

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont-Mills Community School District, Tabor, Iowa, as of and for the year ended June 30, 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 our audit provides a reasonable basis for our opinions.

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

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2011, on our consideration of Fremont-Mills Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont-Mills Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 24, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fremont-Mills Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$4,470,434 in fiscal 2009 to \$4,516,305 in fiscal 2010, while General Fund expenditures decreased from \$4,143,277 in fiscal 2009 to \$3,992,315 in fiscal 2010. The District's General Fund balance shows an increase of 85.90% from \$598,394 in fiscal 2009 to \$1,112,444 in fiscal 2010.
- The increase in General Fund revenues was attributable to an increase in property tax and federal grant revenue in fiscal 2010. The decrease in expenditures was due primarily to a reduction in staffing.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

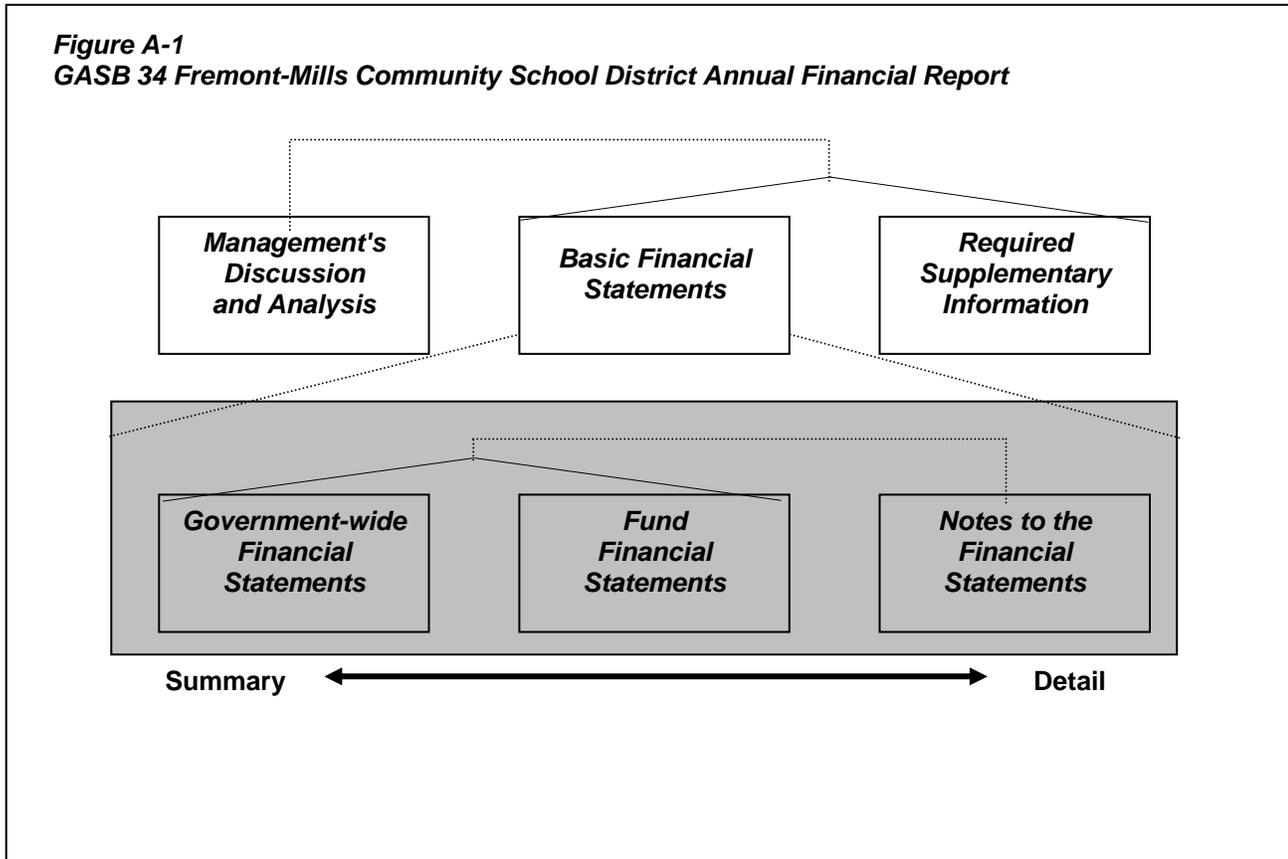


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or

financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Condensed Statement of Net Assets						Percentage Change
	Governmental Activities		Business-type Activities		Total School District		
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,099,370	5,137,617	36,086	32,835	5,135,456	5,170,452	-0.68%
Capital assets	6,952,817	4,594,244	14,132	17,743	6,966,949	4,611,987	51.06%
Total assets	12,052,187	9,731,861	50,218	50,578	12,102,405	9,782,439	23.72%
Long-term liabilities	3,503,147	3,682,295			3,503,147	3,682,295	-4.87%
Other liabilities	2,834,808	2,478,317	2,819	2,856	2,837,627	2,481,173	14.41%
Total liabilities	6,337,955	6,160,612	2,819	2,856	6,340,774	6,163,468	2.89%
Net assets:							
Invested in capital assets net of related debt	3,881,189	2,544,290	14,132	17,743	3,895,321	2,562,033	52.04%
Restricted	850,636	393,533			850,636	393,533	116.15%
Unrestricted	982,407	633,426	33,267	29,979	1,015,674	663,405	53.10%
TOTAL NET ASSETS	5,714,232	3,571,249	47,399	47,722	5,761,631	3,618,971	59.21%

The District's combined net assets increased by 59.2% or approximately \$2,142,660, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$457,103 over the prior year. The decrease was primarily a result of an increase in restricted balances for categorical funding, capital projects, and other special revenues

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$352,269 or 53.10% This increase in unrestricted net assets was a result of the District's increased revenue and by decreasing expenses by reducing staff.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2009.

