
Net change in fund balances	310,289	1,418,503	125,842	1,854,634
Fund balances beginning of year	<u>288,105</u>	<u>229,481</u>	<u>115,507</u>	<u>633,093</u>
Fund balances end of year	<u><u>598,394</u></u>	<u><u>1,647,984</u></u>	<u><u>241,349</u></u>	<u><u>2,487,727</u></u>

FREMONT-MILLS 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

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		1,854,634
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	1,005,437	
Depreciation expense	<u>(183,612)</u>	821,825
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		20,094
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		160,000
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.		
		(14,431)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		(24,760)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		
		(1,970,000)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		
		<u>1,487</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>848,849</u></u>

## FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund \$
<b>Assets</b>		
Cash and cash equivalents	32,689	3,583
Accounts receivable	-	267
Inventories	1,114	-
Capital assets, net of accumulated depreciation	<u>17,743</u>	<u>-</u>
<b>Total assets</b>	<u>51,546</u>	<u>3,850</u>
<b>Liabilities</b>		
Accounts payable	890	-
Interfund payable	968	-
Deferred revenue	<u>1,966</u>	<u>-</u>
<b>Total Liabilities</b>	<u>3,824</u>	<u>-</u>
<b>Net assets</b>		
Invested in capital assets	17,743	-
Unrestricted	<u>29,979</u>	<u>3,850</u>
<b>Total net assets</b>	<u><u>47,722</u></u>	<u><u>3,850</u></u>

## FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2009

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u>                    </u> \$
Operating revenue:		
Local sources:		
Charges for service	113,421	3,467
Operating expenses:		
Non-instructional programs:		
Salaries	63,974	-
Benefits	8,926	1,980
Purchased services	4,582	-
Supplies	136,410	-
Depreciation	3,742	-
Other	1,083	-
Total operating expenses	<u>218,717</u>	<u>1,980</u>
Operating gain (loss)	<u>(105,296)</u>	<u>1,487</u>
Non-operating revenues:		
State sources	3,093	-
Federal sources	108,851	-
Interest income	457	-
Total non-operating revenues	<u>112,401</u>	<u>-</u>
Change in net assets	7,105	1,487
Net assets beginning of year	<u>40,617</u>	<u>2,363</u>
Net assets end of year	<u><u>47,722</u></u>	<u><u>3,850</u></u>

## FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	113,735	-
Cash received from services provided to other funds	-	3,200
Cash payments to employees for services	(72,900)	(4,968)
Cash payments to suppliers for goods or services	(136,344)	-
Net cash used by operating activities	<u>(95,509)</u>	<u>(1,768)</u>
Cash flows from non-capital financing activities:		
Interfund loan (repayment)	968	-
State grants received	3,093	-
Federal grants received	103,662	-
Net cash provided by non-capital financing activities	<u>107,723</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	457	-
Net increase (decrease) in cash and cash equivalents	12,671	(1,768)
Cash and cash equivalents at beginning of year	<u>20,018</u>	<u>5,351</u>
Cash and cash equivalents at end of year	<u><u>32,689</u></u>	<u><u>3,583</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(105,296)	1,487
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	5,188	-
Depreciation	3,742	-
Decrease (increase) in inventories	(347)	-
Decrease (increase) in accounts receivable	109	(267)
(Decrease) increase in accounts payable	890	(2,988)
(Decrease) increase in deferred revenue	205	-
Net cash used by operating activities	<u><u>(95,509)</u></u>	<u><u>(1,768)</u></u>

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

During the year ended June 30, 2009, the District received \$5,188 of federal commodities.

## FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
<b>Assets</b>		
Cash and pooled investments	38,777	11,176
Due from other entities	-	4,450
	<u>38,777</u>	<u>15,626</u>
<b>Total Assets</b>	<b>38,777</b>	<b>15,626</b>
<b>Liabilities</b>		
Other payables	-	15,626
	<u>-</u>	<u>15,626</u>
<b>Net Assets</b>		
Reserved for scholarships	<u>38,777</u>	<u>-</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	18,563
Interest	<u>643</u>
Total additions	19,206
Deductions	<u>-</u>
Change in net assets	19,206
Net assets beginning of year	<u>19,571</u>
Net assets end of year	<u><u>38,777</u></u>

# FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### 1. Summary of Significant Accounting Policies

Fremont-Mills Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Tabor, Thurman, and Randolph, Iowa and the predominately agricultural territory in a portion of Mills and Fremont 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-Mills 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-Mills Community School District has no component units that 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 does 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 County Assessor's Conference Board.

