

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont-Mills Community School District, Tabor, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont-Mills Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2013, on our consideration of Fremont-Mills Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the

required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont-Mills Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 21, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fremont-Mills Community School 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, 2012

We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

General Fund revenues decreased by 11.07% from \$4,872,849 in fiscal 2011 to \$4,333,589 in fiscal 2012, while General Fund expenditures increased by 4.49% from \$4,022,724 in fiscal 2011 to \$4,203,213 in fiscal 2012. The District's General Fund balance increased from \$1,962,569 to \$2,092,756 in fiscal 2012, a 6.63% increase.

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-Mills Community School District as a whole and present an overall view of the District's finances.

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

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

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

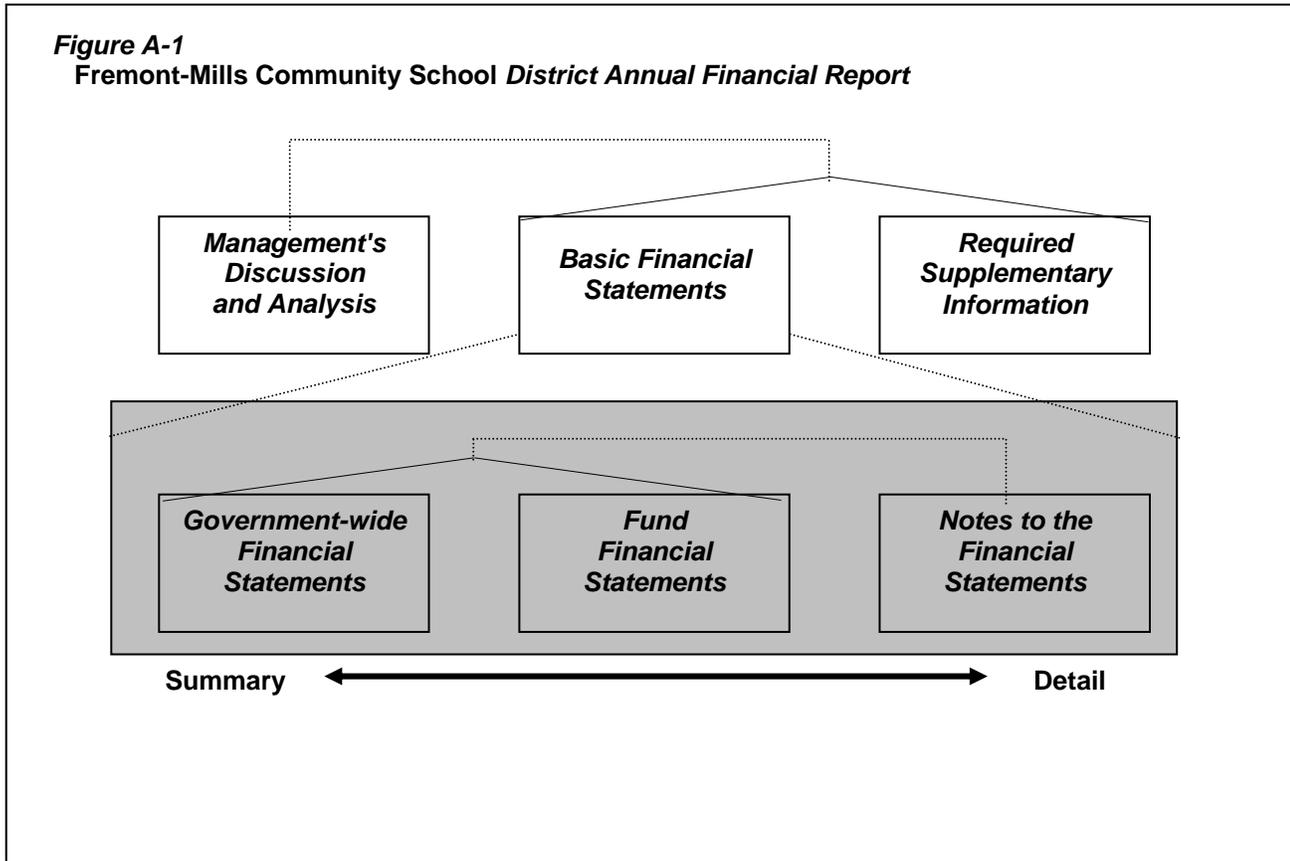


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain monies behalf of other entities.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets at June 30, 2012 compared to June 30, 2011.

A-3

	Condensed Statement of Net Assets						Percentage Change
	Governmental Activities		Business-type Activities		Total School District		
	2012	2011	2012	2011	2012	2011	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,274,635	6,459,153	21,238	27,840	5,295,873	6,486,993	-18.36%
Capital assets	7,922,741	7,901,295	7,607	10,651	7,930,348	7,911,946	0.23%
Total assets	13,197,376	14,360,448	28,845	38,491	13,226,221	14,398,939	-8.14%
Long-term liabilities	3,199,844	4,614,557			3,199,844	4,614,557	-30.66%
Other liabilities	2,276,970	2,399,831	3,684	1,723	2,280,654	2,401,554	-5.03%
Total liabilities	5,476,814	7,014,388	3,684	1,723	5,480,498	7,016,111	-21.89%
Net assets:							
Invested in capital assets							
net of related debt	4,767,741	4,621,295	7,607	10,651	4,775,348	4,631,946	3.10%
Restricted	1,109,627	1,025,997			1,109,627	1,025,997	8.15%
Unrestricted	1,843,194	1,698,768	17,554	26,117	1,860,748	1,724,885	7.88%
TOTAL NET ASSETS	7,720,562	7,346,060	25,161	36,768	7,745,723	7,382,828	4.92%