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

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	
Revenues							
Program Revenues:							
Charges for services	340,628	285,432	109,066	113,421	449,694	398,853	
Operating grants & contributions	955,485	709,323	105,995	111,944	1,061,480	821,267	
Capital grants & contributions	1,332,355	365,088	0	0	1,332,355	365,088	
General Revenues							
Property taxes	1,837,967	1,734,288			1,837,967	1,734,288	
Income Surtax	273,055	234,610			273,055	234,610	
Statewide sales tax	309,850	275,639			309,850	275,639	
Unrestricted state grants	1,607,472	1,927,124			1,607,472	1,927,124	
Unrestricted investment earnings	18,870	26,173	184	457	19,054	26,630	
Other revenue	4,097	8,638			4,097	8,638	
Total Revenues	\$6,679,779	\$5,566,315	\$215,245	\$225,822	\$6,895,024	\$5,792,137	19%
Expenses:							
Instruction	2,656,044	2,863,390			2,656,044	2,863,390	
Support services	1,374,706	1,350,093			1,374,706	1,350,093	
Non-instructional programs	0	4,370	215,568	218,717	215,568	223,087	
Other expenditures	506,046	499,613			506,046	499,613	
Total Expenses	\$4,536,796	\$4,717,466	\$215,568	\$218,717	\$4,752,364	\$4,936,183	-4%
CHANGE IN NET ASSETS	\$2,142,983	\$848,849	-\$323	\$7,105	\$2,142,660	\$855,954	150%
Net assets beginning of year	3,571,249	2,722,400	47,722	40,617	3,618,971	2,763,017	31%
Net assets end of year	\$5,714,232	\$3,571,249	\$47,399	\$47,722	\$5,761,631	\$3,618,971	59%

Property tax, income surtax, local option sales taxes and unrestricted state grants account for nearly 58.70% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84.82% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,679,779 and expenses were \$4,536,796. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2010	2009	2010	2009
	\$	\$	\$	\$
Instruction	2,656,044	2,863,390	1,548,345	2,037,239
Support Services	1,374,706	1,350,093	1,373,783	1,349,518
Non-instructional Programs	0	4,370	0	4,370
Other Expenses	506,046	499,613	-1,013,800	-33,504
TOTAL	4,536,796	4,717,466	1,908,328	3,357,623

- The cost financed by users of the District's programs was \$340,628.
- Federal and state governments and a nonprofit organization subsidized certain programs with grants and contributions totaling \$2,287,840.
- The net cost of governmental activities was financed with \$2,420,872 in property and other taxes and in \$1,607,472 unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$215,245 and expenses were \$215,568. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The net decrease of \$323 in the School Nutrition Fund is attributed increased expenditures. the increased meal prices from the previous year was not enough to offset increased expenditures.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,057,742, or 17% below last year's

ending fund balances of \$2,487,727. The primary reason for the decrease in combined fund balances is due to increased expenditures for the construction of a gymnasium in the Capital Projects Funds.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues, and reduced expenditures contributed to the increase.
- The General Fund balance increased from \$598,394 to \$1,112,444, due in part to the due to increased revenue, and staff reductions. The Capital Projects funds decreased from \$1,647,984 to \$765,654 due to the use of funds for the construction of an elementary gymnasium/wellness center
- The Nonmajor Government Funds decrease from \$241,349 to \$179,644 is due in part to increased expenditures in the Special Revenue funds.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$47,722 at June 30, 2009 to \$47,399 at June 30, 2010, representing a decrease of approximately -1%. For fiscal 2010, the increased meal price from the previous year was not enough to offset increased expenditures.

The Internal Service Fund balance of \$4,850 at June 30, 2010 is an increase in the balance of \$3,850 at June 30, 2009 – attributable to normal annual fluctuations.

BUDGETARY HIGHLIGHTS

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

The District's receipts were \$883,417 less than budgeted receipts, a variance of 11.39%. Most of this variance is due to receiving lower state revenues than anticipated.

Total expenditures were \$3,320,529 less than budgeted, a variance of 31.25%, due to staff reduction in the general fund, and the ongoing construction project in the capital project fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the all funds. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$6,966,949, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, and transportation equipment. (See Figure A-6) This represents a net increase of 51.06% from last year. The large increase is due to the construction in progress for a gymnasium complex. We plan on spending approximately \$800,000 more to complete the project. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$182,974.

