

FREMONT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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Fremont Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Gary Mitterer	President	2011
Jason Walker	Vice President	2009
Mark Doland	Board Member	2009
David Herr	Board Member	2009
Tom Judy	Board Member	2011

**Board of Education
(After September 2009 Election)**

Gary Mitterer	President	2011
Tom Judy	Vice President	2011
Mike Mayberry	Board Member	2013
David Herr	Board Member	2013
Kari Swartz	Board Member	2013

School Officials

John Dotson	Superintendent	2010
Shelly Anderson	District Secretary	2010
Brian Gruhn	Attorney	2010

FREMONT COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont Community School District, Fremont Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Fremont Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2011 on our consideration of the Fremont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 7 through 15 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

Members American Institute & Iowa Society of Certified Public Accountants

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 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 three years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fremont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,870,625 in fiscal 2009 to \$1,949,444 in fiscal 2010, while General Fund expenditures increased from \$1,832,196 in fiscal 2009 to \$1,933,943 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$21,534 in fiscal 2009 to \$37,035 in fiscal 2010.
- The increase in General Fund revenues was attributable to an increase in local taxes and federal sources in fiscal 2010. The increase in expenditures can be attributed to an increase in the support services functional area.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) at the year ended June 30, 2010, was approximately a negative 0.48%. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Fremont Community School District Annual Financial Report