The District’s combined total net assets increased by nearly 4.92% or approximately \$362,895, over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure,

buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$83,630 or 8.2% over the prior year. The increase was primarily a result of lower expenditures in the Physical Plant and Equipment Levy and Capital Projects Funds

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$135,863, or 7.88%. This increase in unrestricted net assets was a result of the District meeting its obligations while decreasing expenses and reducing staff.

Figure A-4 shows the change in net assets for the years ended June 30, 2012 and 2011.

Figure A-4
Fremont-Mills Community
School
Changes in Net Assets
June 30, 2012

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2012	2011	2012	2011	2012	2011	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	485,404	427,223	112,844	105,057	598,248	532,280	
Operating grants & contributions	685,592	1,019,786	109,488	106,461	795,080	1,126,247	
Capital grants & contributions	42,125	564,821	0	0	42,125	564,821	
General Revenues							
Property taxes	1,844,958	2,021,525			1,844,958	2,021,525	
Income Surtax	261,063	311,055			261,063	311,055	
Local option sales tax	316,984	262,055			316,984	262,055	
Unrestricted state grants	1,688,578	1,750,859			1,688,578	1,750,859	
Unrestricted investment earnings	6,836	7,135	36	141	6,872	7,276	
Other revenue	18,406	7,352			18,406	7,352	
Total Revenues	\$5,349,946	\$6,371,811	\$222,368	\$211,659	\$5,572,314	\$6,583,470	-15%
Expenses:							
Instruction	2,950,487	2,791,735			2,950,487	2,791,735	
Support services	1,362,254	1,298,350			1,362,254	1,298,350	
Non-instructional programs	0	0	233,975	222,290	233,975	222,290	
Other expenditures	662,703	649,898			662,703	649,898	
Total Expenses	\$4,975,444	\$4,739,983	\$233,975	\$222,290	\$5,209,419	\$4,962,273	5%
CHANGE IN NET ASSETS	\$374,502	\$1,631,828	-\$11,607	-\$10,631	\$362,895	\$1,621,197	-78%
Net assets beginning of year	7,346,060	5,714,232	36,768	47,399	7,382,828	5,761,631	28%
Net assets end of year	\$7,720,562	\$7,346,060	\$25,161	\$36,768	\$7,745,723	\$7,382,828	5%

In fiscal year 2012 property tax and unrestricted state grants account for 63.41% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82.79% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 15% decrease in revenues and a 5% increase in expenses. Property tax decreased by \$176,567 due a reduction in the cash reserve levy. Operating grants and contributions were reduced due to reduced federal stimulus funding and capital grants and contributions were lower due to the completion of the gymnasium construction project in the prior year. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$5,349,946 and expenses were \$4,975,444. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2012	2011	2012	2011
	\$	\$	\$	\$
Instruction	2,950,487	2,791,735	1,949,455	1,535,950
Support Services	1,362,254	1,298,350	1,362,078	1,295,874
Non-instructional Programs	0	0	0	0
Other Expenses	662,703	649,898	450,790	-103,671
TOTAL	4,975,444	4,739,983	3,762,323	2,728,153

For the year ended June 30, 2012

- The cost financed by users of the District's programs was \$485,404. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$727,720.
- The net cost of governmental activities was financed with \$2,423,005 in property and local other taxes and \$1,688,578 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$222,368 and expenses were \$233,975. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the District slightly increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund, however it was not sufficient to cover the increased expenses.

INDIVIDUAL FUND ANALYSIS

As previously noted, Fremont Mills 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 a combined fund balance of \$2,669,449, well above last year's ending fund balances of \$3,746,635. However, the primary reason for the decrease in combined fund balances in fiscal 2012 is due to approximately \$1 million of general obligation bonds paid in fiscal 2012.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Decreasing revenues were a result of the elimination of ARRA funding in 2012. The District was able to remain within the budgeted expenses, resulting in a slight improvement in balances.
- The General Fund balance increased from \$1,962,569 to \$2,092,756, due in part to the negotiated salary and benefits settlement.
- The Capital Projects Fund balance increased by \$16,328. The District ended fiscal 2011 with a balance of \$414,896. Fiscal 2012 ended with a balance of \$431,224.
- The Debt Service Fund balance decreased from \$1,254,851 at the end of fiscal year 2011 to \$2,507 at June 30, 2012. During fiscal year 2011 the District issued \$1,295,000 of crossover refunding bonds. The proceeds from these bonds were held in the District's name until the old bonds were called and repaid in fiscal year 2012.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$36,768 at June 30, 2011 to \$25,161 at June 30, 2012, representing an decrease of approximately 32%. For fiscal 2012 the District increased prices which was not sufficient to cover the increased costs.

BUDGETARY HIGHLIGHTS

The Fremont-Mills Community School District did not amend its budget during the year.

The District's receipts were \$138,911 more than budgeted receipts, a variance of 3%. Most of the variance is the result of more revenues being collected from local sources than anticipated.

