

FREMONT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Fremont Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Tom Judy	President	2011
Gary Mitterer	Vice President	2011
Mike Mayberry	Board Member	2013
David Herr	Board Member	2013
Kari Swartz	Board Member	2013
School Officials		
John Dotson	Superintendent	2011
Shelly Anderson	District Secretary	2011
Brian Gruhn	Attorney	2011

FREMONT COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont Community School District, Fremont Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Fremont Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2012 on our consideration of the Fremont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Members American Institute & Iowa Society of Certified Public Accountants

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fremont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,949,444 in fiscal 2010 to \$2,118,646 in fiscal 2011, while General Fund expenditures decreased from \$1,933,943 in fiscal 2010 to \$1,921,394 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$37,035 in fiscal 2010 to \$234,287 in fiscal 2011.
- The increase in General Fund revenues was primarily attributable to an increase in local tax and tuition in fiscal 2011. The decrease in expenditures can be attributed to a decrease in all functional areas.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Fremont Community School District Annual Financial Report

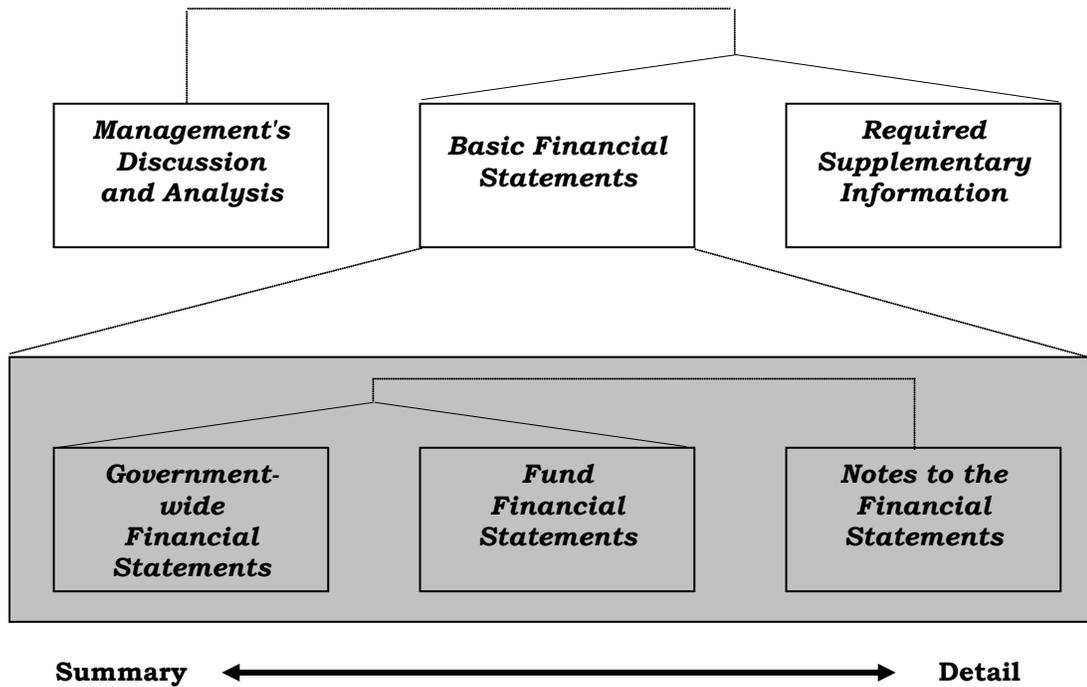


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 2,106,062	1,650,975	17,174	35,409	2,123,236	1,686,384	25.90%
Capital assets	1,039,296	1,082,366	3,482	4,858	1,042,778	1,087,224	-4.09%
Total assets	3,145,358	2,733,341	20,656	40,267	3,166,014	2,773,608	14.15%
Long-term obligations	430,000	515,000	-	-	430,000	515,000	-16.50%
Other liabilities	1,164,096	1,014,713	51,645	56,576	1,215,741	1,071,289	13.48%
Total liabilities	1,594,096	1,529,713	51,645	56,576	1,645,741	1,586,289	3.75%
Net assets:							
Invested in capital assets, net of related debt	609,296	567,366	3,482	4,858	612,778	572,224	7.09%
Restricted	690,938	568,294	-	-	690,938	568,294	21.58%
Unrestricted	251,028	67,968	(34,471)	(21,167)	216,557	46,801	362.72%
Total net assets	\$ 1,551,262	1,203,628	(30,989)	(16,309)	1,520,273	1,187,319	28.04%

The District's combined net assets increased by \$332,954, or 28.04% from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$122,644, or 21.58% over the prior year. The increase in restricted net assets can be attributed to the increase in carryover balances for state categorical funding and the increase in fund balances of the Capital Projects accounts.