The original cost of the District's capital assets was \$9,437,856. Governmental funds account for \$9,340,557, with the remainder of \$97,299 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change
	Activities		Activities		School District		
	2010	2009	2010	2009	2010	2009	
Land	40,000	40,000			40,000	40,000	0.00%
Construction in progress	2,952,065	600,281			2,952,065	600,281	391.78%
Buildings	3,328,006	3,254,556			3,328,006	3,254,556	2.26%
Improvements	431,226	449,839			431,226	449,839	-4.14%
Equipment & Furniture	201,520	249,568	14,132	17,743	215,652	267,311	-19.33%
	6,952,817	4,594,244	14,132	17,743	6,966,949	4,611,987	51.06%

Long-Term Debt

At June 30, 2010, the District had \$3,503,147 in general obligation, revenue and other long-term debt outstanding. This represents an a decrease of approximately 4.87% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7

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

	Total School District		Percentage Change
	2010	2009	
General Obligation Bonds	3,330,000	3,445,000	-3.34%
Capital Loan Notes	140,000	205,000	-31.71%
Termination Benefits	16,147	3,295	-50.00%
Net OPEB Liability	17,000		
	3,503,147	3,682,295	-4.87%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2010 enrollment decreased by 27 resident students. This decrease in enrollment of students will impact the District's funding for fiscal year 2011-12.
- A Bond Issue was passed in March 2008 for the construction of an elementary gymnasium in the amount of \$1,985,000. An additional \$1,600,000 grant from the Lied Foundation was attained to build additional weight and exercise rooms, restrooms increasing the project named the Lied Gymnasium and Sports Complex. The completion of the addition and construction costs will impact the fiscal year 2010-11 Capital Projects fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Shepherd, Board Secretary/Business Manager, Fremont-Mills Community School, 1114 US Hwy 275, Tabor, Iowa

BASIC FINANCIAL STATEMENTS

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:	2,434,340	34,932	2,469,272
Receivables:			
Property tax:			
Delinquent	28,775	-	28,775
Succeeding year	2,029,276	-	2,029,276
Accounts	89,141	6	89,147
Due from other governments	517,838	-	517,838
Inventories	-	1,148	1,148
Capital assets, net of accumulated depreciation	6,952,817	14,132	6,966,949
Total assets	12,052,187	50,218	12,102,405
Liabilities			
Accounts payable	396,555	1,316	397,871
Salaries and benefits payable	311,371	-	311,371
Accrued interest payable	28,164	-	28,164
Deferred revenue:			
Succeeding year property tax	2,029,276	-	2,029,276
Other	69,442	1,503	70,945
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	120,000	-	120,000
Capital loan notes	70,000	-	70,000
Termination benefits	10,765	-	10,765
Portion due after one year:			
General obligation bonds payable	3,210,000	-	3,210,000
Capital loan notes	70,000	-	70,000
Termination benefits	5,382	-	5,382
Net OPEB liability	17,000	-	17,000
Total liabilities	6,337,955	2,819	6,340,774

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	3,881,189	14,132	3,895,321
Restricted for:			
Categorical funding	246,732	-	246,732
Management levy	63,685	-	63,685
Physical plant and equipment levy	145,847	-	145,847
Other special revenue purposes	27,090	-	27,090
Sales tax capital projects	367,282	-	367,282
Unrestricted	<u>982,407</u>	<u>33,267</u>	<u>1,015,674</u>
Total net assets	<u><u>5,714,232</u></u>	<u><u>47,399</u></u>	<u><u>5,761,631</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,653,337	240,650	615,371	-
Special	478,096	9,463	76,995	-
Other	524,611	89,921	75,299	-
	<u>2,656,044</u>	<u>340,034</u>	<u>767,665</u>	<u>-</u>
Support services:				
Student	71,531	-	-	-
Instructional staff	118,237	-	-	-
Administration	553,716	-	-	-
Operation and maintenance of plant	300,569	594	-	-
Transportation	330,653	-	329	-
	<u>1,374,706</u>	<u>594</u>	<u>329</u>	<u>-</u>
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	14,484	-	-	1,332,355
Long-term debt interest	177,292	-	3	-
AEA flowthrough	187,488	-	187,488	-
Depreciation (unallocated)*	126,782	-	-	-
	<u>506,046</u>	<u>-</u>	<u>187,491</u>	<u>1,332,355</u>
Total governmental activities	4,536,796	340,628	955,485	1,332,355
Business type activities:				
Non-instructional programs:				
Food service operations	215,568	109,066	105,995	-
Total	<u>4,752,364</u>	<u>449,694</u>	<u>1,061,480</u>	<u>1,332,355</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net
Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(797,316)	-	(797,316)
(391,638)	-	(391,638)
(359,391)	-	(359,391)
<u>(1,548,345)</u>	<u>-</u>	<u>(1,548,345)</u>
(71,531)	-	(71,531)
(118,237)	-	(118,237)
(553,716)	-	(553,716)
(299,975)	-	(299,975)
(330,324)	-	(330,324)
<u>(1,373,783)</u>	<u>-</u>	<u>(1,373,783)</u>
-	-	-
1,317,871	-	1,317,871
(177,289)	-	(177,289)
-	-	-
(126,782)	-	(126,782)
<u>1,013,800</u>	<u>-</u>	<u>1,013,800</u>
(1,908,328)	-	(1,908,328)
-	(507)	(507)
<u>(1,908,328)</u>	<u>(507)</u>	<u>(1,908,835)</u>
1,629,260	-	1,629,260
103,509	-	103,509
105,198	-	105,198
273,055	-	273,055
309,850	-	309,850
1,607,472	-	1,607,472
18,870	184	19,054
4,097	-	4,097
<u>4,051,311</u>	<u>184</u>	<u>4,051,495</u>
2,142,983	(323)	2,142,660
<u>3,571,249</u>	<u>47,722</u>	<u>3,618,971</u>
<u>5,714,232</u>	<u>47,399</u>	<u>5,761,631</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	1,432,637	815,796	181,324	2,429,757
Receivables:				
Property tax:				
Delinquent	23,777	-	4,998	28,775
Succeeding year	1,667,149	-	362,127	2,029,276
Accounts	3,316	84,392	1,166	88,874
Due from other governments	329,505	111,622	76,711	517,838
Total assets	<u>3,456,384</u>	<u>1,011,810</u>	<u>626,326</u>	<u>5,094,520</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	142,555	246,156	7,844	396,555
Salaries and benefits payable	311,371	-	-	311,371
Deferred revenue:				
Succeeding year property tax	1,667,149	-	362,127	2,029,276
Income surtax	153,423	-	76,711	230,134
Other	69,442	-	-	69,442
Total liabilities	<u>2,343,940</u>	<u>246,156</u>	<u>446,682</u>	<u>3,036,778</u>
Fund balances:				
Reserved for:				
Categorical funding	246,732	-	-	246,732
Debt service	-	-	3,586	3,586
Unreserved reported in:				
General fund	865,712	-	-	865,712
Special revenue funds	-	-	176,058	176,058
Capital projects funds	-	765,654	-	765,654
Total fund balances	<u>1,112,444</u>	<u>765,654</u>	<u>179,644</u>	<u>2,057,742</u>
Total liabilities and fund balances	<u>3,456,384</u>	<u>1,011,810</u>	<u>626,326</u>	<u>5,094,520</u>