Total expenditures were \$779,464 more than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the all funds. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures area due to year-end adjustments for how called general obligation bonds were reported.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$7,930,348, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, and transportation equipment. (See Figure A-6) This represents a net increase of .23% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$278,117.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change
	Activities		Activities		School District		
	2012	2011	2012	2011	2012	2011	
Land	40,000	40,000			40,000	40,000	0.00%
Buildings	7,137,787	7,191,255			7,137,787	7,191,255	-0.74%
Improvements	384,214	420,469			384,214	420,469	-8.62%
Equipment & Furniture	360,740	249,571	7,607	10,651	368,347	260,222	41.55%
	<u>7,922,741</u>	<u>7,901,295</u>	<u>7,607</u>	<u>10,651</u>	<u>7,930,348</u>	<u>7,911,946</u>	<u>0.23%</u>

Long-Term Debt

At June 30, 2012 the District had \$3,199,844 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 30.66% from last year. This reflects the completion of calling the 2003 bonds completed in 2012, and the final payment of Capital Loan Notes. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District's bonds have not been rated.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately 10 million.

A-7

Figure A-7 Fremont-Mills Community School Outstanding Long-Term Liabilities

	Total School District		Percentage Change
	2012	2011	
General Obligation Bonds	3,155,000	4,505,000	-29.97%
Capital Loan Notes	0	70,000	-100.00%
Termination Benefits	0	5,382	-100.00%
Net OPEB Liability	44,844	34,175	31.22%
	<u>3,199,844</u>	<u>4,614,557</u>	<u>-30.66%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Missouri River flooding of 2011 significantly affected farmland, housing, and the Wilds recreation camping area in the Fremont-Mills District. Property valuations may be impacted by this event.
- School financing is highly dependent upon student enrollment. The District's October 2012 weighted enrollment increased by twenty students. This increase in weighted enrollment will improve the District's funding for fiscal year 2014, however it reflects funding based on sharing programs with a neighboring district which will be gradually phased out over a three year period.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Shepherd, Board Secretary, Fremont-Mills Community School, 1114 US Hwy 275, Tabor, Iowa 51653

BASIC FINANCIAL STATEMENTS

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	3,128,496	20,160	3,148,656
Receivables:			
Property tax:			
Delinquent	24,668	-	24,668
Succeeding year	1,608,129	-	1,608,129
Accounts	79,342	-	79,342
Due from other governments	434,000	-	434,000
Inventories	-	1,078	1,078
Capital assets, net of accumulated depreciation	7,922,741	7,607	7,930,348
Total assets	13,197,376	28,845	13,226,221
Liabilities			
Accounts payable	247,429	1,874	249,303
Salaries and benefits payable	343,064	-	343,064
Accrued interest payable	19,517	-	19,517
Deferred revenue:			
Succeeding year property tax	1,608,129	-	1,608,129
Other	58,831	1,810	60,641
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	150,000	-	150,000
Portion due after one year:			
General obligation bonds payable	3,005,000	-	3,005,000
Net OPEB liability	44,844	-	44,844
Total liabilities	5,476,814	3,684	5,480,498