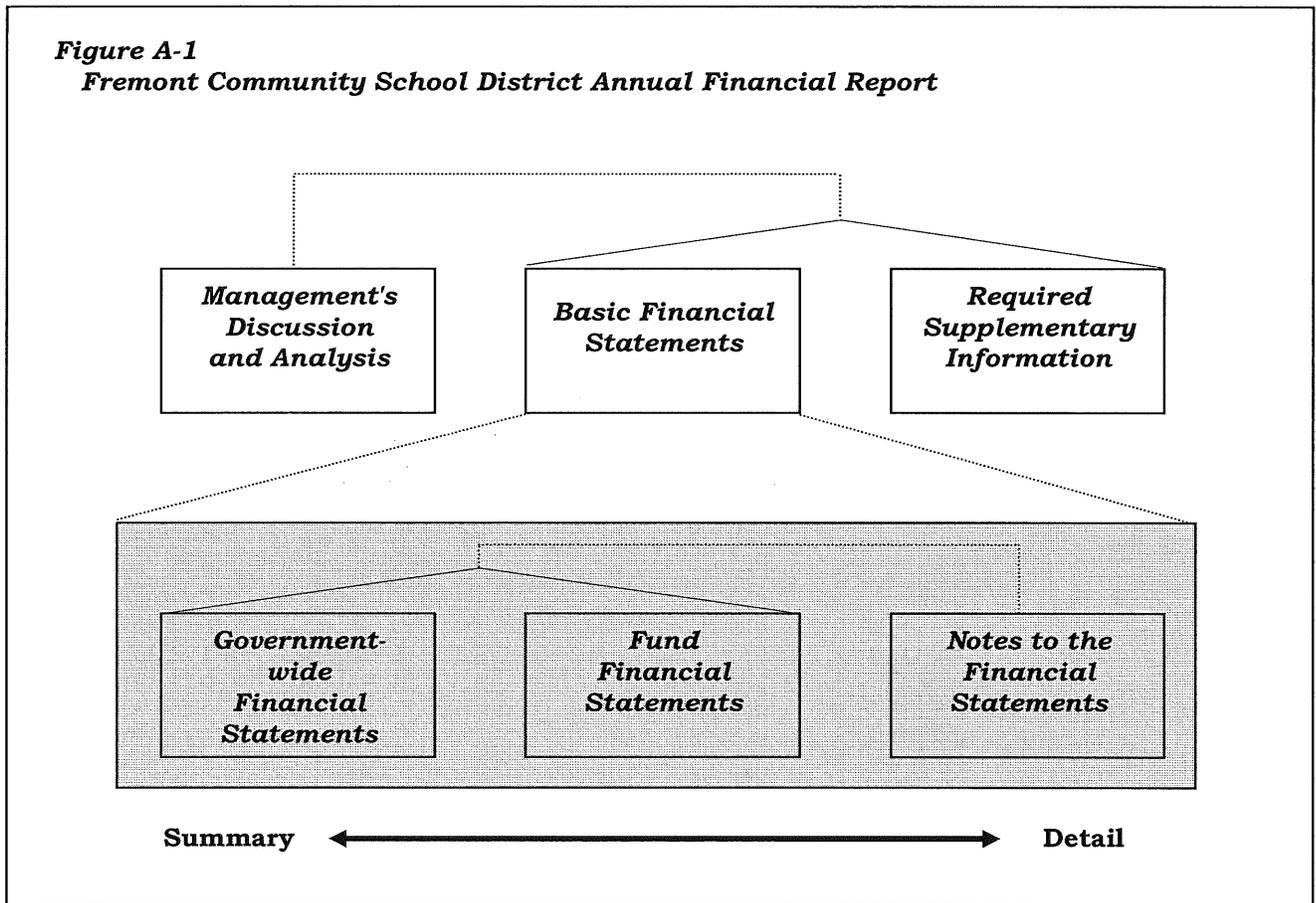


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 1,650,975	1,366,780	35,409	13,923	1,686,384	1,380,703	22.14%
Capital assets	1,082,366	1,129,494	4,858	5,622	1,087,224	1,135,116	-4.22%
Total assets	2,733,341	2,496,274	40,267	19,545	2,773,608	2,515,819	10.25%
Long-term obligations	515,000	600,000	-	-	515,000	600,000	-14.17%
Other liabilities	1,014,713	816,879	56,576	-	1,071,289	816,879	31.14%
Total liabilities	1,529,713	1,416,879	56,576	-	1,586,289	1,416,879	11.96%
Net assets:							
Invested in capital assets, net of related debt	567,366	529,494	4,858	5,622	572,224	535,116	6.93%
Restricted	568,294	519,466	-	-	568,294	519,466	9.40%
Unrestricted	67,968	30,435	(21,167)	13,923	46,801	44,358	5.51%
Total net assets	\$ 1,203,628	1,079,395	(16,309)	19,545	1,187,319	1,098,940	8.04%

The District's combined net assets increased by \$88,379, or 8.04% from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$48,828, or 9.40% over the prior year. The increase in restricted net assets can be attributed to the increase in carryover balances for state categorical funding and the increase in the Capital Projects fund balance.

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 \$2,443, or 5.51%. The increase in unrestricted net assets can be attributed to the increase in carryover fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total Change 2009-10
	Activities		Activities		School District		
	2010	2009	2010	2009	2010	2009	
Revenues:							
Program revenues:							
Charges for services	\$ 53,300	44,324	74,766	91,373	128,066	135,697	-5.62%
Operating grants and contributions and restricted interest	396,958	355,980	65,449	61,482	462,407	417,462	10.77%
General revenues:							
Property tax	810,620	683,896	-	-	810,620	683,896	18.53%
Income surtax	85,557	91,432	-	-	85,557	91,432	-6.43%
Statewide sales, services and use tax	170,007	165,560	-	-	170,007	165,560	2.69%
Unrestricted state grants	685,371	809,136	-	-	685,371	809,136	-15.30%
Unrestricted investment earnings	1,733	1,484	2	47	1,735	1,531	13.32%
Other	11,148	5,566	295	-	11,443	5,566	105.59%
Total revenues	2,214,694	2,157,378	140,512	152,902	2,355,206	2,310,280	1.94%
Program expenses:							
Governmental activities:							
Instructional	1,362,858	1,364,462	-	-	1,362,858	1,364,462	-0.12%
Support services	587,897	475,496	522	744	588,419	476,240	23.56%
Non-instructional programs	-	-	175,844	179,304	175,844	179,304	-1.93%
Other expenses	139,706	132,724	-	-	139,706	132,724	5.26%
Total expenses	2,090,461	1,972,682	176,366	180,048	2,266,827	2,152,730	5.30%
Change in net assets	124,233	184,696	(35,854)	(27,146)	88,379	157,550	43.90%
Net assets beginning of year	1,079,395	894,699	19,545	46,691	1,098,940	941,390	16.74%
Net assets end of year	\$ 1,203,628	1,079,395	(16,309)	19,545	1,187,319	1,098,940	8.04%

In fiscal 2010, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 79.09% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.79% of the revenue from business type activities.

The District's total revenues were approximately \$2.35 million of which approximately \$2.21 million was for governmental activities and approximately \$0.14 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.94% increase in revenues and a 5.30% increase in expenses. The increase in expenditures was due primarily to the decrease in support services expenditures compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$2,214,694 and expenses were \$2,090,461.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 1,362,858	1,364,462	-0.12%	994,722	1,036,825	-4.06%
Support services	587,897	475,496	23.64%	587,897	475,317	23.69%
Other expenses	139,706	132,724	5.26%	57,584	60,236	-4.40%
Totals	\$ 2,090,461	1,972,682	5.97%	1,640,203	1,572,378	4.31%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$53,300.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$396,958.
- The net cost of governmental activities was financed with \$810,620 in property taxes, \$85,557 in income surtax, \$170,007 in statewide sales, service and use tax, \$685,371 in unrestricted state grants, \$1,733 in unrestricted investment earnings and \$11,148 in other general revenues.