FREMONT-MILLS 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 (Exhibit C)	2,057,742
<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.	6,952,817
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	230,134
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.	(28,164)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	4,850
Long-term liabilities, including bonds payable, capital loan notes payable, termination benefits, and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,503,147)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,714,232</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,691,122	309,850	386,994	2,387,966
Tuition	219,851	-	-	219,851
Other	42,603	1,347,050	98,541	1,488,194
State sources	2,115,411	-	225	2,115,636
Federal sources	447,318	-	-	447,318
Total revenues	<u>4,516,305</u>	<u>1,656,900</u>	<u>485,760</u>	<u>6,658,965</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,623,891	-	36,279	1,660,170
Special	476,852	-	-	476,852
Other	430,710	-	85,226	515,936
	<u>2,531,453</u>	<u>-</u>	<u>121,505</u>	<u>2,652,958</u>
Support services:				
Student	71,116	-	-	71,116
Instructional staff	118,237	-	-	118,237
Administration	542,757	-	1,040	543,797
Plant operation and maintenance	268,520	-	26,704	295,224
Transportation	272,744	-	24,241	296,985
	<u>1,273,374</u>	<u>-</u>	<u>51,985</u>	<u>1,325,359</u>
Other expenditures:				
Facilities acquisition	-	2,539,230	25,342	2,564,572
Long-term debt:				
Principal	-	-	180,000	180,000
Interest and fiscal charges	-	-	178,633	178,633
AEA flowthrough	187,488	-	-	187,488
	<u>187,488</u>	<u>2,539,230</u>	<u>383,975</u>	<u>3,110,693</u>
Total expenditures	<u>3,992,315</u>	<u>2,539,230</u>	<u>557,465</u>	<u>7,089,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>523,990</u>	<u>(882,330)</u>	<u>(71,705)</u>	<u>(430,045)</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Sales of materials and equipment	60	-	-	60
Operating transfers in	-	-	267,760	267,760
Operating transfers out	(10,000)	-	(257,760)	(267,760)
Total other financing sources (uses)	(9,940)	-	10,000	60
Net change in fund balances	514,050	(882,330)	(61,705)	(429,985)
Fund balances beginning of year	598,394	1,647,984	241,349	2,487,727
Fund balances end of year	<u>1,112,444</u>	<u>765,654</u>	<u>179,644</u>	<u>2,057,742</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(429,985)
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. Capital outlay expenditures exceeded depreciation expense and loss on disposal of capital assets in the current year, as follows:		
Expenditures for capital assets	2,550,088	
Loss on disposal of capital assets	(12,152)	
Depreciation expense	<u>(179,363)</u>	2,358,573
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		32,906
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		180,000
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.		1,341
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	16,148	
Other postemployment benefits	<u>(17,000)</u>	(852)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>1,000</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>2,142,983</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Assets		
Cash and cash equivalents	34,932	4,583
Accounts receivable	6	267
Inventories	1,148	-
Capital assets, net of accumulated depreciation	<u>14,132</u>	<u>-</u>
Total assets	<u>50,218</u>	<u>4,850</u>
Liabilities		
Accounts payable	1,316	-
Deferred revenue	<u>1,503</u>	<u>-</u>
Total Liabilities	<u>2,819</u>	<u>-</u>
Net assets		
Invested in capital assets	14,132	-
Unrestricted	<u>33,267</u>	<u>4,850</u>
Total net assets	<u><u>47,399</u></u>	<u><u>4,850</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal <u>Service Fund</u> \$
Operating revenue:		
Local sources:		
Charges for service	<u>109,066</u>	<u>7,500</u>
Operating expenses:		
Non-instructional programs:		
Salaries	73,554	-
Benefits	10,616	6,500
Purchased services	2,468	-
Supplies	124,177	-
Depreciation	3,611	-
Other	1,142	-
Total operating expenses	<u>215,568</u>	<u>6,500</u>
Operating gain (loss)	<u>(106,502)</u>	<u>1,000</u>
Non-operating revenues:		
State sources	2,384	-
Federal sources	103,611	-
Interest income	184	-
Total non-operating revenues	<u>106,179</u>	<u>-</u>
Change in net assets	(323)	1,000
Net assets beginning of year	<u>47,722</u>	<u>3,850</u>
Net assets end of year	<u><u>47,399</u></u>	<u><u>4,850</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	108,597	-
Cash received from services provided to other funds	-	7,500
Cash payments to employees for services	(84,170)	(6,500)
Cash payments to suppliers for goods or services	<u>(119,825)</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(95,398)</u>	<u>1,000</u>
Cash flows from non-capital financing activities:		
Interfund loan (repayment)	(968)	-
State grants received	2,384	-
Federal grants received	<u>96,041</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>97,457</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>184</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,243	1,000
Cash and cash equivalents at beginning of year	<u>32,689</u>	<u>3,583</u>
Cash and cash equivalents at end of year	<u><u>34,932</u></u>	<u><u>4,583</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(106,502)	1,000
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	7,570	-
Depreciation	3,611	-
Decrease (increase) in inventories	(34)	-
Decrease (increase) in accounts receivable	(6)	-
(Decrease) increase in accounts payable	426	-
(Decrease) increase in deferred revenue	<u>(463)</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(95,398)</u>	<u>1,000</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$7,570 of federal commodities.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash and pooled investments	38,645	11,421
Liabilities		
Other payables	<u>-</u>	<u>11,421</u>
Net Assets		
Reserved for scholarships	<u><u>38,645</u></u>	<u><u>-</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,528
Interest	590
Total additions	<u>2,118</u>
Deductions	
Support services:	
Scholarships awarded	<u>2,250</u>
Change in net assets	(132)
Net assets beginning of year	<u>38,777</u>
Net assets end of year	<u><u>38,645</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