#### 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 attributable 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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which 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 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, proprietary, and fiduciary 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 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 revenues 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 expenditures, including instructional, support and other costs.

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

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgements, 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 the 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 non-operating 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 non-operating 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 Equity

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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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, furniture 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 repair 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	2,000
Improvements other than buildings	2,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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 represent 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or 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 are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures did not exceed the amounts budgeted during the year ended June 30, 2009.

## 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 School Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	2,664,744

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

Credit risk: The investment in the Iowa Schools Joint Investment Trust was 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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor – School Nutrition Fund	968

### 4. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor - Debt Service Fund	Capital Projects Fund	199,046
Nonmajor - Debt Service Fund	Nonmajor - Physical Plant and Equipment Levy Fund	70,745
Nonmajor – Student Activity Fund	General Fund	17,328

These transfers moved revenues from the funds statutorily required to collect the resources to the funds statutorily required to expend the resources.

### 5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
			\$	\$	\$	\$
2008-09A	6/26/08	6/25/09	-	2,225	-	-

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2008-09A	3.500	3.469

## 6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	40,000	-	-	40,000
Construction in progress	-	600,281	-	600,281
	<u>40,000</u>	<u>600,281</u>	<u>-</u>	<u>640,281</u>
Capital assets being depreciated:				
Buildings	4,768,964	-	-	4,768,964
Improvements other than buildings	133,932	390,332	-	524,264
Furniture and equipment	875,279	14,824	-	890,103
Total capital assets being deprec.	<u>5,778,175</u>	<u>405,156</u>	<u>-</u>	<u>6,183,331</u>
Less accumulated depreciation for:				
Buildings	1,414,875	99,533	-	1,514,408
Improvements other than buildings	49,058	25,367	-	74,425
Furniture and equipment	581,823	58,712	-	640,535
Total accumulated depreciation	<u>2,045,756</u>	<u>183,612</u>	<u>-</u>	<u>2,229,368</u>
Total capital assets being depreciated, net	<u>3,732,419</u>	<u>221,544</u>	<u>-</u>	<u>3,953,963</u>
Governmental activities capital assets, net	<u>3,772,419</u>	<u>821,825</u>	<u>-</u>	<u>4,594,244</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	97,299	-	-	97,299
Less accumulated depreciation	75,815	3,741	-	79,556
Business type activities capital assets, net	<u>21,484</u>	<u>(3,741)</u>	<u>-</u>	<u>17,743</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	1,147
Other	6,337
Support services:	
Instructional staff services	555
Administration services	8,011
Operation and maintenance of plant services	7,535
Transportation	35,127
	<u>58,712</u>
Unallocated depreciation	<u>124,900</u>
Total depreciation expense – governmental activities	<u>183,612</u>
Business type activities:	
Food services	<u>3,741</u>

## 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	1,575,000	1,970,000	100,000	3,445,000	115,000
Capital loan notes	265,000	-	60,000	205,000	65,000
Termination benefits	7,535	43,060	18,300	32,295	32,295
Total	<u>1,847,535</u>	<u>2,013,060</u>	<u>178,300</u>	<u>3,682,295</u>	<u>212,295</u>

### Termination Benefits

The District offered a voluntary early retirement plan to its employees during 2009. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Each participant will receive \$20,000.

Early retirement benefits will be paid in two installments, the first on January 10, 2010 and the second on the next January 10, 2011.

At June 30, 2009, the District has obligations to two participants with a total liability of \$32,295. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$18,300.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 2002			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	4.50	85,000	75,295	160,295
2011	4.60	90,000	71,470	161,470
2012	4.70	95,000	67,330	162,330
2013	4.80	100,000	62,865	162,865
2014	4.90	105,000	58,065	163,065
2015-2019	5.00-5.20	590,000	208,258	798,258
2020-2022	5.25-5.35	430,000	46,532	476,532
		<u>1,495,000</u>	<u>589,815</u>	<u>2,084,815</u>