Business type Activities

Revenues for the District's business type activities were \$140,512 and expenses were \$176,366. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$558,922, compared to last year's ending fund balances of \$480,902.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases in local and federal sources caused the increase in revenues. Expenditures did not increase over revenues allowed the General Fund balance to increase by \$15,501.
- The Capital Projects fund balance increased from \$326,294 in fiscal 2009 to \$373,184 in fiscal 2010 primarily because of the increase in revenues compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$20,869 at June 30, 2009 to \$18,449 at June 30, 2010, while the Day Care Fund net assets decreased from a deficit \$1,324 to a deficit \$34,758. Combined this represents a net decrease of 183.44% in the proprietary funds.

BUDGETARY HIGHLIGHTS

The District's revenues were \$366,115 less than budgeted revenues, a variance of 13.49%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$1,087,224, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.22% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$47,892.

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

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$45,586 at June 30, 2010 compared to \$60,699 at June 30, 2009. The decrease is due to the current year depreciation.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 27,500	27,500	-	-	27,500	27,500	0.00%
Buildings	999,288	1,031,037	-	-	999,288	1,031,037	-3.08%
Land improvements	14,850	15,880	-	-	14,850	15,880	-6.49%
Machinery and equipment	40,728	55,077	4,858	5,622	45,586	60,699	-24.90%
Total	\$ 1,082,366	1,129,494	4,858	5,622	1,087,224	1,135,116	-4.22%

Long-Term Debt

At June 30, 2010, the District had long-term debt outstanding of \$515,000 in general obligation bonds. This represents a decrease of 14.17% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 515,000	600,000	-14.17%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FREMONT COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 663,304	29,067	692,371
Receivables:			
Property tax:			
Delinquent	12,065	-	12,065
Succeeding year	787,847	-	787,847
Income surtax	80,681	-	80,681
Accounts	-	1,383	1,383
Interfund	44,950	-	44,950
Due from other governments	62,128	3,755	65,883
Inventories	-	1,204	1,204
Capital assets, net of accumulated depreciation	1,082,366	4,858	1,087,224
Total Assets	2,733,341	40,267	2,773,608
Liabilities			
Interfund payable	-	44,950	44,950
Accounts payable	54,637	3,486	58,123
Salaries and benefits payable	140,283	8,140	148,423
Interest payable	3,341	-	3,341
Deferred revenue:			
Succeeding year property tax	787,847	-	787,847
Other	28,605	-	28,605
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	85,000	-	85,000
Portion due after one year:			
General obligation bonds	430,000	-	430,000
Total Liabilities	1,529,713	56,576	1,586,289
Net Assets			
Invested in capital assets, net of related debt	567,366	4,858	572,224
Restricted for:			
Categorical funding	46,407	-	46,407
Capital projects	373,184	-	373,184
Management levy	51,948	-	51,948
Physical plant and equipment levy	72,969	-	72,969
Other special revenue purposes	23,786	-	23,786
Unrestricted	67,968	(21,167)	46,801
Total Net Assets	\$ 1,203,628	(16,309)	1,187,319