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 \$169,756, or 362.72%. The increase in unrestricted net assets can be attributed to the increase in carryover fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 68,776	53,300	47,340	74,766	116,116	128,066	-9.33%
Operating grants, contributions and restricted interest	240,279	396,958	68,425	65,449	308,704	462,407	-33.24%
Capital grants, contributions and restricted interest	11,650	-	-	-	11,650	-	100.00%
General revenues:							
Property tax	915,965	810,620	-	-	915,965	810,620	13.00%
Income surtax	82,832	85,557	-	-	82,832	85,557	-3.19%
Statewide sales, services and use tax	182,061	170,007	-	-	182,061	170,007	7.09%
Unrestricted state grants	830,979	685,371	-	-	830,979	685,371	21.25%
Nonspecific program federal grants	61,214	-	-	-	61,214	-	100.00%
Unrestricted investment earnings	812	1,733	1	2	813	1,735	-53.14%
Other	15,441	11,148	-	295	15,441	11,443	34.94%
Total revenues	2,410,009	2,214,694	115,766	140,512	2,525,775	2,355,206	7.24%
Program expenses:							
Governmental activities:							
Instructional	1,377,947	1,362,858	-	-	1,377,947	1,362,858	1.11%
Support services	550,058	587,897	671	522	550,729	588,419	-6.41%
Non-instructional programs	-	-	129,775	175,844	129,775	175,844	-26.20%
Other expenses	134,370	139,706	-	-	134,370	139,706	-3.82%
Total expenses	2,062,375	2,090,461	130,446	176,366	2,192,821	2,266,827	-3.26%
Change in net assets	347,634	124,233	(14,680)	(35,854)	332,954	88,379	-276.73%
Net assets beginning of year	1,203,628	1,079,395	(16,309)	19,545	1,187,319	1,098,940	8.04%
Net assets end of year	\$ 1,551,262	1,203,628	(30,989)	(16,309)	1,520,273	1,187,319	28.04%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 83.48% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$2.53 million of which approximately \$2.41 million was for governmental activities and approximately \$0.12 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.24% increase in revenues and a 3.26% decrease in expenses. The decrease in expenditures was due primarily to the decrease in non-instructional expenditures compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$2,410,009 and expenses were \$2,062,375.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 1,377,947	1,362,858	1.11%	1,152,948	994,722	15.91%
Support services	550,058	587,897	-6.44%	535,969	587,897	-8.83%
Other expenses	134,370	139,706	-3.82%	52,753	57,584	-8.39%
Totals	\$ 2,062,375	2,090,461	-1.34%	1,741,670	1,640,203	6.19%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$68,776.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$251,929.
- The net cost of governmental activities was financed with \$915,965 in property taxes, \$82,832 in income surtax, \$182,061 in statewide sales, services and use tax, \$830,979 in unrestricted state grants, \$61,214 in nonspecific program federal grants, \$812 in unrestricted investment earnings and \$15,441 in other general revenues.

Business type Activities

Revenues for the District's business type activities were \$115,766 and expenses were \$130,446. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$867,097, compared to last year's ending fund balances of \$558,922.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The increase in revenues was due primarily to increases in local tax and tuition during the year. Expenditures decreased primarily due to the decrease in the support services functional area.

- The Capital Projects fund balance increased from \$446,153 in fiscal 2010 to \$563,505 in fiscal 2011 primarily because of the increase in revenues compared to the prior year. The beginning balance was restated as a result of the Physical Plant and Equipment Levy fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$18,449 at June 30, 2010 to \$7,265 at June 30, 2011, while the Day Care Fund net assets decreased from a deficit \$34,758 to a deficit \$38,254. Combined this represents a net decrease of 90.01% in the proprietary funds.

BUDGETARY HIGHLIGHTS

The District's revenues were \$565,242 less than budgeted revenues, a variance of 18.27%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$1,042,778, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.09% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$44,446.

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

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$33,919 at June 30, 2011 compared to \$45,586 at June 30, 2010. The decrease is due to the current year depreciation.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 27,500	27,500	-	-	27,500	27,500	0.00%
Buildings	967,538	999,288	-	-	967,538	999,288	-3.18%
Land improvements	13,821	14,850	-	-	13,821	14,850	-6.93%
Machinery and equipment	30,437	40,728	3,482	4,858	33,919	45,586	-25.59%
Total	\$ 1,039,296	1,082,366	3,482	4,858	1,042,778	1,087,224	-4.09%

Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$430,000 in general obligation bonds. This represents a decrease of 16.50% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
General obligation bonds	\$ 430,000	515,000	-16.50%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FREMONT COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 907,937	11,441	919,378
Receivables:			
Property tax:			
Delinquent	17,766	-	17,766
Succeeding year	951,226	-	951,226
Income surtax	77,686	-	77,686
Accounts	-	817	817
Inventories	-	624	624
Due from other funds	49,602	75	49,677
Due from other governments	101,845	4,217	106,062
Capital assets, net of accumulated depreciation	1,039,296	3,482	1,042,778
Total Assets	3,145,358	20,656	3,166,014
Liabilities			
Due to other funds	577	49,100	49,677
Accounts payable	69,772	-	69,772
Salaries and benefits payable	111,753	2,545	114,298
Interest payable	2,817	-	2,817
Deferred revenue:			
Succeeding year property tax	951,226	-	951,226
Other	27,951	-	27,951
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	90,000	-	90,000
Portion due after one year:			
General obligation bonds	340,000	-	340,000
Total Liabilities	1,594,096	51,645	1,645,741
Net Assets			
Invested in capital assets, net of related debt	609,296	3,482	612,778
Restricted for:			
Categorical funding	51,982	-	51,982
Management levy purposes	45,919	-	45,919
Student activities	29,532	-	29,532
School infrastructure	438,433	-	438,433
Physical plant and equipment	125,072	-	125,072
Unrestricted	251,028	(34,471)	216,557
Total Net Assets	\$ 1,551,262	(30,989)	1,520,273

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 966,002	62,302	83,544	-	(820,156)	-	(820,156)
Special	281,483	-	20,502	-	(260,981)	-	(260,981)
Other	130,462	6,474	52,177	-	(71,811)	-	(71,811)
	<u>1,377,947</u>	<u>68,776</u>	<u>156,223</u>	<u>-</u>	<u>(1,152,948)</u>	<u>-</u>	<u>(1,152,948)</u>
Support services:							
Student	20,375	-	-	-	(20,375)	-	(20,375)
Instructional staff	38,149	-	-	-	(38,149)	-	(38,149)
Administration	228,735	-	1,500	-	(227,235)	-	(227,235)
Operation and maintenance of plant	186,742	-	-	11,650	(175,092)	-	(175,092)
Transportation	76,057	-	939	-	(75,118)	-	(75,118)
	<u>550,058</u>	<u>-</u>	<u>2,439</u>	<u>11,650</u>	<u>(535,969)</u>	<u>-</u>	<u>(535,969)</u>
Other expenditures:							
Long-term debt interest	19,974	-	-	-	(19,974)	-	(19,974)
AEA flowthrough	81,617	-	81,617	-	-	-	-
Depreciation(unallocated)*	32,779	-	-	-	(32,779)	-	(32,779)
	<u>134,370</u>	<u>-</u>	<u>81,617</u>	<u>-</u>	<u>(52,753)</u>	<u>-</u>	<u>(52,753)</u>
Total governmental activities	<u>2,062,375</u>	<u>68,776</u>	<u>240,279</u>	<u>11,650</u>	<u>(1,741,670)</u>	<u>-</u>	<u>(1,741,670)</u>
Business Type activities:							
Support services:							
Administration:							
Nutrition services	311	-	-	-	-	(311)	(311)
Daycare	360	-	-	-	-	(360)	(360)
Non-instructional programs:							
Nutrition services	87,227	18,386	57,968	-	-	(10,873)	(10,873)
Daycare	42,548	28,954	10,457	-	-	(3,137)	(3,137)
Total business type activities	<u>130,446</u>	<u>47,340</u>	<u>68,425</u>	<u>-</u>	<u>-</u>	<u>(14,681)</u>	<u>(14,681)</u>
Total	\$ <u>2,192,821</u>	<u>116,116</u>	<u>308,704</u>	<u>11,650</u>	<u>(1,741,670)</u>	<u>(14,681)</u>	<u>(1,756,351)</u>
General Revenues:							
Local tax for:							
General purposes					\$ 894,838	-	894,838
Capital outlay					21,127	-	21,127
Income surtax					82,832	-	82,832
Statewide sales, services and use tax					182,061	-	182,061
Unrestricted state grants					830,979	-	830,979
Nonspecific program federal grants					61,214	-	61,214
Unrestricted investment earnings					812	1	813
Other general revenues					15,441	-	15,441
Total general revenues					<u>2,089,304</u>	<u>1</u>	<u>2,089,305</u>
Changes in net assets					347,634	(14,680)	332,954
Net assets beginning of year					<u>1,203,628</u>	<u>(16,309)</u>	<u>1,187,319</u>
Net assets end of year					\$ <u>1,551,262</u>	<u>(30,989)</u>	<u>1,520,273</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 370,538	469,218	68,181	907,937
Receivables:				
Property tax:				
Delinquent	16,678	411	677	17,766
Succeeding year	838,176	23,180	89,870	951,226
Income surtax	45,317	32,369	-	77,686
Due from other funds	4,100	45,000	502	49,602
Due from other governments	52,969	48,876	-	101,845
Total Assets	\$ 1,327,778	619,054	159,230	2,106,062
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ 577	-	-	577
Accounts payable	69,717	-	55	69,772
Salaries and benefits payable	111,753	-	-	111,753
Deferred revenue:				
Succeeding year property tax	838,176	23,180	89,870	951,226
Income surtax	45,317	32,369	-	77,686
Other	27,951	-	-	27,951
Total liabilities	1,093,491	55,549	89,925	1,238,965
Fund balances:				
Restricted for:				
Categorical funding	51,982	-	-	51,982
Management levy purposes	-	-	45,919	45,919
Student activities	-	-	29,532	29,532
School infrastructure	-	438,433	-	438,433
Physical plant and equipment	-	125,072	-	125,072
Unassigned:				
General	182,305	-	-	182,305
Student activities	-	-	(6,146)	(6,146)
Total fund balances	234,287	563,505	69,305	867,097
Total Liabilities and Fund Balances	\$ 1,327,778	619,054	159,230	2,106,062

