

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents 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 as of June 30,

2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 40 through 42 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 financial reporting for placing the basic financial statements in an appropriate operation, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2014 our consideration of Fremont-Mills Community School District's internal control over financial reporting and on 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 and 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 in considering Fremont-Mills Community School District's internal control over financial reporting and compliance.

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

June 30, 2014

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, 2013

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

2013 FINANCIAL HIGHLIGHTS

General Fund revenues decreased by 1% from \$4,333,589 in fiscal 2012 to \$4,267,531 in fiscal 2013, while General Fund expenditures increased by 8% from \$4,203,213 in fiscal 2012 to \$4,558,196 in fiscal 2013. The District's General Fund balance decreased from \$2,092,756 to \$1,803,323 in fiscal 2013, a 14% decrease.

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 Position 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.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

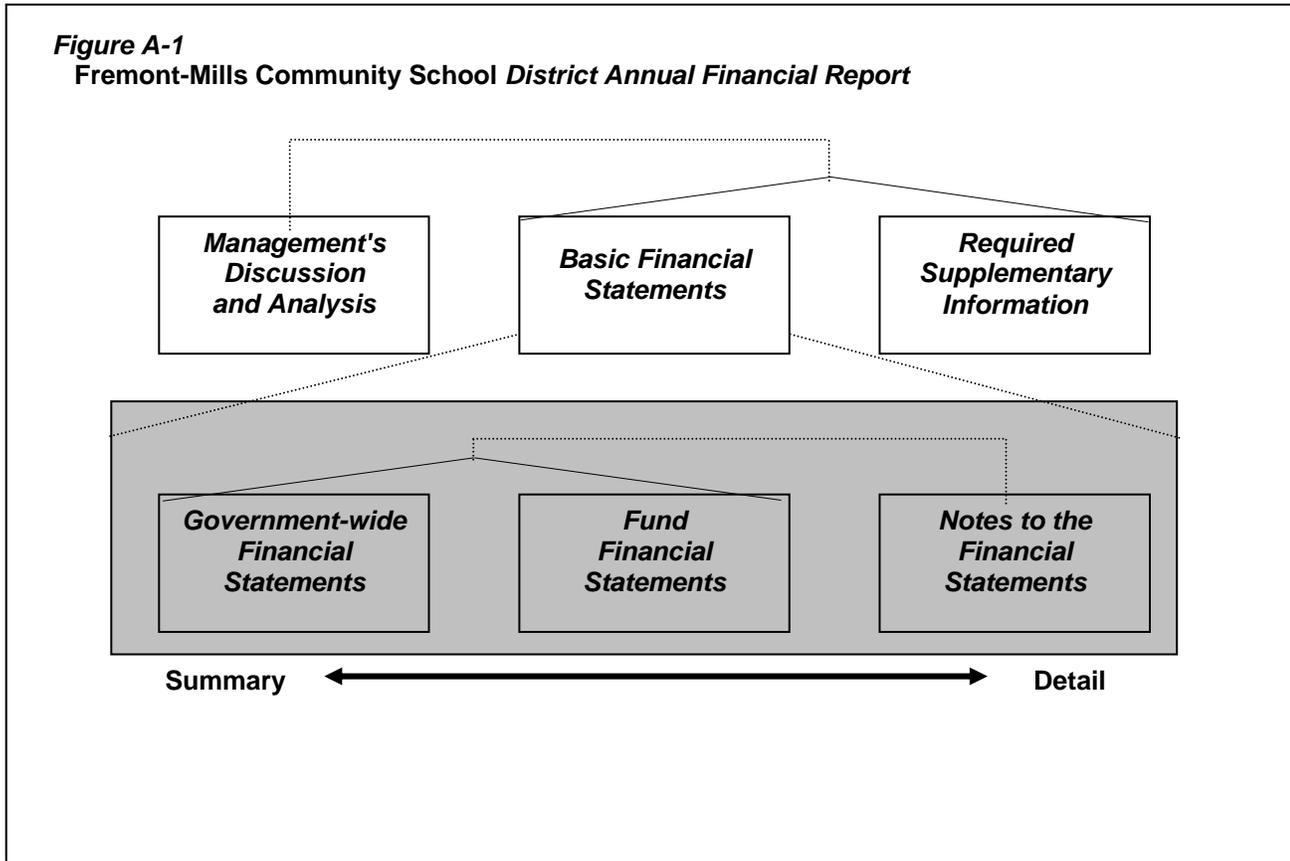


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 position • 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 position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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 position and a statement of changes in fiduciary net position.