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	4,767,741	7,607	4,775,348
Restricted for:			
Categorical funding	446,447	-	446,447
Management levy	111,309	-	111,309
Physical plant and equipment levy	141,714	-	141,714
Student activities	31,653	-	31,653
School infrastructure	378,504	-	378,504
Unrestricted	<u>1,843,194</u>	<u>17,554</u>	<u>1,860,748</u>
Total net assets	<u><u>7,720,562</u></u>	<u><u>25,161</u></u>	<u><u>7,745,723</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,851,478	312,155	424,462	-
Special	469,667	30,131	21,924	-
Other	629,342	143,118	69,242	-
	<u>2,950,487</u>	<u>485,404</u>	<u>515,628</u>	<u>-</u>
Support services:				
Student	72,399	-	-	-
Instructional staff	133,034	-	-	-
Administration	605,238	-	-	-
Operation and maintenance of plant	261,507	-	-	-
Transportation	290,076	-	176	-
	<u>1,362,254</u>	<u>-</u>	<u>176</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	109,061	-	-	42,125
Long-term debt interest	177,016	-	3,007	-
AEA flowthrough	166,781	-	166,781	-
Depreciation (unallocated)*	209,845	-	-	-
	<u>662,703</u>	<u>-</u>	<u>169,788</u>	<u>42,125</u>
Total governmental activities	4,975,444	485,404	685,592	42,125
Business type activities:				
Non-instructional programs:				
Food service operations	233,975	112,844	109,488	-
Total	<u>5,209,419</u>	<u>598,248</u>	<u>795,080</u>	<u>42,125</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,114,861)	-	(1,114,861)
(417,612)	-	(417,612)
(416,982)	-	(416,982)
<u>(1,949,455)</u>	<u>-</u>	<u>(1,949,455)</u>
(72,399)	-	(72,399)
(133,034)	-	(133,034)
(605,238)	-	(605,238)
(261,507)	-	(261,507)
(289,900)	-	(289,900)
<u>(1,362,078)</u>	<u>-</u>	<u>(1,362,078)</u>
(66,936)	-	(66,936)
(174,009)	-	(174,009)
-	-	-
(209,845)	-	(209,845)
<u>(450,790)</u>	<u>-</u>	<u>(450,790)</u>
(3,762,323)	-	(3,762,323)
<u>-</u>	<u>(11,643)</u>	<u>(11,643)</u>
<u>(3,762,323)</u>	<u>(11,643)</u>	<u>(3,773,966)</u>
1,535,560	-	1,535,560
187,511	-	187,511
121,887	-	121,887
261,063	-	261,063
316,984	-	316,984
1,688,578	-	1,688,578
6,836	36	6,872
18,406	-	18,406
<u>4,136,825</u>	<u>36</u>	<u>4,136,861</u>
374,502	(11,607)	362,895
<u>7,346,060</u>	<u>36,768</u>	<u>7,382,828</u>
<u>7,720,562</u>	<u>25,161</u>	<u>7,745,723</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmenta	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	2,591,869	383,818	-	143,575	3,119,262
Receivables:					
Property tax:					
Delinquent	19,533	1,630	2,507	998	24,668
Succeeding year	1,279,443	135,585	143,101	50,000	1,608,129
Accounts	77,997	-	-	1,345	79,342
Due from other governments	288,618	145,382	-	-	434,000
Total assets	4,257,460	666,415	145,608	195,918	5,265,401
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	227,381	10,612	-	2,956	240,949
Salaries and benefits payable	343,064	-	-	-	343,064
Deferred revenue:					
Succeeding year property tax	1,279,443	135,585	143,101	50,000	1,608,129
Income surtax	177,988	88,994	-	-	266,982
Other	136,828	-	-	-	136,828
Total liabilities	2,164,704	235,191	143,101	52,956	2,595,952
Fund balances:					
Restricted for:					
Categorical funding	446,447	-	-	-	446,447
Debt service	-	-	2,507	-	2,507
Management levy	-	-	-	111,309	111,309
Student activities	-	-	-	31,653	31,653
School infrastructure	-	378,504	-	-	378,504
Physical plant and equipment	-	52,720	-	-	52,720
Unassigned	1,646,309	-	-	-	1,646,309
Total fund balances	2,092,756	431,224	2,507	142,962	2,669,449
Total liabilities and fund balances	4,257,460	666,415	145,608	195,918	5,265,401