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$ 867,097
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,039,296
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.	(2,817)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(430,000)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	<u>77,686</u>
Net assets of governmental activities(page 18)	<u><u>\$ 1,551,262</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 909,991	238,952	34,910	1,183,853
Tuition	60,687	-	-	60,687
Other	15,520	-	8,822	24,342
State sources	966,735	9	15	966,759
Federal sources	165,713	11,650	-	177,363
Total revenues	<u>2,118,646</u>	<u>250,611</u>	<u>43,747</u>	<u>2,413,004</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	963,032	1,914	-	964,946
Special	281,483	-	-	281,483
Other	124,044	-	6,418	130,462
	<u>1,368,559</u>	<u>1,914</u>	<u>6,418</u>	<u>1,376,891</u>
Support services:				
Student	20,375	-	-	20,375
Instructional staff	35,952	2,197	-	38,149
Administration	199,380	7,053	22,302	228,735
Operation and maintenance of plant	148,284	4,947	19,864	173,095
Transportation	67,227	-	1,592	68,819
	<u>471,218</u>	<u>14,197</u>	<u>43,758</u>	<u>529,173</u>
Other expenditures:				
Facilities acquisitions	-	11,650	-	11,650
Long-term debt:				
Principal	-	-	85,000	85,000
Interest and fiscal charges	-	-	20,498	20,498
AEA flowthrough	81,617	-	-	81,617
	<u>81,617</u>	<u>11,650</u>	<u>105,498</u>	<u>198,765</u>
Total expenditures	<u>1,921,394</u>	<u>27,761</u>	<u>155,674</u>	<u>2,104,829</u>
Excess(Deficiency) of revenues over(under) expenditures	197,252	222,850	(111,927)	308,175
OTHER FINANCING SOURCES(USES):				
Transfer in	-	-	105,498	105,498
Transfer out	-	(105,498)	-	(105,498)
TOTAL OTHER FINANCING SOURCES(USES)	<u>-</u>	<u>(105,498)</u>	<u>105,498</u>	<u>-</u>
Net change in fund balances	197,252	117,352	(6,429)	308,175
Fund balances beginning of year, as restated	37,035	446,153	75,734	558,922
Fund balances end of year	<u>\$ 234,287</u>	<u>563,505</u>	<u>69,305</u>	<u>867,097</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 308,175

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense in the current year is as follows: (43,070)

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

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 524

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (2,995)

Changes in net assets of governmental activities(page 19) \$ 347,634

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	School Nutrition	Day Care	Total
Assets			
Cash and cash equivalents	\$ 10,670	771	11,441
Accounts receivable	817	-	817
Inventories	624	-	624
Due from other funds	-	75	75
Due from other governments	4,217	-	4,217
Capital assets, net of accumulated depreciation	3,482	-	3,482
Total Assets	19,810	846	20,656
Liabilities			
Due to other funds	10,000	39,100	49,100
Salaries and benefits payable	2,545	-	2,545
Total Liabilities	12,545	39,100	51,645
Net Assets			
Invested in capital assets	3,482	-	3,482
Unrestricted	3,783	(38,254)	(34,471)
Total Net Assets	\$ 7,265	(38,254)	(30,989)