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 position at June 30, 2013 compared to June 30, 2012.

A-3

	Condensed Statement of Net Position						
	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		
2012	2013	2012	2013	2012	2013	2012-2013	
	\$	\$	\$	\$	\$	\$	%
Current and other assets	5,274,635	5,073,207	21,238	(3,962)	5,295,873	5,069,245	-4.28%
Capital assets	7,922,741	7,867,938	7,607	5,363	7,930,348	7,873,301	-0.72%
Total assets	13,197,376	12,941,145	28,845	1,401	13,226,221	12,942,546	-2.14%
Long-term liabilities	3,199,844	3,045,945	-	-	3,199,844	3,045,945	-4.81%
Other liabilities	2,276,970	2,343,790	3,684	4,598	2,280,654	2,348,388	2.97%
Total liabilities	5,476,814	5,389,735	3,684	4,598	5,480,498	5,394,333	-1.57%
Net position:							
Net investment in capital assets	4,767,741	4,862,938	7,607	5,363	4,775,348	4,868,301	1.94%
Restricted	1,109,627	1,010,217	-	-	1,109,627	1,010,217	-8.96%
Unrestricted	1,843,194	1,678,255	17,554	(8,560)	1,860,748	1,669,695	-10.27%
TOTAL NET POSITION	7,720,562	7,551,410	25,161	(3,197)	7,745,723	7,548,213	-2.55%

The District’s combined total net position decreased by 2.55% or \$197,510, from the prior year. The largest portion of the District’s net position 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$99,410 or 8.96% from the prior year. The decrease was primarily a result of lower expenditures in the Physical Plant and Equipment Levy and Capital Projects Funds.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$191,053, or 10.27%. This decrease in unrestricted net position was a result of the District meeting its obligations.

Figure A-4 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

**Figure A-4
Fremont-Mills Community
School**

Changes in Net Position

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012-2013 %
Revenues							
Program Revenues:							
Charges for services	485,404	421,052	112,844	109,347	598,248	530,399	-11.34%
Operating grants & contributions	685,592	682,277	109,488	105,086	795,080	787,363	-0.97%
Capital grants & contributions	42,125	-	-	-	42,125	-	-100.00%
General Revenues:							
Property taxes	1,844,958	1,574,219	-	-	1,844,958	1,574,219	-14.67%
Income Surtax	261,063	281,086	-	-	261,063	281,086	7.67%
Statewide sales, service & use tax	316,984	386,385	-	-	316,984	386,385	21.89%
Unrestricted state grants	1,688,578	1,824,728	-	-	1,688,578	1,824,728	8.06%
Unrestricted investment earnings	6,836	2,685	36	42	6,872	2,727	-60.32%
Other revenue	18,406	9,048	-	-	18,406	9,048	-50.84%
Total Revenues	\$5,349,946	\$5,181,480	\$222,368	\$214,475	\$5,572,314	\$5,395,955	-3.16%
Expenses:							
Instruction	2,950,487	3,090,822	-	-	2,950,487	3,090,822	4.76%
Support services	1,362,254	1,591,206	-	-	1,362,254	1,591,206	16.81%
Non-instructional programs	-	-	233,975	242,833	233,975	242,833	3.78%
Other expenditures	662,703	668,604	-	-	662,703	668,604	0.89%
Total Expenses	\$4,975,444	\$5,350,632	\$233,975	242,833	\$5,209,419	\$5,593,465	7.37%
CHANGE IN NET ASSETS	\$374,502	\$(169,152)	\$(11,607)	\$(28,358)	\$362,895	\$(197,510)	-154.43%
Net assets beginning of year	7,346,060	7,720,562	36,768	25,161	7,382,828	7,745,723	4.91%
Net assets end of year	\$7,720,562	\$7,551,410	\$25,161	\$(3,197)	\$7,745,723	\$7,548,213	-2.55%