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 970,186	41,936	259,892	(668,358)	-	(668,358)
Special	246,692	-	27,554	(219,138)	-	(219,138)
Other	145,980	11,364	27,390	(107,226)	-	(107,226)
	<u>1,362,858</u>	<u>53,300</u>	<u>314,836</u>	<u>(994,722)</u>	<u>-</u>	<u>(994,722)</u>
Support services:						
Student	5,928	-	-	(5,928)	-	(5,928)
Instructional staff	34,962	-	-	(34,962)	-	(34,962)
Administration	229,302	-	-	(229,302)	-	(229,302)
Operation and maintenance of plant	226,418	-	-	(226,418)	-	(226,418)
Transportation	91,287	-	-	(91,287)	-	(91,287)
	<u>587,897</u>	<u>-</u>	<u>-</u>	<u>(587,897)</u>	<u>-</u>	<u>(587,897)</u>
Other expenditures:						
Facilities acquisitions	1,807	-	-	(1,807)	-	(1,807)
Long-term debt interest	22,998	-	-	(22,998)	-	(22,998)
AEA flowthrough	82,122	-	82,122	-	-	-
Depreciation(unallocated)*	32,779	-	-	(32,779)	-	(32,779)
	<u>139,706</u>	<u>-</u>	<u>82,122</u>	<u>(57,584)</u>	<u>-</u>	<u>(57,584)</u>
Total governmental activities	<u>2,090,461</u>	<u>53,300</u>	<u>396,958</u>	<u>(1,640,203)</u>	<u>-</u>	<u>(1,640,203)</u>
Business Type activities:						
Support services:						
Administration						
Nutrition services	279	-	-	-	(279)	(279)
Daycare	243	-	-	-	(243)	(243)
Non-instructional programs:						
Nutrition services	85,241	17,997	64,808	-	(2,436)	(2,436)
Daycare	90,603	56,769	641	-	(33,193)	(33,193)
	<u>175,844</u>	<u>74,766</u>	<u>65,449</u>	<u>-</u>	<u>(35,629)</u>	<u>(35,629)</u>
Total business type activities	<u>176,366</u>	<u>74,766</u>	<u>65,449</u>	<u>-</u>	<u>(36,151)</u>	<u>(36,151)</u>
Total	\$ <u>2,266,827</u>	<u>128,066</u>	<u>462,407</u>	<u>(1,640,203)</u>	<u>(36,151)</u>	<u>(1,676,354)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 792,380	-	792,380
Capital outlay				18,240	-	18,240
Income surtax				85,557	-	85,557
Statewide sales, services and use tax				170,007	-	170,007
Unrestricted state grants				685,371	-	685,371
Unrestricted investment earnings				1,733	2	1,735
Other general revenues				11,148	295	11,443
Total general revenues				<u>1,764,436</u>	<u>297</u>	<u>1,764,733</u>
Changes in net assets				124,233	(35,854)	88,379
Net assets beginning of year				1,079,395	19,545	1,098,940
Net assets end of year				\$ <u>1,203,628</u>	<u>(16,309)</u>	<u>1,187,319</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 222,314	290,880	150,110	663,304
Receivables:				
Property tax:				
Delinquent	11,422	-	643	12,065
Succeeding year	730,646	-	57,201	787,847
Income surtax	47,064	-	33,617	80,681
Interfund	25	45,000	502	45,527
Due from other governments	24,240	37,888	-	62,128
Total Assets	\$ 1,035,711	373,768	242,073	1,651,552
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 577	-	-	577
Accounts payable	51,501	584	2,552	54,637
Salaries and benefits payable	140,283	-	-	140,283
Deferred revenue:				
Succeeding year property tax	730,646	-	57,201	787,847
Income surtax	47,064	-	33,617	80,681
Other	28,605	-	-	28,605
Total liabilities	998,676	584	93,370	1,092,630
Fund balances:				
Reserved for categorical funding	46,407	-	-	46,407
Unreserved	(9,372)	373,184	148,703	512,515
Total fund balances	37,035	373,184	148,703	558,922
Total Liabilities and Fund Balances	\$ 1,035,711	373,768	242,073	1,651,552

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 20)	\$	558,922
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,082,366
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(3,341)
Long-term liabilities, including bonds payable and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(515,000)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		<u>80,681</u>
Net assets of governmental activities (page 18)	\$	<u><u>1,203,628</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 812,682	170,007	75,664	1,058,353
Tuition	36,115	-	-	36,115
Other	18,318	-	11,748	30,066
State sources	937,090	-	-	937,090
Federal sources	145,239	-	-	145,239
Total revenues	<u>1,949,444</u>	<u>170,007</u>	<u>87,412</u>	<u>2,206,863</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	969,130	-	-	969,130
Special	246,692	-	-	246,692
Other	136,543	-	9,437	145,980
	<u>1,352,365</u>	<u>-</u>	<u>9,437</u>	<u>1,361,802</u>
Support services:				
Student	5,928	-	-	5,928
Instructional staff	34,112	850	-	34,962
Administration	213,919	10,742	4,641	229,302
Operation and maintenance of plant	169,227	3,017	52,177	224,421
Transportation	76,270	-	3,721	79,991
	<u>499,456</u>	<u>14,609</u>	<u>60,539</u>	<u>574,604</u>
Other expenditures:				
Facilities acquisitions	-	-	1,807	1,807
Long-term debt:				
Principal	-	-	85,000	85,000
Interest and fiscal charges	-	-	23,508	23,508
AEA flowthrough	82,122	-	-	82,122
	<u>82,122</u>	<u>-</u>	<u>110,315</u>	<u>192,437</u>
Total expenditures	<u>1,933,943</u>	<u>14,609</u>	<u>180,291</u>	<u>2,128,843</u>
Excess(deficiency) of revenues over(under) expenditures	15,501	155,398	(92,879)	78,020
OTHER FINANCING SOURCES(USES):				
Transfer in	-	-	108,508	108,508
Transfer out	-	(108,508)	-	(108,508)
TOTAL OTHER FINANCING SOURCES(USES)	<u>-</u>	<u>(108,508)</u>	<u>108,508</u>	<u>-</u>
Net change in fund balances	15,501	46,890	15,629	78,020
Fund balance beginning of year	21,534	326,294	133,074	480,902
Fund balance end of year	<u>\$ 37,035</u>	<u>373,184</u>	<u>148,703</u>	<u>558,922</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ 78,020

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

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

Depreciation expense (47,128)

Repayment of long-term liabilities provide current financial is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 85,000