Year Ending June 30,	Bond Issue of August 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	5.50	30,000	93,272	123,272
2011	5.50	30,000	91,622	121,622
2012	5.25	30,000	89,972	119,972
2013	5.00	30,000	88,398	118,398
2014	5.00	30,000	86,898	116,898
2015-2019	5.00	205,000	406,990	611,990
2020-2024	5.00-4.55	590,000	343,708	933,708
2025-2028	4.65-4.80	1,005,000	122,136	1,127,136
		<u>1,950,000</u>	<u>1,322,996</u>	<u>3,272,996</u>

Capital Loan Notes

The District issued \$260,000 of capital loan notes during the year ended June 30, 2002 and issued \$305,000 of notes during the year ended June 30, 2004. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30	2002 Issue			2004 Issue			Total
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	
	%	\$	\$	%	\$	\$	
2010	4.50	30,000	4,140	3.50	35,000	4,323	73,463
2011	4.60	30,000	2,790	3.75	40,000	3,100	75,890
2012	4.70	30,000	1,410	4.00	40,000	1,600	73,010
		<u>90,000</u>	<u>8,340</u>		<u>115,000</u>	<u>9,023</u>	<u>222,363</u>

During the year ended June 30, 2009 the District made principal and interest payments totaling \$70,745 under the note agreements.

## **8. 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 that 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 covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were, \$144,340, \$137,518 and, \$129,662 respectively, equal to the required contributions for each year.

## **9. Risk Management**

The 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.

## **10. 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 \$168,022 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.

## **11. Construction Commitment**

The District has entered into a \$178,353 contract for the construction of a bus barn. As of June 30, 2009 costs of \$177,286 had been incurred against the contracts. The balances remaining at June 30, 2009 will be paid as work on the project progresses.

## **12. Subsequent Events**

During July and August 2009, the board approved \$2,994,620 of contracts for a new gymnasium and parking.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,956,429	113,878	3,070,307	3,039,811	3,039,811	30,496
State sources	2,427,980	3,093	2,431,073	2,475,513	2,475,513	(44,440)
Federal sources	161,352	108,851	270,203	289,000	289,000	(18,797)
Total revenues	<u>5,545,761</u>	<u>225,822</u>	<u>5,771,583</u>	<u>5,804,324</u>	<u>5,804,324</u>	<u>(32,741)</u>
Expenditures/Expenses						
Instruction	2,832,633	-	2,832,633	3,057,000	3,057,000	224,367
Support services	1,298,865	-	1,298,865	1,886,000	1,886,000	587,135
Non-instructional programs	4,370	218,717	223,087	271,000	271,000	47,913
Other expenditures	1,529,127	-	1,529,127	3,123,810	3,123,810	1,594,683
Total expenditures/expenses	<u>5,664,995</u>	<u>218,717</u>	<u>5,883,712</u>	<u>8,337,810</u>	<u>8,337,810</u>	<u>2,454,098</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(119,234)	7,105	(112,129)	(2,533,486)	(2,533,486)	2,421,357
Other financing sources (uses) net	<u>1,973,868</u>	-	<u>1,973,868</u>	<u>2,005,000</u>	<u>2,005,000</u>	<u>(31,132)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/ expenses and other financing uses	1,854,634	7,105	1,861,739	(528,486)	(528,486)	2,390,225
Balance beginning of year	<u>633,093</u>	<u>40,617</u>	<u>673,710</u>	<u>535,028</u>	<u>535,028</u>	<u>138,682</u>
Balance end of year	<u><u>2,487,727</u></u>	<u><u>47,722</u></u>	<u><u>2,535,449</u></u>	<u><u>6,542</u></u>	<u><u>6,542</u></u>	<u><u>2,528,907</u></u>

FREMONT-MILLS 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 Internal Service, 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 the cash basis. Encumbrances are not recognized 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 function 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. The District did not amend its budget during the year.