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 18,386	28,954	47,340
OPERATING EXPENSES:			
Support services:			
Administration:			
Benefits	290	360	650
Supplies	21	-	21
	311	360	671
Non-instructional programs:			
Salaries	37,225	37,251	74,476
Benefits	5,459	4,616	10,075
Services	1,415	317	1,732
Supplies	41,752	364	42,116
Depreciation	1,376	-	1,376
	87,227	42,548	129,775
TOTAL OPERATING EXPENSES	87,538	42,908	130,446
OPERATING LOSS	(69,152)	(13,954)	(83,106)
NON-OPERATING REVENUES:			
Interest income	-	1	1
State sources	641	10,457	11,098
Federal sources	57,327	-	57,327
TOTAL NON-OPERATING REVENUES	57,968	10,458	68,426
Change in net assets	(11,184)	(3,496)	(14,680)
Net assets at beginning of year	18,449	(34,758)	(16,309)
Net assets end of year	\$ 7,265	(38,254)	(30,989)

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 18,952	-	18,952
Cash received from miscellaneous operating activities	-	28,954	28,954
Cash payments to employees for services	(42,624)	(48,172)	(90,796)
Cash payments to suppliers for goods or services	(41,090)	(993)	(42,083)
Net cash used in operating activities	(64,762)	(20,211)	(84,973)
Cash flows from non-capital financing activities:			
Interfund borrowings from the General Fund	-	4,075	4,075
State grants received	641	10,457	11,098
Federal grants received	52,173	-	52,173
Net cash provided by non-capital financing activities	52,814	14,532	67,346
Cash flows from investing activities:			
Interest on investments	-	1	1
Net decrease in cash and cash equivalents	(11,948)	(5,678)	(17,626)
Cash and cash equivalents at beginning of year	22,618	6,449	29,067
Cash and cash equivalents at end of year	\$ 10,670	771	11,441
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (69,152)	(13,954)	(83,106)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	4,692	-	4,692
Depreciation	1,376	-	1,376
Decrease in inventories	580	-	580
Decrease in accounts receivables	566	-	566
Decrease in accounts payable	(3,174)	(312)	(3,486)
Increase(Decrease) in salaries and benefits payable	350	(5,945)	(5,595)
Net cash used in operating activities	\$ (64,762)	(20,211)	(84,973)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$4,692 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following non-major proprietary funds:

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is

incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to

customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund 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, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

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

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

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

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

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

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

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$45,685 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise, Day Care	\$ 4,100
Special Revenue, Student Activity	General	502
Enterprise, Day Care	General	75
Capital Projects, Statewide Sales, Services and Use Tax	Enterprise, Day Care	35,000
Capital Projects, Statewide Sales, Services and Use Tax	Enterprise, School Nutrition	10,000
Total		<u>\$ 49,677</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Statewide Sales, Services and Use Tax	\$ 105,498

The transfer from Capital Projects, Statewide Sales, Services and Use Tax Levy to Debt Service was needed for the principal and interest payment of the general obligating bond indebtedness.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Business type activities:				
Machinery and equipment	\$ 12,231	-	-	12,231
Less accumulated depreciation	7,373	1,376	-	8,749
Business type activities capital assets, net	<u>\$ 4,858</u>	<u>(1,376)</u>	<u>-</u>	<u>3,482</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 27,500	-	-	27,500
Total capital assets not being depreciated	27,500	-	-	27,500
Capital assets being depreciated:				
Buildings	1,662,733	-	-	1,662,733
Land improvements	20,593	-	-	20,593
Machinery and equipment	221,135	-	-	221,135
Total capital assets being depreciated	1,904,461	-	-	1,904,461
Less accumulated depreciation for:				
Buildings	663,445	31,750	-	695,195
Land improvements	5,743	1,029	-	6,772
Machinery and equipment	180,407	10,291	-	190,698
Total accumulated depreciation	849,595	43,070	-	892,665
Total capital assets being depreciated, net	1,054,866	(43,070)	-	1,011,796
Governmental activities capital assets, net	\$ 1,082,366	(43,070)	-	1,039,296

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 1,056
Support services:	
Operation and maintenance of plant	1,997
Transportation	7,238
	<u>10,291</u>
Unallocated depreciation	<u>32,779</u>
Total governmental activities depreciation expense	<u>\$ 43,070</u>
Business type activities:	
Food services	<u>\$ 1,376</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 515,000	-	85,000	430,000	90,000

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue February 1, 2006		
		Principal	Interest	Total
2012	3.80	% \$ 90,000	16,903	106,903
2013	3.90	95,000	13,483	108,483
2014	3.95	95,000	9,778	104,778
2015	4.05	100,000	6,025	106,025
2016	4.00	50,000	2,025	52,025
Total		\$ 430,000	48,214	478,214

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$56,496, \$64,849, and \$58,876, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

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

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing

basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	0
Interest on net OPEB obligation		0
Adjustment to annual required contribution		0
Annual OPEB cost		<u>0</u>
Contributions made		<u>0</u>
Increase in net OPEB obligation		<u>0</u>
Net OPEB obligation beginning of year		<u>0</u>
Net OPEB obligation end of year	<u>\$</u>	<u>0</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, 2011. Since the District has not had any retirees below the age of 65 for the last ten years, the calculation of the liability is \$0.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 0	0.00%	\$ 0
2011	0	0.00%	0

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$0, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$93,222 and the ratio of the UAAL to covered payroll was 0%. As of June 30, 2011 there were no trust fund assets.