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2012

	\$
Total fund balances of governmental funds (Exhibit C)	2,669,449
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,922,741
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	344,979
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.	(19,517)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	2,754
Long-term liabilities, including bonds payable and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,199,844)</u>
Net assets of governmental activities (Exhibit A)	<u><u>7,720,562</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,628,838	539,649	187,511	74,686	2,430,684
Tuition	304,958	-	-	-	304,958
Other	45,292	42,388	3,007	148,448	239,135
State sources	2,226,623	61	94	37	2,226,815
Federal sources	127,878	-	-	-	127,878
Total revenues	<u>4,333,589</u>	<u>582,098</u>	<u>190,612</u>	<u>223,171</u>	<u>5,329,470</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,825,214	-	-	24,885	1,850,099
Special	471,945	-	-	-	471,945
Other	483,763	-	-	136,858	620,621
	<u>2,780,922</u>	<u>-</u>	<u>-</u>	<u>161,743</u>	<u>2,942,665</u>
Support services:					
Student	72,139	-	-	-	72,139
Instructional staff	133,034	-	-	-	133,034
Administration	574,977	17,947	2,500	6,714	602,138
Plant operation and maintenance	237,962	10,550	-	16,680	265,192
Transportation	237,398	165,449	-	13,201	416,048
	<u>1,255,510</u>	<u>193,946</u>	<u>2,500</u>	<u>36,595</u>	<u>1,488,551</u>
Other expenditures:					
Facilities acquisition	-	240,558	-	-	240,558
Long-term debt:					
Principal	-	-	1,420,000	-	1,420,000
Interest and fiscal charges	-	-	189,015	-	189,015
AEA flowthrough	166,781	-	-	-	166,781
	<u>166,781</u>	<u>240,558</u>	<u>1,609,015</u>	<u>-</u>	<u>2,016,354</u>
Total expenditures	<u>4,203,213</u>	<u>434,504</u>	<u>1,611,515</u>	<u>198,338</u>	<u>6,447,570</u>
Excess (deficiency) of revenues over (under) expenditures	<u>130,376</u>	<u>147,594</u>	<u>(1,420,903)</u>	<u>24,833</u>	<u>(1,118,100)</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Compensation for loss of fixed assets	-	37,293	-	-	37,293
Sales of materials and equipment	3,621	-	-	-	3,621
Operating transfers in	-	-	168,559	3,810	172,369
Operating transfers out	(3,810)	(168,559)	-	-	(172,369)
Total other financing sources (uses)	<u>(189)</u>	<u>(131,266)</u>	<u>168,559</u>	<u>3,810</u>	<u>40,914</u>
Net change in fund balances	130,187	16,328	(1,252,344)	28,643	(1,077,186)
Fund balances beginning of year	<u>1,962,569</u>	<u>414,896</u>	<u>1,254,851</u>	<u>114,319</u>	<u>3,746,635</u>
Fund balances end of year	<u><u>2,092,756</u></u>	<u><u>431,224</u></u>	<u><u>2,507</u></u>	<u><u>142,962</u></u>	<u><u>2,669,449</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(1,077,186)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal of capital assets in the current year are as follows:		
Expenditures for capital assets	320,638	
Loss on disposal of capital assets	(24,119)	
Depreciation expense	<u>(275,073)</u>	21,446
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		3,681
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		1,420,000
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.		11,999
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	5,382	
Other postemployment benefits	<u>(10,669)</u>	(5,287)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(151)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>374,502</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Nonmajor School Nutrition <u> </u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Assets		
Cash and cash equivalents	20,160	9,234
Inventories	1,078	-
Capital assets, net of accumulated depreciation	<u>7,607</u>	<u>-</u>
Total assets	<u>28,845</u>	<u>9,234</u>
Liabilities		
Accounts payable	1,874	6,480
Deferred revenue	<u>1,810</u>	<u>-</u>
Total Liabilities	<u>3,684</u>	<u>6,480</u>
Net assets		
Invested in capital assets	7,607	-
Unrestricted	<u>17,554</u>	<u>2,754</u>
Total net assets	<u><u>25,161</u></u>	<u><u>2,754</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal <u>Service Fund</u> \$
Operating revenue:		
Local sources:		
Charges for service	112,844	6,300
Operating expenses:		
Non-instructional programs:		
Salaries	72,945	-
Benefits	11,985	6,451
Purchased services	8,016	-
Supplies	136,783	-
Depreciation	3,044	-
Other	1,202	-
Total operating expenses	<u>233,975</u>	<u>6,451</u>
Operating income (loss)	<u>(121,131)</u>	<u>(151)</u>
Non-operating revenues:		
State sources	2,328	-
Federal sources	107,160	-
Interest income	36	-
Total non-operating revenues	<u>109,524</u>	<u>-</u>
Change in net assets	(11,607)	(151)
Net assets beginning of year	<u>36,768</u>	<u>2,905</u>
Net assets end of year	<u><u>25,161</u></u>	<u><u>2,754</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Enterprise Fund Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	112,935	-
Cash received from services provided to other funds	-	6,567
Cash payments to employees for services	(84,930)	(1,983)
Cash payments to suppliers for goods or services	(136,577)	-
Net cash (used) provided by operating activities	<u>(108,572)</u>	<u>4,584</u>
Cash flows from non-capital financing activities:		
State grants received	2,328	-
Federal grants received	99,366	-
Net cash provided by non-capital financing activities	<u>101,694</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	36	-
Net increase (decrease) in cash and cash equivalents	(6,842)	4,584
Cash and cash equivalents at beginning of year	<u>27,002</u>	<u>4,650</u>
Cash and cash equivalents at end of year	<u>20,160</u>	<u>9,234</u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	(121,131)	(151)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	7,794	-
Depreciation	3,044	-
Decrease (increase) in inventories	(240)	-
Decrease (increase) in accounts receivable	-	267
(Decrease) increase in accounts payable	1,870	4,468
(Decrease) increase in deferred revenue	91	-
Net cash (used) provided by operating activities	<u>(108,572)</u>	<u>4,584</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$7,794 of federal commodities.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose Trust <u>Scholarship</u>	<u>Agency</u>
	\$	\$
Assets		
Cash and pooled investments	36,976	10,383
Accrued interest receivable	<u>18</u>	<u>-</u>
Total Assets	<u>36,994</u>	<u>10,383</u>
Liabilities		
Other payables	<u>-</u>	<u>10,383</u>
Net Assets		
Reserved for scholarships	<u>36,994</u>	<u>-</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	246
Deductions	
Support services:	
Scholarships awarded	<u>870</u>
Change in net assets	(624)
Net assets beginning of year	<u>37,618</u>
Net assets end of year	<u><u>36,994</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project 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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

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

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

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

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

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

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

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

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

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

Fund Equity – In the governmental fund financial statements 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 classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures exceeded the amount budgeted in the other expenditures function during the year ended June 30, 2012.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust. Which are valued at an amortized cost of \$1,188,525 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Capital Projects Fund	168,559
Nonmajor Student Activity Fund	General Fund	3,810

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

4. Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	40,000	-	-	40,000
Capital assets being depreciated:				
Buildings	8,968,197	131,497	-	9,099,694
Improvements other than buildings	545,984	-	17,240	528,744
Furniture and equipment	988,041	189,141	153,396	1,023,786
Total capital assets being deprec.	<u>10,502,222</u>	<u>320,638</u>	<u>170,636</u>	<u>10,652,224</u>
Less accumulated depreciation for:				
Buildings	1,776,942	184,965	-	1,961,907
Improvements other than buildings	125,515	24,880	5,865	144,530
Furniture and equipment	738,470	65,228	140,652	663,046
Total accumulated depreciation	<u>2,640,927</u>	<u>275,073</u>	<u>146,517</u>	<u>2,769,483</u>