OTHER SUPPLEMENTARY INFORMATION

## FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
	\$	Fund	Equipment	\$	\$
	\$	\$	Levy	\$	\$
Cash and pooled investments	45,146	17,169	181,665	-	243,980
Receivables:					
Property tax:					
Delinquent	1,816	-	1,913	874	4,603
Succeeding year	110,000	-	105,477	103,672	319,149
Accounts	-	798	-	-	798
Due from other governments	-	-	56,351	-	56,351
<b>Total assets</b>	<b>156,962</b>	<b>17,967</b>	<b>345,406</b>	<b>104,546</b>	<b>624,881</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	119	5,683	2,230	-	8,032
Deferred revenue:					
Succeeding year property tax	110,000	-	105,477	103,672	319,149
Income surtax	-	-	56,351	-	56,351
Total liabilities	<u>110,119</u>	<u>5,683</u>	<u>164,058</u>	<u>103,672</u>	<u>383,532</u>
Fund balances:					
Reserved for debt service	-	-	-	874	874
Unreserved reported in:					
Special revenue funds	<u>46,843</u>	<u>12,284</u>	<u>181,348</u>	<u>-</u>	<u>240,475</u>
Total fund balances	<u>46,843</u>	<u>12,284</u>	<u>181,348</u>	<u>874</u>	<u>241,349</u>
<b>Total liabilities and fund balances</b>	<b>156,962</b>	<b>17,967</b>	<b>345,406</b>	<b>104,546</b>	<b>624,881</b>

## FREMONT-MILLS 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	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	111,691	-	178,830	53,752	344,273
Other	7,335	73,791	1,260	7	82,393
State sources	89	-	93	43	225
Total revenues	<u>119,115</u>	<u>73,791</u>	<u>180,183</u>	<u>53,802</u>	<u>426,891</u>
Expenditures:					
Current:					
Instruction:					
Regular	10,496	-	-	-	10,496
Other	-	86,116	-	-	86,116
Support services:					
Administration	653	-	-	-	653
Operation and maintenance of plant	48,116	-	-	-	48,116
Transportation	8,993	-	5,991	-	14,984
Other expenditures:					
Facilities acquisition	-	-	34,339	-	34,339
Long-term debt:					
Principal	-	-	-	160,000	160,000
Interest and fiscal charges	-	-	-	162,719	162,719
Total expenditures	<u>68,258</u>	<u>86,116</u>	<u>40,330</u>	<u>322,719</u>	<u>517,423</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50,857</u>	<u>(12,325)</u>	<u>139,853</u>	<u>(268,917)</u>	<u>(90,532)</u>
Other financing sources (uses):					
Operating transfers in	-	17,328	-	269,791	287,119
Operating transfers out	-	-	(70,745)	-	(70,745)
Total other financing sources (uses)	<u>-</u>	<u>17,328</u>	<u>(70,745)</u>	<u>269,791</u>	<u>216,374</u>
Net change in fund balance	50,857	5,003	69,108	874	125,842
Fund balances beginning of year	<u>(4,014)</u>	<u>7,281</u>	<u>112,240</u>	<u>-</u>	<u>115,507</u>
Fund balances end of year	<u><u>46,843</u></u>	<u><u>12,284</u></u>	<u><u>181,348</u></u>	<u><u>874</u></u>	<u><u>241,349</u></u>

## FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Band fundraiser	599	1,478	1,301	776
Academic achievement	(923)	2,023	1,150	(50)
Annual	(10,005)	16,258	9,051	(2,798)
Art club	758	1,005	456	1,307
Athletics	(3,475)	46,715	47,582	(4,342)
Cheerleaders	1,352	1,067	1,047	1,372
Class of 2007	(338)	-	-	(338)
Class of 2008	619	-	325	294
Class of 2009	840	-	12	828
Class of 2010	986	9,028	10,535	(521)
Class of 2011	8	45	24	29
Class of 2012	239	75	-	314
Class of 2013	-	1	-	1
FFA	(532)	4,097	3,205	360
FHA	1,230	366	1,214	382
Spanish club	104	703	1,092	(285)
High school student council	1,986	2,595	2,734	1,847
Knight club	(128)	150	401	(379)
Middle school athletics	730	314	617	427
Middle school student council	2,802	-	-	2,802
National Honor Society	946	-	244	702
Speech and drama	6,358	1,566	2,653	5,271
Thespians	286	-	130	156
Interest on investments	2,937	153	-	3,090
Girls BB club	130	-	-	130
SPLASH club	268	-	-	268
Little Knights FB	(1,019)	2,121	371	731
Basketball club	523	1,359	1,972	(90)
	<u>7,281</u>	<u>91,119</u>	<u>86,116</u>	<u>12,284</u>
Total				

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Fund

Year ended June 30, 2009

	Employee Vending	Booster Club	CLAS	Total
	\$	\$	\$	\$
Balance beginning of year	4,045	(3,000)	21	1,066
Additions:				
Collections	4,501	11,988	-	16,489
Deductions:				
Miscellaneous	<u>3,553</u>	<u>2,805</u>	<u>21</u>	<u>6,379</u>
Balance end of year	<u><u>4,993</u></u>	<u><u>6,183</u></u>	<u><u>-</u></u>	<u><u>11,176</u></u>

## FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,223,934	2,006,636	1,856,979	1,833,037	1,716,453	1,661,648
Tuition	188,907	188,041	164,042	122,109	116,356	110,342
Other	543,588	199,344	107,618	112,525	158,443	135,652
State sources	2,427,980	2,324,693	2,074,964	2,045,949	1,816,451	1,664,295
Federal sources	161,352	150,546	158,499	161,535	204,699	156,975
<b>Total revenues</b>	<b>5,545,761</b>	<b>4,869,260</b>	<b>4,362,102</b>	<b>4,275,155</b>	<b>4,012,402</b>	<b>3,728,912</b>
Expenditures:						
Instruction:						
Regular	1,785,802	1,824,325	1,820,059	1,737,068	1,794,649	1,692,240
Special	517,949	477,563	410,197	475,025	462,817	355,366
Other	528,882	444,284	446,314	413,821	333,128	295,634
Support services:						
Student	47,179	39,456	31,771	40,270	52,710	50,733
Instructional staff	95,906	57,898	73,725	66,614	39,275	69,075
Administration	586,257	564,204	561,353	507,897	431,773	456,536
Operation and maintenance	323,812	301,516	307,586	339,895	430,292	315,387
Transportation	245,711	230,001	301,912	237,813	282,241	192,308
Central support services						
Non-instructional programs	4,370	1,788	9,322	-	2,449	7,850
Other expenditures:						
Facilities acquisition	1,038,386	39,002	109,520	164,994	125,328	1,744,213
Long-term debt:						
Principal	160,000	135,000	135,000	125,000	120,000	115,000
Interest and other charges	162,719	97,865	103,890	109,220	115,510	118,457
AEA flowthrough	168,022	153,365	139,070	135,941	124,327	126,078
<b>Total expenditures</b>	<b>5,664,995</b>	<b>4,366,267</b>	<b>4,449,719</b>	<b>4,353,558</b>	<b>4,314,499</b>	<b>5,538,877</b>

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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  
Fremont-Mills 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-Mills 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 February 10, 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-Mills 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-Mills Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fremont-Mills 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 and other 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-Mills 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-Mills Community School District's financial statements that is more than inconsequential will not be prevented or detected by Fremont-Mills Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses 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-Mills 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 items 09-I-A, 09-I-B and 09-I-C are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont-Mills 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 and Responses.

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-Mills Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Fremont-Mills 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-Mills Community School District and other parties to whom Fremont-Mills Community School District may report. 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-Mills 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

February 10, 2010

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

09-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

08-I-C Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices, issue the command to print checks and to receive the checks from the printer. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements (continued):

District Response: We will discuss methods to remain efficient, yet have adequate controls.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.

09-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

09-II-C Travel Expenses: 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.

09-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Keith Barber, Board Member, Sales Manager at A & M Green Power	Mower and parts	5,261
Susan Shepherd, Board Secretary, Spouse owns Shepherd Construction	Rock and repairs	1,290

In accordance with an Attorney General's opinion dated November 9, 1976, the transaction with the spouse of the District Secretary does not appear to represent a conflict of interest.

The purchase of the mower and parts may represent a conflict of interest if the Board Member receives a commission or bonus based on the sale.

Recommendation: Business with district officials is not a conflict of interest if bids are taken or total amount is less than \$2,500. There were not bids for the mower. The District should consult legal council regarding this matter.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

09-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

09-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

09-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

09-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting (continued):

09-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K 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 revenue			275,639
Expenditures/transfers out:			
School infrastructure:			
Buildings and building improvements		76,593	
Debt service for school infrastructure:			
General obligation debt		199,046	275,639
		<u>          </u>	<u>          </u>
Ending balance			<u>          </u> -

09-II-L Financial Condition: The Student Activity Fund has several accounts with deficit balances at year-end.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting (continued):

District Response: We will be using interest income in the Student Activity Fund to cover any accounts with deficits.

Conclusion: Response accepted.

09-II-M Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$100,000. We noted that the Board approved construction of a bus barn and a track without holding public hearings.

Recommendation: The District should hold public hearings for all capital projects with cost in excess of \$100,000.

District Response: We will do this in the future.

Conclusion: Response accepted.