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

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

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

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

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

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$81,617 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance/Net Assets

The District has a deficit unassigned fund balance in the Student Activity Fund of \$6,146. The District had a deficit unrestricted net assets in the Enterprise, Day Care Fund of \$38,254 and a total deficit unrestricted net assets for Business type activities of \$30,989.

(12) Categorical Funding

The District's ending restricted balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 33,652
Home school assistance	4,348
At-Risk programs	5,671
Beginning administrator mentoring	1,500
Beginning teacher mentoring	333
Educator quality, professional development	2,133
Educator quality, market factor incentives	1,328
Core curriculum	1,750
Market factor	1,267
	<hr/>
Total categorical funding	\$ 51,982

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 373,184	72,969
Change in fund type classifications per implementation of GASB Statement No. 54	72,969	(72,969)
	<hr/>	<hr/>
Balances July 1, 2010, as restated	\$ 446,153	0

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Types		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,268,882	47,341	1,316,223	1,485,183	1,485,183	(168,960)
State sources	966,759	11,098	977,857	1,298,829	1,298,829	(320,972)
Federal sources	177,363	57,327	234,690	310,000	310,000	(75,310)
Total revenues	<u>2,413,004</u>	<u>115,766</u>	<u>2,528,770</u>	<u>3,094,012</u>	<u>3,094,012</u>	<u>(565,242)</u>
Expenditures/expenses:						
Instruction	1,376,891	-	1,376,891	1,503,916	1,503,916	127,025
Support services	529,173	671	529,844	732,793	732,793	202,949
Non-instructional programs	-	129,775	129,775	167,503	167,503	37,728
Other expenditures	198,765	-	198,765	588,164	588,164	389,399
Total expenditures/expenses	<u>2,104,829</u>	<u>130,446</u>	<u>2,235,275</u>	<u>2,992,376</u>	<u>2,992,376</u>	<u>757,101</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	308,175	(14,680)	293,495	101,636	101,636	191,859
Balances beginning of year	<u>558,922</u>	<u>(16,309)</u>	<u>542,613</u>	<u>526,001</u>	<u>526,001</u>	<u>16,612</u>
Balances end of year	<u>\$ 867,097</u>	<u>(30,989)</u>	<u>836,108</u>	<u>627,637</u>	<u>627,637</u>	<u>208,471</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

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

FREMONT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 0	\$ 0	0.00%	\$ 86,021	0.00%
2011	July 1, 2009	0	0	0	0.00%	93,222	0.00%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets					
Cash and pooled investments	\$ 45,242	22,939	68,181	-	68,181
Receivables:					
Property tax:					
Delinquent	677	-	677	-	677
Succeeding year	35,000	-	35,000	54,870	89,870
Due from other funds	-	502	502	-	502
Total Assets	\$ 80,919	23,441	104,360	54,870	159,230
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	55	55	-	55
Deferred revenue:					
Succeeding year property tax	35,000	-	35,000	54,870	89,870
Total liabilities	35,000	55	35,055	54,870	89,925
Fund Balances:					
Restricted for:					
Management levy purposes	45,919	-	45,919	-	45,919
Student activities	-	29,532	29,532	-	29,532
Unassigned	-	(6,146)	(6,146)	-	(6,146)
Total fund balances	45,919	23,386	69,305	-	69,305
Total Liabilities and Fund Balances	\$ 80,919	23,441	104,360	54,870	159,230

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 34,910	-	34,910	-	34,910
Other	2,804	6,018	8,822	-	8,822
State sources	15	-	15	-	15
TOTAL REVENUES	37,729	6,018	43,747	-	43,747
EXPENDITURES:					
Current:					
Instruction:					
Other	-	6,418	6,418	-	6,418
Support services:					
Administration	22,302	-	22,302	-	22,302
Operation and maintenance of plant	19,864	-	19,864	-	19,864
Transportation	1,592	-	1,592	-	1,592
Other expenditures:					
Long-term debt:					
Principal	-	-	-	85,000	85,000
Interest and fiscal charges	-	-	-	20,498	20,498
TOTAL EXPENDITURES	43,758	6,418	50,176	105,498	155,674
Deficiency of revenues under expenditures	(6,029)	(400)	(6,429)	(105,498)	(111,927)
Other financing sources:					
Transfer in	-	-	-	105,498	105,498
Net change in fund balances	(6,029)	(400)	(6,429)	-	(6,429)
Fund balances beginning of year, as restated	51,948	23,786	75,734	-	75,734
Fund balances end of year	\$ 45,919	23,386	69,305	-	69,305