Fremont-Mills Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Tabor, Thurman, and Randolph, Iowa and the predominately agricultural territory in a portion of Mills and Fremont Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, furniture and 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	3-10 years
Furniture and equipment	5-20 years

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

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures did not exceed the amounts budgeted during the year ended June 30, 2010.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain

registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa School Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	1,488,878

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

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor - Debt Service Fund	Nonmajor - Physical Plant and Equipment Levy Fund	257,760
Nonmajor – Student Activity Fund	General Fund	10,000

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

4. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	40,000	-	-	40,000
Construction in progress	600,281	2,532,495	180,711	2,952,065
Total capital assets not being deprec.	<u>640,281</u>	<u>2,532,495</u>	<u>180,711</u>	<u>2,992,065</u>
Capital assets being depreciated:				
Buildings	4,768,964	180,711	26,485	4,923,190
Improvements other than buildings	524,264	6,735	-	530,999
Furniture and equipment	890,103	10,858	6,658	894,303
Total capital assets being deprec.	<u>6,183,331</u>	<u>198,304</u>	<u>33,143</u>	<u>6,348,492</u>
Less accumulated depreciation for:				
Buildings	1,514,408	101,434	20,658	1,595,184
Improvements other than buildings	74,425	25,348	-	99,773
Furniture and equipment	640,535	52,581	333	692,783
Total accumulated depreciation	<u>2,229,368</u>	<u>179,363</u>	<u>20,991</u>	<u>2,387,740</u>

Total capital assets being depreciated, net	<u>3,953,963</u>	<u>18,941</u>	<u>12,152</u>	<u>3,960,752</u>
Governmental activities capital assets, net	<u>4,594,244</u>	<u>2,551,436</u>	<u>192,863</u>	<u>6,952,817</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	97,299	-	-	97,299
Less accumulated depreciation	<u>79,556</u>	<u>3,611</u>	<u>-</u>	<u>83,167</u>
Business type activities capital assets, net	<u>17,743</u>	<u>(3,611)</u>	<u>-</u>	<u>14,132</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	364
Other	6,602
Support services:	
Administration services	7,846
Operation and maintenance of plant services	4,516
Transportation	<u>33,253</u>
	52,581
Unallocated depreciation	<u>126,782</u>
Total depreciation expense – governmental activities	<u>179,363</u>
Business type activities:	
Food services	<u>3,611</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	3,445,000	-	115,000	3,330,000	120,000
Capital loan notes	205,000	-	65,000	140,000	70,000
Termination benefits	32,295	-	16,148	16,147	10,765
Net OPEB liability	<u>-</u>	<u>17,000</u>	<u>-</u>	<u>17,000</u>	<u>-</u>
Total	<u>3,682,295</u>	<u>17,000</u>	<u>196,148</u>	<u>3,503,147</u>	<u>200,765</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	-	-	-	-	-

Termination Benefits

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

At June 30, 2010, the District has obligations to one participant with a total liability of \$16,147. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$16,148.