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. 510

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 7,831

Changes in net assets of governmental activities (page 19) \$ 124,233

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	School Nutrition	Day Care	Total
Assets			
Cash and cash equivalents	\$ 22,618	6,449	29,067
Interfund receivable	-	75	75
Accounts receivable	1,383	-	1,383
Due from other governments	3,755	-	3,755
Inventories	1,204	-	1,204
Capital assets, net of accumulated depreciation	4,858	-	4,858
Total Assets	33,818	6,524	40,342
Liabilities			
Accounts payable	3,174	312	3,486
Interfund payable	10,000	35,025	45,025
Salaries and benefits payable	2,195	5,945	8,140
Total Liabilities	15,369	41,282	56,651
Net Assets			
Invested in capital assets	4,858	-	4,858
Unrestricted	13,591	(34,758)	(21,167)
Total Net Assets	\$ 18,449	(34,758)	(16,309)

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 17,997	56,769	74,766
Miscellaneous	295	-	295
TOTAL OPERATING REVENUES	18,292	56,769	75,061
OPERATING EXPENSES:			
Support services:			
Administration:			
Benefits	279	243	522
Non-instructional programs:			
Salaries	37,956	78,203	116,159
Benefits	5,434	10,258	15,692
Services	125	412	537
Supplies	40,962	1,730	42,692
Depreciation	764	-	764
	<u>85,241</u>	<u>90,603</u>	<u>175,844</u>
TOTAL OPERATING EXPENSES	85,520	90,846	176,366
OPERATING LOSS	(67,228)	(34,077)	(101,305)
NON-OPERATING REVENUES:			
Interest income	-	2	2
State sources	867	641	1,508
Federal sources	63,941	-	63,941
TOTAL NON-OPERATING REVENUES	64,808	643	65,451
Change in net assets	(2,420)	(33,434)	(35,854)
Net assets at beginning of year	20,869	(1,324)	19,545
Net assets end of year	<u>\$ 18,449</u>	<u>(34,758)</u>	<u>(16,309)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 16,614	-	16,614
Cash received from miscellaneous operating activities	295	56,769	57,064
Cash payments to employees for services	(41,474)	(82,759)	(124,233)
Cash payments to suppliers for goods or services	(33,354)	(1,830)	(35,184)
Net cash used in operating activities	(57,919)	(27,820)	(85,739)
Cash flows from non-capital financing activities:			
Interfund borrowings from the General Fund	10,000	25,000	35,000
State grants received	867	641	1,508
Federal grants received	58,689	-	58,689
Net cash provided by non-capital financing activities	69,556	25,641	95,197
Cash flows from investing activities:			
Interest on investments	-	2	2
Net decrease in cash and cash equivalents	11,637	(2,177)	9,460
Cash and cash equivalents at beginning of year	10,981	8,626	19,607
Cash and cash equivalents at end of year	\$ 22,618	6,449	29,067
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (67,228)	(34,077)	(101,305)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	5,586	-	5,586
Depreciation	764	-	764
Increase in inventories	(1,027)	-	(1,027)
Increase in accounts receivables	(1,383)	-	(1,383)
Increase in accounts payable	3,174	312	3,486
Increase in salaries and benefits payable	2,195	5,945	8,140
Net cash used in operating activities	\$ (57,919)	(27,820)	(85,739)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$5,586 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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

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

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 and the Treasurer of the State of Iowa; 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, 2010 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$45,636 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise, Day Care	\$ 25
Special Revenue, Student Activity	General	502
Enterprise, Day Care	General	75
Capital Projects	Enterprise, Day Care	35,000
Capital Projects	Enterprise, School Nutrition	10,000
Total		<u>\$ 45,602</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 106,308</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 12,231	-	-	12,231
Less accumulated depreciation	6,609	764	-	7,373
Business type activities capital assets, net	<u>\$ 5,622</u>	<u>(764)</u>	<u>-</u>	<u>4,858</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 27,500	-	-	27,500
Total capital assets not being depreciated	27,500	-	-	27,500
Capital assets being depreciated:				
Buildings	1,662,733	-	-	1,662,733
Land improvements	20,593	-	-	20,593
Machinery and equipment	221,135	-	-	221,135
Total capital assets being depreciated	1,904,461	-	-	1,904,461
Less accumulated depreciation for:				
Buildings	631,696	31,749	-	663,445
Land improvements	4,713	1,030	-	5,743
Machinery and equipment	166,058	14,349	-	180,407
Total accumulated depreciation	802,467	47,128	-	849,595
Total capital assets being depreciated, net	1,101,994	(47,128)	-	1,054,866
Governmental activities capital assets, net	\$ 1,129,494	(47,128)	-	1,082,366

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 1,056
Support services:		
Operation and maintenance of plant		1,997
Transportation		11,296
		<u>14,349</u>
Unallocated depreciation		<u>32,779</u>
Total governmental activities depreciation expense		<u>\$ 47,128</u>
Business type activities:		
Food services		<u>\$ 764</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 600,000	-	85,000	515,000	85,000