In fiscal year 2013 property tax and unrestricted state grants account for 62.99% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83.70% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 3.16% decrease in revenues and a 7.37% increase in expenses. Property tax decreased by \$270,739 due to 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. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$5,181,480 and expenses were \$5,350,632. 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	2013	2012	2013
	\$	\$	\$	\$
Instruction	2,950,487	3,090,822	1,949,455	2,194,560
Support Services	1,362,254	1,591,206	1,362,078	1,566,827
Non-instructional Programs	0	0	0	(14,055)
Other Expenses	662,703	668,604	450,790	499,971
TOTAL	4,975,444	5,350,632	3,762,323	4,247,303

For the year ended June 30, 2013

- The cost financed by users of the District's programs was \$421,052. 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 \$682,277.
- The net cost of governmental activities was financed with \$2,241,690 in property and local other taxes and \$1,824,728 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$214,475 and expenses were \$242,833. 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, 2013, 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 \$2,399,214, below last year's ending fund balances of \$2,669,449. However, the primary reason for the decrease in combined fund balances in fiscal 2013 is due to approximately \$1 million of general obligation bonds paid in fiscal 2012.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,092,756 to \$1,803,323, due in part to the negotiated salary and benefits settlement.
- The Capital Projects Fund balance increased by \$27,426. The District ended fiscal 2012 with a balance of \$431,224. Fiscal 2013 ended with a balance of \$458,650.
- The Debt Service Fund balance increased from \$2,507 at the end of fiscal year 2012 to \$3,436 at June 30, 2013.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$25,161 at June 30, 2012 to \$(3,197) at June 30, 2013, representing a decrease of 112.70%. For fiscal 2013 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 \$245,751 less than budgeted receipts, a variance of 4.55%.

Total expenditures were \$1,125,343 less 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, 2013, the District had invested \$7,873,308, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, and transportation equipment. (See Figure A-6) This represents a net decrease of .71% 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 \$277,079.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2012	2013	2012	2013	2012	2013	2012-2013
Land	40,000	40,000			40,000	40,000	0.00%
Buildings	7,137,787	7,124,219			7,137,787	7,124,219	-0.19%
Improvements	384,214	359,334			384,214	359,334	-6.47%
Equipment & Furniture	360,740	344,385	7,607	5,362	368,347	349,747	-5.05%
	7,922,741	7,867,938	7,607	5,362	7,930,348	7,873,300	-0.72%

Long-Term Debt

At June 30, 2013 the District had \$3,045,945 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 4.81% 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	2013	2012-2013
General Obligation Bonds	3,155,000	3,005,000	-4.75%
Termination Benefits	0	21,856	100.00%
Net OPEB Liability	44,844	19,089	-57.43%
	3,199,844	3,045,945	-4.81%

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.
- The Tornado that hit Thurman, IA in April 2012 effected housing in the Fremont-Mills District. Property valuations may be impacted by this event.
- School financing is highly dependent upon student enrollment. The District's 2013 weighted enrollment increased by thirty-nine students. This increase in weighted enrollment will improve the District's funding for fiscal year 2015, 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 Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	2,805,785	(6,370)	2,799,415
Receivables:			
Property tax:			
Delinquent	20,817	-	20,817
Succeeding year	1,651,424	-	1,651,424
Accounts	79,910	893	80,803
Due from other governments	515,271	-	515,271
Inventories	-	1,515	1,515
Capital assets, net of accumulated depreciation	7,867,938	5,363	7,873,301
Total assets	12,941,145	1,401	12,942,546
Liabilities			
Accounts payable	293,831	1,999	295,830
Salaries and benefits payable	379,498	-	379,498
Accrued interest payable	19,037	-	19,037
Deferred revenue:			
Succeeding year property tax	1,651,424	-	1,651,424
Other	-	2,599	2,599
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	155,000	-	155,000
Termination benefits	7,285	-	7,285
Portion due after one year:			
General obligation bonds payable	2,850,000	-	2,850,000
Termination benefits	14,571	-	14,571
Net OPEB liability	19,089	-	19,089
Total liabilities	5,389,735	4,598	5,394,333