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	<u>Bond Issue of May, 2002</u>			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	4.60	90,000	71,470	161,470
2012	4.70	95,000	67,330	162,330
2013	4.80	100,000	62,865	162,865
2014	4.90	105,000	58,065	163,065
2015	5.00	105,000	52,920	157,920
2016-2020	5.05-5.25	620,000	178,135	798,135
2021-2022	5.30-5.35	295,000	23,735	318,735
		<u>1,410,000</u>	<u>514,520</u>	<u>1,924,520</u>

Year Ending June 30,	<u>Bond Issue of August 2008</u>			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	5.50	30,000	91,622	121,622
2012	5.25	30,000	89,972	119,972
2013	5.00	30,000	88,398	118,398
2014	5.00	30,000	86,898	116,898
2015	5.00	40,000	85,398	125,398
2016-2020	5.00	215,000	396,740	611,740
2021-2025	4.55-5.00	775,000	316,076	1,091,076
2026-2028	4.70-4.80	770,000	74,620	844,620
		<u>1,920,000</u>	<u>1,229,724</u>	<u>3,149,724</u>

Capital Loan Notes

The District issued \$260,000 of capital loan notes during the year ended June 30, 2002 and issued \$305,000 of notes during the year ended June 30, 2004. These notes and the interest will be paid

from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30	2002 Issue			2004 Issue			Total
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	
	%	\$	\$	%	\$	\$	\$
2011	4.60	30,000	2,790	3.75	40,000	3,100	75,890
2012	4.70	30,000	1,410	4.00	40,000	1,600	73,010
		<u>60,000</u>	<u>4,200</u>		<u>80,000</u>	<u>4,700</u>	<u>148,900</u>

During the year ended June 30, 2010 the District made principal and interest payments totaling \$73,463 under the note agreements.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were, \$150,944, \$144,340 and, \$137,518 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

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 53 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Principal Financial. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

	\$
Annual required contribution	40,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>40,000</u>
Contributions made	<u>23,000</u>
Increase in net OPEB obligation	17,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>17,000</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.

For the year ended June 30, 2010, the District contributed \$23,000 to the medical plan. Plan members eligible for benefits contributed \$23,000, or 50% of the premium costs.

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 \$
June 30, 2010	40,000	58%	17,000

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 \$346,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$346,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,326,000, and the ratio of the UAAL to covered payroll was 26.1%. 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 events 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 the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 2.5% 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 developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$1,130 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$187,488 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.

10. Construction Commitment

The District has entered into contracts totaling \$2,853,000 for the construction of a gymnasium complex. As of June 30, 2010 costs of \$2,173,100 had been incurred against the contracts. The balances remaining at June 30, 2010 will be paid as work on the project progresses.

11. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
	\$
Gifted and Talented	2,512
Returning dropout and dropout prevention program	107,797
Teacher salary supplement	64,060
Educator quality, professional development	12,645
At risk	22,354
Mentoring	2,899
State decategorization grant	2,782
Innovative at risk	6,286
Empowerment	11,300
Core curriculum	5,000
Professional development model core curriculum	7,990
Market factor	9
Teacher development academes	1,098
	246,732

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,096,011	109,250	4,205,261	4,567,998	4,567,998	(362,737)
State sources	2,115,636	2,384	2,118,020	2,866,629	2,866,629	(748,609)
Federal sources	447,318	103,611	550,929	323,000	323,000	227,929
Total revenues	<u>6,658,965</u>	<u>215,245</u>	<u>6,874,210</u>	<u>7,757,627</u>	<u>7,757,627</u>	<u>(883,417)</u>
Expenditures/Expenses						
Instruction	2,652,958	-	2,652,958	3,771,500	3,771,500	1,118,542
Support services	1,325,359	-	1,325,359	1,793,000	1,793,000	467,641
Non-instructional programs	-	215,568	215,568	228,000	228,000	12,432
Other expenditures	3,110,693	-	3,110,693	4,832,607	4,832,607	1,721,914
Total expenditures/expenses	<u>7,089,010</u>	<u>215,568</u>	<u>7,304,578</u>	<u>10,625,107</u>	<u>10,625,107</u>	<u>3,320,529</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(430,045)	(323)	(430,368)	(2,867,480)	(2,867,480)	2,437,112
Other financing sources (uses) net	<u>60</u>	<u>-</u>	<u>60</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>100,060</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/ expenses and other financing uses	(429,985)	(323)	(430,308)	(2,967,480)	(2,967,480)	2,537,172
Balance beginning of year	<u>2,487,727</u>	<u>47,722</u>	<u>2,535,449</u>	<u>2,929,851</u>	<u>2,929,851</u>	<u>(394,402)</u>
Balance end of year	<u>2,057,742</u>	<u>47,399</u>	<u>2,105,141</u>	<u>(37,629)</u>	<u>(37,629)</u>	<u>2,142,770</u>

FREMONT-MILLS 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 Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

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) %
July 1, 2009	-	346,000	346,000	0.0%	1,326,000	26.1%