General Obligation Bonds Payable

Details of the District's June 30, 2010 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue February 1, 2006		
		Principal	Interest	Total
2011	3.70	% \$ 85,000	20,048	105,048
2012	3.80	90,000	16,903	106,903
2013	3.90	95,000	13,483	108,483
2014	3.95	95,000	9,778	104,778
2015	4.05	100,000	6,025	106,025
2016	4.00	50,000	2,025	52,025
Total		\$ 515,000	68,262	583,262

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$64,849, \$58,876, and \$56,014, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 13 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	0
Interest on net OPEB obligation		0
Adjustment to annual required contribution		0
Annual OPEB cost		<u>0</u>
Contributions made		<u>0</u>
Increase in net OPEB obligation		0
Net OPEB obligation beginning of year		<u>0</u>
Net OPEB obligation end of year	\$	<u><u>0</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010. Since the District has not had any retirees below the age of 65 for the last ten years, the calculation of the liability is \$0.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 0	0.00%	\$ 0

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$0, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$1,024,571, and the ratio of the UAAL to covered payroll was 0%. As of June 30, 2010 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members

and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$948.39 for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides dental coverage for employees of the District. The District's contributions to ISEBA for the year ended June 30, 2010 totaled \$4,246.

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

(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 \$82,122 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance/Net Assets

The District has a deficit undesignated fund balance in the General Fund of \$9,372. The District had a deficit unrestricted net assets in the Enterprise, Day Care Fund of \$34,758.

(12) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

<u>Projects</u>	<u>Amount</u>
Gifted and talented	\$ 34,476
Teacher salary supplement	8,584
Beginning teacher mentoring	752
Educator quality, market factor incentives	1,328
Market factor	<u>1,267</u>
Total categorical funding	<u>\$ 46,407</u>

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,124,534	75,063	1,199,597	1,309,864	1,309,864	(110,267)
State sources	937,090	1,508	938,598	1,198,626	1,198,626	(260,028)
Federal sources	145,239	63,941	209,180	205,000	205,000	4,180
Total revenues	<u>2,206,863</u>	<u>140,512</u>	<u>2,347,375</u>	<u>2,713,490</u>	<u>2,713,490</u>	<u>(366,115)</u>
Expenditures/expenses:						
Instruction	1,361,802	-	1,361,802	1,542,854	1,542,854	181,052
Support services	574,604	522	575,126	838,654	838,654	263,528
Non-instructional programs	-	175,844	175,844	244,237	244,237	68,393
Other expenditures	192,437	-	192,437	635,477	635,477	443,040
Total expenditures/expenses	<u>2,128,843</u>	<u>176,366</u>	<u>2,305,209</u>	<u>3,261,222</u>	<u>3,261,222</u>	<u>956,013</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	78,020	(35,854)	42,166	(547,732)	(547,732)	589,898
Balance beginning of year	<u>480,902</u>	<u>19,545</u>	<u>500,447</u>	<u>685,605</u>	<u>685,605</u>	<u>(185,158)</u>
Balance end of year	<u>\$ 558,922</u>	<u>(16,309)</u>	<u>542,613</u>	<u>137,873</u>	<u>137,873</u>	<u>404,740</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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

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

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

FREMONT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 0	\$ 0	0.00%	\$ 1,024,571	0.00%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
Assets				
Cash and pooled investments	\$ 51,576	23,284	75,250	150,110
Receivables:				
Property tax:				
Delinquent	372	-	271	643
Succeeding year	35,636	-	21,565	57,201
Income surtax	-	-	33,617	33,617
Interfund	-	502	-	502
Total Assets	\$ 87,584	23,786	130,703	242,073
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	-	2,552	2,552
Deferred revenue:				
Succeeding year property tax	35,636	-	21,565	57,201
Income surtax	-	-	33,617	33,617
Total liabilities	35,636	-	57,734	93,370
Unreserved fund balances	51,948	23,786	72,969	148,703
Total Liabilities and Fund Balances	\$ 87,584	23,786	130,703	242,073

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 24,972	-	50,692	75,664	-	75,664
Other	-	11,407	341	11,748	-	11,748
TOTAL REVENUES	24,972	11,407	51,033	87,412	-	87,412
EXPENDITURES:						
Current:						
Instruction:						
Other	-	9,437	-	9,437	-	9,437
Support services:						
Administration	1,916	-	2,725	4,641	-	4,641
Operation and maintenance of plant	25,668	-	26,509	52,177	-	52,177
Transportation	3,721	-	-	3,721	-	3,721
	31,305	-	29,234	60,539	-	60,539
Other expenditures:						
Facilities acquisition	-	-	1,807	1,807	-	1,807
Long-term debt:						
Principal	-	-	-	-	85,000	85,000
Interest and fiscal charges	-	-	-	-	23,508	23,508
	-	-	1,807	1,807	108,508	110,315
TOTAL EXPENDITURES	31,305	9,437	31,041	71,783	108,508	180,291
Excess (deficiency) of revenues over (under) expenditures	(6,333)	1,970	19,992	15,629	(108,508)	(92,879)
Other financing sources:						
Transfers in	-	-	-	-	108,508	108,508
Net change in fund balance	(6,333)	1,970	19,992	15,629	-	15,629
Fund balance beginning of year	58,281	21,816	52,977	133,074	-	133,074
Fund balance end of year	\$ 51,948	23,786	72,969	148,703	-	148,703