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 344,557	124,661	469,218
Receivables:			
Property tax:			
Delinquent	-	411	411
Succeeding year	-	23,180	23,180
Income surtax	-	32,369	32,369
Due from other funds	45,000	-	45,000
Due from other governments	48,876	-	48,876
Total Assets	\$ 438,433	180,621	619,054
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	23,180	23,180
Income surtax	-	32,369	32,369
Total liabilities	-	55,549	55,549
Fund Balances:			
Restricted for:			
School infrastructure	438,433	-	438,433
Physical plant and equipment	-	125,072	125,072
Total fund balances	438,433	125,072	563,505
Total Liabilities and Fund Balances	\$ 438,433	180,621	619,054

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 182,061	56,891	238,952
State sources	-	9	9
Federal sources	11,650	-	11,650
TOTAL REVENUES	193,711	56,900	250,611
EXPENDITURES:			
Current:			
Instruction:			
Regular	1,914	-	1,914
Support services:			
Instructional staff	-	2,197	2,197
Administration	6,453	600	7,053
Operation and maintenance of plant	2,947	2,000	4,947
Other expenditures:			
Facilities acquisitions	11,650	-	11,650
TOTAL EXPENDITURES	22,964	4,797	27,761
Excess of revenues over expenditures	170,747	52,103	222,850
Other financing uses:			
Transfer out	(105,498)	-	(105,498)
Net change in fund balances	65,249	52,103	117,352
Fund balances beginning of year, as restated	373,184	72,969	446,153
Fund balances end of year	\$ 438,433	125,072	563,505

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT

FREMONT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
6th Grade Activities	\$ 429	-	55	374
7th Grade Activities	499	-	-	499
8th Grade Activities	(160)	278	-	118
Student Council	1,006	-	-	1,006
Yearbook	2,542	-	-	2,542
District - Wide Activities	(6,138)	200	208	(6,146)
Book Fair	4,295	2,823	4,602	2,516
Fundraiser	4,049	-	-	4,049
Sports	5,028	-	-	5,028
Garden	128	-	33	95
MS Trip	5,549	296	-	5,845
Field trips	3,740	2,079	1,082	4,737
Resale	1,544	-	-	1,544
Blue Jean	121	342	185	278
Fund Balance	1,154	-	253	901
Total	\$ 23,786	6,018	6,418	23,386

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 1,183,853	1,058,353	930,446	867,082
Tuition	60,687	36,115	15,999	42,306
Other	24,342	30,066	36,356	77,030
Intermediate sources	-	-	-	-
State sources	966,759	937,090	1,088,139	1,028,606
Federal sources	177,363	145,239	75,996	84,807
Total	\$ 2,413,004	2,206,863	2,146,936	2,099,831
Expenditures:				
Instruction:				
Regular	\$ 964,946	969,130	1,058,683	1,165,474
Special	281,483	246,692	183,921	179,631
Other	130,462	145,980	118,418	1,632
Support services:				
Student	20,375	5,928	6,169	7,920
Instructional staff	38,149	34,962	36,141	84,818
Administration	228,735	229,302	203,751	261,416
Operation and maintenance of plant	173,095	224,421	175,870	220,010
Transportation	68,819	79,991	63,184	88,935
Non-instructional	-	-	-	-
Other expenditures:				
Facilities acquisitions	11,650	1,807	-	10,979
Long-term debt:				
Principal	85,000	85,000	117,500	87,500
Interest and fiscal charges	20,498	23,508	28,544	30,863
AEA flow-through	81,617	82,122	72,488	67,548
Total	\$ 2,104,829	2,128,843	2,064,669	2,206,726

Modified Accrual Basis					
Years Ended June 30,					
2007	2006	2005	2004	2003	2002
837,145	780,046	735,887	765,780	807,701	720,850
79,228	139,554	68,310	75,534	77,996	63,409
128,150	154,275	63,733	60,527	35,454	47,318
-	-	4,596	-	-	-
963,674	780,487	729,875	691,071	720,808	753,781
82,767	108,785	115,611	36,541	69,757	30,112
2,090,964	1,963,147	1,718,012	1,629,453	1,711,716	1,615,470
1,039,528	1,063,887	947,368	920,401	768,102	775,568
240,540	174,150	172,113	254,925	230,408	231,342
18,253	42,497	26,834	21,042	19,447	14,777
5,592	16,900	4,900	4,693	27,489	18,823
29,525	38,360	36,270	33,975	39,970	45,328
250,641	277,925	152,025	184,048	183,450	175,290
168,537	157,972	130,981	241,780	160,885	98,224
71,670	64,763	106,917	33,222	36,522	23,053
2,841	-	-	18,568	-	2,967
31	18,891	17,247	-	-	19,190
65,000	60,000	55,000	50,000	50,000	45,000
45,327	47,914	50,662	53,100	55,888	58,619
60,273	52,468	52,202	53,473	57,320	57,628
1,997,758	2,015,727	1,752,519	1,869,227	1,629,481	1,565,809

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
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117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-11 through I-H-11 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2012

FREMONT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

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

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

Conclusion - Response accepted.