See Note 7 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-MILLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds				Total \$
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	
Cash and pooled investments	78,170	32,454	68,824	1,876	181,324
Receivables:					
Property tax:					
Delinquent	1,662	-	1,626	1,710	4,998
Succeeding year	75,000	-	98,235	188,892	362,127
Accounts	-	1,166	-	-	1,166
Due from other governments	-	-	76,711	-	76,711
Total assets	154,832	33,620	245,396	192,478	626,326
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	6,530	1,314	-	7,844
Deferred revenue:					
Succeeding year property tax	75,000	-	98,235	188,892	362,127
Income surtax	-	-	76,711	-	76,711
Total liabilities	<u>75,000</u>	<u>6,530</u>	<u>176,260</u>	<u>188,892</u>	<u>446,682</u>
Fund balances:					
Reserved for debt service	-	-	-	3,586	3,586
Unreserved reported in:					
Special revenue funds	<u>79,832</u>	<u>27,090</u>	<u>69,136</u>	<u>-</u>	<u>176,058</u>
Total fund balances	<u>79,832</u>	<u>27,090</u>	<u>69,136</u>	<u>3,586</u>	<u>179,644</u>
Total liabilities and fund balances	<u>154,832</u>	<u>33,620</u>	<u>245,396</u>	<u>192,478</u>	<u>626,326</u>

FREMONT-MILLS 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
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	109,673	-	173,812	103,509	386,994
Other	8,302	90,032	204	3	98,541
State sources	78	-	74	73	225
Total revenues	<u>118,053</u>	<u>90,032</u>	<u>174,090</u>	<u>103,585</u>	<u>485,760</u>
Expenditures:					
Current:					
Instruction:					
Regular	36,279	-	-	-	36,279
Other	-	85,226	-	-	85,226
Support services:					
Administration	1,040	-	-	-	1,040
Operation and maintenance of plant	26,004	-	700	-	26,704
Transportation	21,741	-	2,500	-	24,241
Other expenditures:					
Facilities acquisition	-	-	25,342	-	25,342
Long-term debt:					
Principal	-	-	-	180,000	180,000
Interest and fiscal charges	-	-	-	178,633	178,633
Total expenditures	<u>85,064</u>	<u>85,226</u>	<u>28,542</u>	<u>358,633</u>	<u>557,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,989</u>	<u>4,806</u>	<u>145,548</u>	<u>(255,048)</u>	<u>(71,705)</u>
Other financing sources (uses):					
Operating transfers in	-	10,000	-	257,760	267,760
Operating transfers out	-	-	(257,760)	-	(257,760)
Total other financing sources (uses)	<u>-</u>	<u>10,000</u>	<u>(257,760)</u>	<u>257,760</u>	<u>10,000</u>
Net change in fund balance	32,989	14,806	(112,212)	2,712	(61,705)
Fund balances beginning of year	<u>46,843</u>	<u>12,284</u>	<u>181,348</u>	<u>874</u>	<u>241,349</u>
Fund balances end of year	<u><u>79,832</u></u>	<u><u>27,090</u></u>	<u><u>69,136</u></u>	<u><u>3,586</u></u>	<u><u>179,644</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Band fundraiser	776	3,015	3,425	-	366
Academic achievement	(50)	784	-	-	734
Annual	(2,798)	13,584	7,695	43	3,134
Art club	1,307	1,116	1,553	-	870
Athletics	(4,342)	44,338	40,338	342	-
Cheerleaders	1,372	1,683	1,619	-	1,436
Class of 2007	(338)	-	-	338	-
Class of 2008	294	344	638	-	-
Class of 2009	828	-	828	-	-
Class of 2010	(521)	921	153	-	247
Class of 2011	29	10,942	9,352	-	1,619
Class of 2012	314	2,821	2,496	-	639
Class of 2013	1	9	-	-	10
Class of 2014	-	6	-	-	6
Class of 2015	-	5	32	27	-
FFA	360	5,830	4,651	-	1,539
FHA	382	891	272	-	1,001
Spanish club	(285)	6,589	4,920	-	1,384
High school student council	1,847	3,268	3,052	-	2,063
Knight club	(379)	32	-	347	-
Middle school athletics	427	725	-	-	1,152
Middle school student council	2,802	81	-	-	2,883
National Honor Society	702	-	202	-	500
Speech and drama	5,271	1,963	1,924	-	5,310
Thespians	156	-	-	-	156
Audio visual club	-	14	-	-	14
Interest on investments	3,090	111	-	(1,684)	1,517
Girls BB club	130	-	-	-	130
SPLASH club	268	112	-	-	380
Little Knights FB	731	-	731	-	-
Basketball club	(90)	848	1,345	587	-
Total	12,284	100,032	85,226	-	27,090