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT

FREMONT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
6th Grade Activities	\$ 429	-	-	429
7th Grade Activities	499	-	-	499
8th Grade Activities	110	-	270	(160)
Student Council	1,131	140	265	1,006
Yearbook	2,532	10	-	2,542
District - Wide Activities	(4,664)	-	1,474	(6,138)
Book Fair	6,229	795	2,729	4,295
Fundraiser	4,049	-	-	4,049
Sports	5,028	-	-	5,028
Garden	128	-	-	128
MS Trip	5,260	4,988	4,699	5,549
Field trips	(50)	3,790	-	3,740
Resale	1,263	281	-	1,544
Blue Jean	121	-	-	121
Fund Balance	(249)	1,403	-	1,154
Total	\$ 21,816	11,407	9,437	23,786

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2010	2009	2008	2007	2006
Revenues:					
Local sources:					
Local tax	\$ 1,058,353	930,446	867,082	837,145	780,046
Tuition	36,115	15,999	42,306	79,228	139,554
Other	30,066	36,356	77,030	128,150	154,275
Intermediate sources					
State sources	937,090	1,088,139	1,028,606	963,674	780,487
Federal sources	145,239	75,996	84,807	82,767	108,785
Total	\$ 2,206,863	2,146,936	2,099,831	2,090,964	1,963,147
Expenditures:					
Instruction:					
Regular	\$ 969,130	1,058,683	1,165,474	1,039,528	1,063,887
Special	246,692	183,921	179,631	240,540	174,150
Other	145,980	118,418	1,632	18,253	42,497
Support services:					
Student	5,928	6,169	7,920	5,592	16,900
Instructional staff	34,962	36,141	84,818	29,525	38,360
Administration	229,302	203,751	261,416	250,641	277,925
Operation and maintenance of plant	224,421	175,870	220,010	168,537	157,972
Transportation	79,991	63,184	88,935	71,670	64,763
Non-instructional	-	-	-	2,841	-
Other expenditures:					
Facilities acquisitions	1,807	-	10,979	31	18,891
Long-term debt:					
Principal	85,000	117,500	87,500	65,000	60,000
Interest and fiscal charges	23,508	28,544	30,863	45,327	47,914
AEA flow-through	82,122	72,488	67,548	60,273	52,468
Total	\$ 2,128,843	2,064,669	2,206,726	1,997,758	2,015,727

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis				
Years Ended June 30,				
2005	2004	2003	2002	2001
735,887	765,780	807,701	720,850	697,939
68,310	75,534	77,996	63,409	65,675
63,733	60,527	35,454	47,318	64,680
4,596	-	-	-	3,000
729,875	691,071	720,808	753,781	785,240
115,611	36,541	69,757	30,112	31,090
<u>1,718,012</u>	<u>1,629,453</u>	<u>1,711,716</u>	<u>1,615,470</u>	<u>1,647,624</u>
947,368	920,401	768,102	775,568	774,537
172,113	254,925	230,408	231,342	190,290
26,834	21,042	19,447	14,777	39,801
4,900	4,693	27,489	18,823	11,198
36,270	33,975	39,970	45,328	22,989
152,025	184,048	183,450	175,290	154,768
130,981	241,780	160,885	98,224	69,538
106,917	33,222	36,522	23,053	41,547
-	18,568	-	2,967	-
17,247	-	-	19,190	23,484
55,000	50,000	50,000	45,000	45,000
50,662	53,100	55,888	58,619	61,438
52,202	53,473	57,320	57,628	60,735
<u>1,752,519</u>	<u>1,869,227</u>	<u>1,629,481</u>	<u>1,565,809</u>	<u>1,495,325</u>

FREMONT COMMUNITY SCHOOL DISTRICT

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Independent Auditor's Report on Internal Control over financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 29, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-10 through I-I-10 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2011

FREMONT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

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

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

Conclusion - Response accepted.

I-B-10 Accounting Records - It was noted during the audit that there was a bank account that was not being accounted for within the District software system.

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

Response - We will make sure the account is entered into the accounting software.

Conclusion - Response accepted.

I-C-10 Grants - We noted during our audit, that when expenditures for specific projects were posted, expenses were not always properly posted to those projects.

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

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

Conclusion - Response accepted.