Total capital assets being depreciated, net	<u>7,861,295</u>	<u>45,565</u>	<u>24,119</u>	<u>7,882,741</u>
Governmental activities capital assets, net	<u>7,901,295</u>	<u>45,565</u>	<u>24,119</u>	<u>7,922,741</u>
Business type activities:				
Furniture and equipment	96,235	-	-	96,234
Less accumulated depreciation	<u>85,584</u>	<u>3,044</u>	<u>-</u>	<u>88,628</u>
Business type activities capital assets, net	<u>10,651</u>	<u>(3,044)</u>	<u>-</u>	<u>7,606</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	364
Special	340
Other	13,513
Support services:	
Administration services	1,799
Operation and maintenance of plant services	9,995
Transportation	<u>39,217</u>
	65,228
Unallocated depreciation	<u>209,845</u>
Total depreciation expense – governmental activities	<u>275,073</u>
Business type activities:	
Food services	<u>3,044</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	4,505,000	-	1,350,000	3,155,000	150,000
Capital loan notes	70,000	-	70,000	-	-
Termination benefits	5,382	-	5,382	-	-
Net OPEB liability	34,175	10,669	-	44,844	-
Total	<u>4,614,557</u>	<u>10,669</u>	<u>1,425,382</u>	<u>3,199,844</u>	<u>150,000</u>
Business type activities:					
Net OPEB liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Bond Issue of August 2008				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	5.00	30,000	88,398	118,398
2014	5.00	30,000	86,898	116,898
2015	5.00	40,000	85,398	125,398
2016	5.00	40,000	83,398	123,398
2017	5.00	40,000	81,398	121,398
2018-2022	5.00	235,000	374,990	609,990
2023-2027	4-55-4.75	1,175,000	234,690	1,409,690
2028	4.80	270,000	12,960	282,960
		<u>1,860,000</u>	<u>1,048,130</u>	<u>2,908,130</u>

Refunding Bond Issue of November 2010				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	1.15	120,000	28,702	148,702
2014	1.30	125,000	27,323	152,323
2015	1.50	120,000	25,697	145,697
2016	1.90	120,000	23,898	143,898
2017	2.15	130,000	21,617	151,617
2018-2022	2.3-3.15	680,000	59,998	739,998
		<u>1,295,000</u>	<u>187,235</u>	<u>1,482,235</u>

6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were, \$181,848, \$150,992 and, \$150,944 respectively, equal to the required contributions for each year.

7. 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 53 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	40,000
Interest on net OPEB obligation	854
Adjustment to annual required contribution	<u>(1,185)</u>
Annual OPEB cost	39,669
Contributions made	<u>29,000</u>
Increase in net OPEB obligation	10,669
Net OPEB obligation beginning of year	<u>34,175</u>
Net OPEB obligation end of year	<u>44,844</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, 2012.

For the year ended June 30, 2012, the District contributed \$29,000 to the medical plan. Plan members eligible for benefits contributed \$29,000, or 50% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost \$	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation \$
2010	40,000	58%	17,000
2011	40,175	57%	34,175
2012	39,669	73%	44,844

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$346,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$346,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,490,000, and the ratio of the UAAL to covered payroll was 23.2%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes

to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

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

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$166,781 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Returning dropout and dropout prevention program	108,326
Teacher salary supplement	61,357
Educator quality, professional development	23,517
At risk	45,980
Gifted and talented	15,367
Mentoring	1,005
State decategorization grant	1,579
Innovative at risk	6,286
Empowerment	27,401
Preschool	37,006
Core curriculum	5,000
Professional development model core curriculum	20,280
AIW	13,580
Market factor	9
Carl Trust donation	79,754
	<u>446,447</u>

11. Construction Commitment

The District has entered into contracts totaling \$146,211 for roof repairs and asphalt. Work on the projects had not started at June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental	Proprietary Fund	Total Actual	Budgeted Amounts		Final to Actual
	Fund Actual	Actual		Original	Final	Variance - Positive (Negative)
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,974,777	112,880	3,087,657	2,562,651	2,562,651	525,006
State sources	2,226,815	2,328	2,229,143	2,425,276	2,425,276	(196,133)
Federal sources	127,878	107,160	235,038	425,000	425,000	(189,962)
Total revenues	<u>5,329,470</u>	<u>222,368</u>	<u>5,551,838</u>	<u>5,412,927</u>	<u>5,412,927</u>	<u>138,911</u>
Expenditures/Expenses						
Instruction	2,942,665	-	2,942,665	3,595,000	3,595,000	652,335
Support services	1,488,551	-	1,488,551	1,822,000	1,822,000	333,449
Non-instructional programs	-	233,975	233,975	300,000	300,000	66,025
Other expenditures	2,016,354	-	2,016,354	185,081	185,081	(1,831,273)
Total expenditures/expenses	<u>6,447,570</u>	<u>233,975</u>	<u>6,681,545</u>	<u>5,902,081</u>	<u>5,902,081</u>	<u>(779,464)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,118,100)	(11,607)	(1,129,707)	(489,154)	(489,154)	(640,553)
Other financing sources (uses) net	<u>40,914</u>	<u>-</u>	<u>40,914</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>42,914</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/ expenses and other financing uses	(1,077,186)	(11,607)	(1,088,793)	(491,154)	(491,154)	(597,639)
Balance beginning of year	<u>3,746,635</u>	<u>36,768</u>	<u>3,783,403</u>	<u>700,313</u>	<u>700,313</u>	<u>3,083,090</u>
Balance end of year	<u><u>2,669,449</u></u>	<u><u>25,161</u></u>	<u><u>2,694,610</u></u>	<u><u>209,159</u></u>	<u><u>209,159</u></u>	<u><u>2,485,451</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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