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

Year ended June 30, 2010

	Employee Vending \$	Booster Club \$	Total \$
Balance beginning of year	4,993	6,183	11,176
Additions:			
Collections	3,747	33	3,780
Deductions:			
Miscellaneous	3,535	-	3,535
Balance end of year	<u>5,205</u>	<u>6,216</u>	<u>11,421</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	2,387,966	2,223,934	2,006,636	1,856,979	1,833,037	1,716,453	1,661,648
Tuition	219,851	188,907	188,041	164,042	122,109	116,356	110,342
Other	1,488,194	543,588	199,344	107,618	112,525	158,443	135,652
State sources	2,115,636	2,427,980	2,324,693	2,074,964	2,045,949	1,816,451	1,664,295
Federal sources	447,318	161,352	150,546	158,499	161,535	204,699	156,975
Total revenues	<u>6,658,965</u>	<u>5,545,761</u>	<u>4,869,260</u>	<u>4,362,102</u>	<u>4,275,155</u>	<u>4,012,402</u>	<u>3,728,912</u>
Expenditures:							
Instruction:							
Regular	1,660,170	1,785,802	1,824,325	1,820,059	1,737,068	1,794,649	1,692,240
Special	476,852	517,949	477,563	410,197	475,025	462,817	355,366
Other	515,936	528,882	444,284	446,314	413,821	333,128	295,634
Support services:							
Student	71,116	47,179	39,456	31,771	40,270	52,710	50,733
Instructional staff	118,237	95,906	57,898	73,725	66,614	39,275	69,075
Administration	543,797	586,257	564,204	561,353	507,897	431,773	456,536
Operation and maintenance	295,224	323,812	301,516	307,586	339,895	430,292	315,387
Transportation	296,985	245,711	230,001	301,912	237,813	282,241	192,308
Central support services							
Non-instructional programs	-	4,370	1,788	9,322	-	2,449	7,850
Other expenditures:							
Facilities acquisition	2,564,572	1,038,386	39,002	109,520	164,994	125,328	1,744,213
Long-term debt:							
Principal	180,000	160,000	135,000	135,000	125,000	120,000	115,000
Interest and other charges	178,633	162,719	97,865	103,890	109,220	115,510	118,457
AEA flowthrough	187,488	168,022	153,365	139,070	135,941	124,327	126,078
Total expenditures	<u>7,089,010</u>	<u>5,664,995</u>	<u>4,366,267</u>	<u>4,449,719</u>	<u>4,353,558</u>	<u>4,314,499</u>	<u>5,538,877</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Direct:			
U.S. Department of Education:			
Rural Education	84.358	S358A090597	41,253
Subtotal Direct			<u>41,253</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	19,439
National School Lunch Program (non-cash)	10.555	FY10	7,570
National School Lunch Program	10.555	FY10	76,602
			<u>103,611</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	29,936
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	38,424
			<u>68,360</u>
Improving Teacher Quality State Grants	84.367	FY10	17,142
Grants for State Assessments and Related Activities	84.369	FY10	3,023
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	237,037
Green Hills Area Education Agency			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	FY10	25,393
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	43,951
			<u>69,344</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	3,508
Subtotal Indirect			<u>502,025</u>
Total			<u>543,278</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Fremont Mills Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont-Mills Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 24, 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-Mills Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fremont-Mills Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fremont-Mills Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 we consider to be material weaknesses.

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 and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A, 10-II-B and 10-II-C to be material weaknesses.

Compliance and Other Matters

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fremont-Mills Community School District and other parties to whom Fremont-Mills Community School District may report, 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-Mills Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

January 24, 2011

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited Fremont-Mills Community School District's compliance with the types of compliance requirements described in (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Fremont-Mills Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Fremont-Mills Community School District's management. Our responsibility is to express an opinion on Fremont-Mills Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fremont-Mills Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fremont-Mills Community School District's compliance with those requirements.

In our opinion, Fremont-Mills Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Fremont-Mills Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fremont-Mills Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the

purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fremont-Mills Community School District's internal control over compliance.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fremont-Mills Community School District and other parties to whom Fremont-Mills Community School District may report, 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.

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

January 24, 2011

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements. No significant deficiencies were reported
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements. No significant deficiencies were reported.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Special Education Cluster (IDEA)
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – ARRA - Special Education Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Fremont Mills Community School District did not qualify as a low-risk auditee.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

10-II-C Financial Reporting: During the audit, we identified material amounts of payables for construction retainage that were not recorded in the District's financial records. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation: The District should implement procedures to ensure all receivables, payables and capital assets additions are identified and included in the District's financial statements.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

District Response: We will double check these in the future to avoid missing any payables transactions.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

No matters were noted.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.

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

10-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Keith Barber, Board Member, Sales Manager at A & M Green Power	Repair parts	598
Susan Shepherd, Board Secretary, Spouse owns Shepherd Construction	Top soil	190

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

Business with district officials is not a conflict of interest if bids are taken or total amount is less than \$2,500.

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

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

10-IV-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on the Certified Enrollment Certification Form for October 2009, was overstated by one student. The District was not aware that the parents had moved prior to count day.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We have contacted these departments.

Conclusion: Response accepted.

10-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

10-IV-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy, except a resolution naming official depositories has not been approved by the District.

Recommendation: A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

District Response: We will adopt a resolution.

Conclusion: Response accepted.

10-IV-J Certified Annual Report: The Certified Annual Report was not properly certified to the Iowa Department of Education by September 15, 2010. We noted no significant deficiencies in the amounts reported.

Recommendation: In the future, the District should ensure the Certified Annual Report is timely certified to the Iowa Department of Education.

District Response: We will do so in the future.

Conclusion: Response accepted.

10-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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

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

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

Conclusion: Response accepted.

10-IV-L 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 revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

	\$	\$
Beginning balance		47,938
Statewide sales, services and use tax		309,850
Interest revenue		14,696
Donations		2,548
Expenditures/transfers out:		
School infrastructure:		
Land and land improvements	6,735	
Buildings and building improvements	1,015	7,750
Ending balance		367,282

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 2.8402	\$ 309,850

10-IV-M Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$100,000. We noted that the Board minutes did indicate that a public hearing was held for the gymnasium construction.

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

District Response: We will do this in the future.

Conclusion: Response accepted.