I-D-10 Credit Card and Cell Phone Policies - We noted during our audit that the District had not implemented a credit card policy that states the procedures to be used for the use of the District's Wal-Mart and Casey's credit cards. We also noted that the District does not have a policy in place for the procedures on the use of a District owned cell phone.

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

Response - The District will review and update its policies.

Conclusion - Response accepted.

- I-E-10 Title I Grant - The final report for Title I Budget was not certified accurately and was not amended to reflect general ledger expenditures.

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

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

Conclusion - Response accepted.

- I-F-10 Bank Reconciliation Items - We noted during our audit that the District is posting expenses such as bank fees and non-sufficient fund charges as reconciling items in the District's bank reconciliations.

Recommendation - The District should post items such as these as expenses in the accounting software instead of using them as reconciling items.

Response - We will correct the bank reconciliations and expense these items.

Conclusion - Response accepted.

- I-G-10 Unsupported Disbursements - We noted during our audit instances of checks being issued using purchase orders for supporting documentation. We also noted at least one instance when a check was issued with no support documentation.

Recommendation - Better internal control is achieved if the purchase order is used as an authorization for purchase and then matched to the invoice when received. The invoice should serve as the support document when preparing the check for payment. In addition the invoice should be present for the individuals signing the check, as well as available for the Board. Chapter 279.29 in part states, "The board shall audit and allow all just claims against the corporation, and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Logically if an invoice is not available, the Board cannot fulfill the requirement in the process of approving the bill for payment. The District should review the procedures in place and make necessary changes.

Response - We will ensure all purchases have purchase orders and a supporting invoice prior to issuing payments.

Conclusion - Response accepted.

- I-H-10 Shipments of District Purchases - We noted during our audit that a District employee had items purchased with District funds shipped directly to their residence.

Recommendation - The District should have all purchases made, be shipped directly to a District building. This practice allows for the internal control of reconciling the purchase order to the packaging slip to an invoice should it be enclosed when the item is received.

Response - All purchases will be sent to the school

Conclusion - Response accepted.

I-I-10 Nutrition Fund Deposits - We noted during our audit that deposits made into the Nutrition Fund are not being reconciled with Infinite Campus deposits and the Nutrition Fund balance sheet.

Recommendation - The District should print off daily printouts from the Infinite Campus software to reconcile to the deposit for that day. This process provides a reasonable assurance that what is recorded into the Infinite Campus software is also deposited into the District bank account, and subsequently recorded in the District's accounting records.

Response - The District will work review procedures in place and update the process of which Nutrition Fund deposits are receipted and subsequently recorded .

Conclusion - Response accepted.

FREMONT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-10 Certified Budget - District expenditures for the year ended June 30, 2010, did not exceed the amount budgeted.
- II-B-10 Questionable Expenditures - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-10 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Mitterer, Board President Owner of Country Store	School supplies	\$1,770
Dennis Paxton, Janitor	Snow removal services	\$950
Tom Judy, Board Vice-President Spouse is a Substitute Teacher	Payroll	\$194

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

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

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

- II-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-10 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$ 33,628
Statewide sales, services and use tax revenue		170,007
Expenditures/transfers out:		
School infrastructure:		
Equipment	\$ 14,609	
Debt service for school infrastructure:		
General obligation debt	<u>108,508</u>	<u>123,117</u>
Ending Balance		<u><u>\$ 80,518</u></u>

As a result of the statewide sales, service and use tax revenue received during the year ended June 30, 2010 the District reduced the following levy:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 2.09166	\$ 108,508
Physical plant and equipment levy	1.18549	61,499

- II-M-10 Financial Condition - During our audit we noted that the District had two negative account balances in the Special Revenue, Student Activity Fund totaling \$6,298. We noted during our audit that the District had a deficit unreserved fund balance in the General Fund for \$9,372. We noted during our audit that the District had deficit unrestricted net assets in the Enterprise, Day Care Fund for \$34,578.

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

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

Conclusion - Response accepted.

- II-N-10 Student Activity Fund - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund.

Monies in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. In addition, several accounts were inactive during the year. These accounts should be reviewed and closed.

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

Response - We will look at dissolving the Student Activity Fund and incorporating it into the General Fund.

Conclusion - Response accepted.

II-O-10 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

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

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

Conclusion - Response accepted.

II-P-10 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets.

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

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

Response - The District has closed the Daycare and will seek Board approval to forgive this loan. The District will continue to monitor the Nutrition fund to bring it to a more solvent position.

Conclusion - Response acknowledged. The Board does not have legal authority to transfer funds to cover the Daycare deficit. The District must work with the State Appeals Board to obtain permission to use public funds for this deficit.

II-Q-10 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required for the Student Activity and Nutrition Funds.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response - The District will request from the bank an electronic copy of cancelled checks to retain for its files.

Conclusion - Response accepted.