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

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

During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

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

Required Supplementary Information

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	-	346,000	346,000	0.0%	1,326,000	26.1%
2011	July 1, 2009	-	346,000	346,000	0.0%	1,390,000	24.9%
2012	July 1, 2009	-	346,000	346,000	0.0%	1,490,000	23.2%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	Special Revenue Funds		Total
	Management Levy	Student Activity	
	\$	\$	\$
Cash and pooled investments	110,311	33,264	143,575
Receivables:			
Property tax:			
Delinquent	998	-	998
Succeeding year	50,000	-	50,000
Accounts	-	1,345	1,345
Total assets	161,309	34,609	195,918
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	-	2,956	2,956
Deferred revenue:			
Succeeding year property tax	50,000	-	50,000
Total liabilities	50,000	2,956	52,956
Fund balances:			
Restricted for:			
Management levy	111,309	-	111,309
Student activities	-	31,653	31,653
Total fund balances	111,309	31,653	142,962
Total liabilities and fund balances	161,309	34,609	195,918

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2012

	Special Revenue Funds		Total
	Management Levy	Student Activity	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	74,686	-	74,686
Other	5,254	143,194	148,448
State sources	37	-	37
Total revenues	<u>79,977</u>	<u>143,194</u>	<u>223,171</u>
Expenditures:			
Current:			
Instruction:			
Regular	24,885	-	24,885
Other	-	136,858	136,858
Support services:			
Administration	6,714	-	6,714
Operation and maintenance of plant	16,680	-	16,680
Transportation	13,201	-	13,201
Total expenditures	<u>61,480</u>	<u>136,858</u>	<u>198,338</u>
Excess (deficiency) of revenues over (under) expenditures	18,497	6,336	24,833
Other financing sources (uses):			
Operating transfers in	-	3,810	3,810
Net change in fund balance	18,497	10,146	28,643
Fund balances beginning of year	<u>92,812</u>	<u>21,507</u>	<u>114,319</u>
Fund balances end of year	<u><u>111,309</u></u>	<u><u>31,653</u></u>	<u><u>142,962</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

Assets	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	-	322,116	61,702	383,818
Receivables:				
Property tax:				
Delinquent	-	-	1,630	1,630
Succeeding year	-	-	135,585	135,585
Due from other governments		56,388	88,994	145,382
Total assets	-	378,504	287,911	666,415
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	-	10,612	10,612
Deferred revenue:				
Succeeding year property tax	-	-	135,585	135,585
Income surtax	-	-	88,994	88,994
Total liabilities	-	-	235,191	235,191
Fund balances:				
Restricted for:				
School infrastructure	-	378,504	-	378,504
Physical plant and equipment	-	-	52,720	52,720
Total fund balances	-	378,504	52,720	431,224
Total liabilities and fund balances	-	378,504	287,911	666,415

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Accounts

Year ended June 30, 2012

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	316,984	222,665	539,649
Other	40,419	1,928	41	42,388
State sources	-	-	61	61
Total revenues	<u>40,419</u>	<u>318,912</u>	<u>222,767</u>	<u>582,098</u>
Expenditures:				
Current:				
Support services:				
Administration services	-	-	17,947	17,947
Operation and maintenance of plant	-	-	10,550	10,550
Transportation services	-	145,849	19,600	165,449
Other expenditures:				
Facilities acquisition	40,419	6,548	193,591	240,558
Total expenditures	<u>40,419</u>	<u>152,397</u>	<u>241,688</u>	<u>434,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>166,515</u>	<u>(18,921)</u>	<u>147,594</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	-	-	37,293	37,293
Intrafund transfers	5,000	-	(5,000)	-
Operating transfers out	-	(95,000)	(73,559)	(168,559)
Total other financing sources (uses)	<u>5,000</u>	<u>(95,000)</u>	<u>(41,266)</u>	<u>(131,266)</u>
Net change in fund balance	5,000	71,515	(60,187)	16,328
Fund balances beginning of year	<u>(5,000)</u>	<u>306,989</u>	<u>112,907</u>	<u>414,896</u>
Fund balance end of year	<u>-</u>	<u>378,504</u>	<u>52,720</u>	<u>431,224</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund</u> <u>Transfers</u>	<u>Balance End</u> <u>of Year</u>
	<u>Beginning of</u> <u>Year</u>				
	\$	\$	\$	\$	\$
Band fundraiser	(5,411)	18,094	8,508	-	4,175
Drill/dance team	463	3,806	2,155	-	2,114
Academic achievement	734	206	1,904	844	(120)
Annual	591	4,514	5,055	-	50
Art club	334	1,218	1,349	-	203
Athletics	1,439	76,548	74,137	(79)	3,771
Cheerleaders	1,904	8,266	6,404	-	3,766
Class of 2010	247	-	-	-	247
Class of 2011	57	-	-	-	57
Class of 2012	2,030	-	1,686	-	344
Class of 2013	3,204	12,426	14,454	-	1,176
Class of 2014	85	2,000	-	-	2,085
FFA	2,989	6,149	6,872	-	2,266
FHA	291	-	-	-	291
Spanish club	173	796	376	-	593
High school student council	1,869	4,104	4,703	-	1,270
Knight club	73	630	85	-	618
Middle school athletics	(79)	-	75	79	(75)
Middle school student council	2,883	-	-	-	2,883
National Honor Society	291	-	85	-	206
Speech and drama	4,549	1,231	2,285	-	3,495
Thespians	91	-	-	-	91
Audio visual club	31	145	121	-	55
Interest on investments	1,662	76	-	(257)	1,481
Girls BB club	130	1,345	1,475	-	-
SPLASH club	840	-	-	(587)	253
Little Knights FB	(307)	3,777	3,470	-	-
Basketball club	344	1,673	1,659	-	358
Total	21,507	147,004	136,858	-	31,653