I-B-11 Accounting Records - It was noted during the audit that there was a bank account that was not being accounted for within the District software system.

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

Response - The District has added the insurance bank account and reconciles the bank statement balances of the financial statement bank balance monthly.

Conclusion - Response accepted.

I-C-11 Credit Card and Cell Phone Policies - We noted during our audit that the District had not implemented a credit card policy that states the procedures to be used for the use of the District's Wal-Mart and Casey's credit cards. We also noted that the District does not have a policy in place for the procedures on the use of a District owned cell phone.

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

Response - The District will review the policies in place and update the credit card and cell phone policies.

Conclusion - Response accepted.

I-D-11 Title I Grant - The final report for Title I Budget was not completed using the District financial statements and was not amended to reflect general ledger expenditures.

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

Response - The District has contacted the Iowa Department of Education and amended the Title I Budget.

Conclusion - Response accepted.

I-E-11 Nutrition Fund Deposits - We noted during our audit that deposits made into the Nutrition Fund are not being reconciled with Infinite Campus deposits and the Nutrition Fund balance sheet. We also noted the District is not utilizing pre-numbered receipts for the Nutrition Fund.

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

Response - The District is using pre-numbered receipt books, printing off daily printouts from Infinite Campus and reconciling to the deposit.

Conclusion - Response accepted.

I-F-11 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The District will review policies as required and update outdated policies.

Conclusion - Response accepted.

I-G-11 Revenue Recognition - We noted during our audit that the District recorded Title VIA revenue in the Capital Projects, Statewide Sales, Services and Use Tax Fund.

Recommendation - The District should review revenue fund recognition procedures to ensure that revenue is properly recorded to the proper fund. The District should make a corrective transfer of \$865 from the Capital Projects, Statewide Sales, Service and Use Tax Fund to the General Fund in fiscal 2012.

Response - The District has reviewed the revenue fund recognition procedures and made a corrective transfer from Capital Projects to the General Fund.

Conclusion - Response accepted.

I-H-11 Supporting Documents for Payments Made - During our fieldwork, we noted three instances in our testing of disbursements that did not have an invoice or other documentation to support the payment.

Recommendation - The District should review its procedures to ensure that all payments made have supporting documentation to support the purchase.

Response - The District ensures that all payments made have a supporting invoice and documentation.

Conclusion - Response accepted.

FREMONT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, did not exceed the amount budgeted.
- II-B-11 Questionable Expenditures - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Mitterer, Board President Owner of Country Store	School supplies	\$1,095

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

- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-11 Statewide Sales and Services Tax - No instances of non-compliance with the used of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning Balance		\$ 373,184
Revenues/transfers in:		
Sales tax revenues	\$ 182,061	
Federal revenues	11,650	193,711
		<u>566,895</u>
Expenditures/transfers out:		
Equipment	11,314	
Other	11,650	
Transfers to other funds:		
Debt service fund	105,498	128,462
		<u>128,462</u>
Ending Balance		<u>\$ 438,433</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 1.96733	\$ 105,498

II-M-11 Financial Condition - During our audit we noted that the District had one negative account balance in the Special Revenue, Student Activity Fund totaling \$6,146. We noted during our audit that the District had deficit unrestricted net assets in the Enterprise, Day Care Fund for \$34,179 and a total business type activities deficit unrestricted net assets of \$30,396.

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

Response - The District will eliminate the deficit in these accounts.

Conclusion - Response accepted.

II-N-11 Student Activity Fund - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Monies in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. In addition, several accounts were inactive during the year.

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

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

Conclusion - Response accepted.

II-O-11 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets.

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

Recommendation - The District needs to make the adjustments on the general ledger and transfer the money at the bank to remove interfund loans. The District should seek financing from the local bank for deficit in the Enterprise, Day Care Fund or make changes to operations to cash flow or seek approval from the State Appeals Board to transfer funds from General Fund to cover the deficit.

Response - The District will make the adjustment on the general ledger and transfer the money at the bank to remove the interfund loan. The District has made changes to the operation to cash flow and will seek approval from the Department of Education.

Conclusion - Response accepted.