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

Year ended June 30, 2012

	Employee Vending	Booster Club	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance beginning of year	5,164	5,834	10,998
Additions:			
Collections	3,024	1,740	4,764
Deductions:			
Miscellaneous	<u>3,345</u>	<u>2,034</u>	<u>5,379</u>
Balance end of year	<u><u>4,843</u></u>	<u><u>5,540</u></u>	<u><u>10,383</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	2,430,684	2,550,108	2,387,966	2,223,934	2,006,636	1,856,979	1,833,037	1,716,453	1,661,648
Tuition	304,958	232,964	219,851	188,907	188,041	164,042	122,109	116,356	110,342
Other	239,135	728,365	1,488,194	543,588	199,344	107,618	112,525	158,443	135,652
State sources	2,226,815	2,370,197	2,115,636	2,427,980	2,324,693	2,074,964	2,045,949	1,816,451	1,664,295
Federal sources	127,878	379,013	447,318	161,352	150,546	158,499	161,535	204,699	156,975
Total revenues	<u>5,329,470</u>	<u>6,260,647</u>	<u>6,658,965</u>	<u>5,545,761</u>	<u>4,869,260</u>	<u>4,362,102</u>	<u>4,275,155</u>	<u>4,012,402</u>	<u>3,728,912</u>
Expenditures:									
Instruction:									
Regular	1,850,099	1,703,792	1,660,170	1,785,802	1,824,325	1,820,059	1,737,068	1,794,649	1,692,240
Special	471,945	406,650	476,852	517,949	477,563	410,197	475,025	462,817	355,366
Other	620,621	662,869	515,936	528,882	444,284	446,314	413,821	333,128	295,634
Support services:									
Student	72,139	70,752	71,116	47,179	39,456	31,771	40,270	52,710	50,733
Instructional staff	133,034	84,382	118,237	95,906	57,898	73,725	66,614	39,275	69,075
Administration	602,138	567,010	543,797	586,257	564,204	561,353	507,897	431,773	456,536
Operation and maintenance	265,192	255,639	295,224	323,812	301,516	307,586	339,895	430,292	315,387
Transportation	416,048	272,190	296,985	245,711	230,001	301,912	237,813	282,241	192,308
Non-instructional programs	-	-	-	4,370	1,788	9,322	-	2,449	7,850
Other expenditures:									
Facilities acquisition	240,558	1,251,812	2,564,572	1,038,386	39,002	109,520	164,994	125,328	1,744,213
Long-term debt:									
Principal	1,420,000	190,000	180,000	160,000	135,000	135,000	125,000	120,000	115,000
Interest and other charges	189,015	214,996	178,633	162,719	97,865	103,890	109,220	115,510	118,457
AEA flowthrough	166,781	186,662	187,488	168,022	153,365	139,070	135,941	124,327	126,078
Total expenditures	<u>6,447,570</u>	<u>5,866,754</u>	<u>7,089,010</u>	<u>5,664,995</u>	<u>4,366,267</u>	<u>4,449,719</u>	<u>4,353,558</u>	<u>4,314,499</u>	<u>5,538,877</u>

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont-Mills Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 21, 2013. 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

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 12-II-A, 12-II-B and 12-II-C to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

January 21, 2013

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

12-I-C Supporting Documentation: We tested twelve months of credit card payments totaling \$36,500. The District did not have detailed receipts or invoices for \$3,320 of the credit card payments.

Recommendation: The District should receive detailed receipts for all credit card charges. The detailed receipts should be reconciled to the credit card statement each month.

District Response: We will require that employees using the District's credit card turn in receipts for all transactions.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

12-II-A Certified Budget: Expenditures for the year ended June 30, 2012, exceeded the certified budget amount in the other expenditures function.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

12-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Keith Barber, Board Member, Sales Manager at A & M Green Power	Parts, repairs and equipment	14,456
Susan Shepherd, Board Secretary, Spouse owns Shepherd Construction	Rock, clear trees and move dirt	9,672

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

Recommendation: Business with district officials is not a conflict of interest if bids are taken or total amount is less than \$2,500. The District should consult legal council regarding the transactions with board member Keith Barber.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

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

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

- 12-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 12-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 12-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy
- 12-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 12-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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

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

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

Conclusion: Response accepted.

- 12-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

Beginning balance	\$	\$
		306,989
Revenues:		
Statewide sales, services and use tax revenue	316,984	
Interest	222	
Donations	<u>1,706</u>	318,912
Expenditures/transfers out:		
School infrastructure construction	6,548	
Equipment	145,849	
Transfers to debt service fund	<u>95,000</u>	<u>247,397</u>
Ending balance		<u>378,504</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	<u>\$</u>	<u>\$</u>
Debt Service Levy	.75048	95,000