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net position			
Net investment in capital assets	4,862,938	5,363	4,868,301
Restricted for:			
Categorical funding	338,846	-	338,846
Management levy	80,109	-	80,109
Physical plant and equipment levy	76,053	-	76,053
Student activities	31,840	-	31,840
School infrastructure	483,369	-	483,369
Unrestricted	<u>1,678,255</u>	<u>(8,560)</u>	<u>1,669,695</u>
Total net position	<u><u>7,551,410</u></u>	<u><u>(3,197)</u></u>	<u><u>7,548,213</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,877,905	310,046	413,474	-
Special	553,352	-	-	-
Other	659,565	93,236	79,506	-
	<u>3,090,822</u>	<u>403,282</u>	<u>492,980</u>	<u>-</u>
Support services:				
Student	78,598	-	-	-
Instructional staff	165,104	-	22,164	-
Administration	695,541	-	-	-
Operation and maintenance of plant	350,867	2,215	-	-
Transportation	301,096	-	-	-
	<u>1,591,206</u>	<u>2,215</u>	<u>22,164</u>	<u>-</u>
Non-instructional programs	<u>-</u>	<u>14,055</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	170,841	1,500	-	-
Long-term debt interest	116,620	-	-	-
AEA flowthrough	167,133	-	167,133	-
Depreciation (unallocated)*	214,010	-	-	-
	<u>668,604</u>	<u>1,500</u>	<u>167,133</u>	<u>-</u>
Total governmental activities	<u>5,350,632</u>	<u>421,052</u>	<u>682,277</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	242,833	109,347	105,086	-
Total	<u>5,593,465</u>	<u>530,399</u>	<u>787,363</u>	<u>-</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 position

Net position beginning of year

Net position 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 Position		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,154,385)	-	(1,154,385)
(553,352)	-	(553,352)
(486,823)	-	(486,823)
<u>(2,194,560)</u>	<u>-</u>	<u>(2,194,560)</u>
(78,598)	-	(78,598)
(142,940)	-	(142,940)
(695,541)	-	(695,541)
(348,652)	-	(348,652)
(301,096)	-	(301,096)
<u>(1,566,827)</u>	<u>-</u>	<u>(1,566,827)</u>
14,055	-	14,055
(169,341)	-	(169,341)
(116,620)	-	(116,620)
-	-	-
(214,010)	-	(214,010)
<u>(499,971)</u>	<u>-</u>	<u>(499,971)</u>
(4,247,303)	-	(4,247,303)
-	(28,400)	(28,400)
<u>(4,247,303)</u>	<u>(28,400)</u>	<u>(4,275,703)</u>
1,289,193	-	1,289,193
144,526	-	144,526
140,500	-	140,500
281,086	-	281,086
386,385	-	386,385
1,824,728	-	1,824,728
2,685	42	2,727
9,048	-	9,048
<u>4,078,151</u>	<u>42</u>	<u>4,078,193</u>
(169,152)	(28,358)	(197,510)
<u>7,720,562</u>	<u>25,161</u>	<u>7,745,723</u>
<u>7,551,410</u>	<u>(3,197)</u>	<u>7,548,213</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	2,261,099	397,353	138,336	2,796,788
Receivables:				
Property tax:				
Delinquent	16,561	1,756	2,500	20,817
Succeeding year	1,296,560	129,642	225,222	1,651,424
Accounts	78,476	-	1,434	79,910
Due from other governments	304,310	210,961	-	515,271
Total assets	3,957,006	739,712	367,492	5,064,210
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	231,674	50,648	5,029	287,351
Salaries and benefits payable	379,498	-	-	379,498
Deferred revenue:				
Succeeding year property tax	1,296,560	129,642	225,222	1,651,424
Income surtax	167,954	100,772	-	268,726
Other	77,997	-	-	77,997
Total liabilities	2,153,683	281,062	230,251	2,664,996
Fund balances:				
Restricted for:				
Categorical funding	338,846	-	-	338,846
Debt service	-	-	3,436	3,436
Management levy	-	-	101,965	101,965
Student activities	-	-	31,840	31,840
School infrastructure	-	483,369	-	483,369
Physical plant and equipment	-	(24,719)	-	(24,719)
Unassigned	1,464,477	-	-	1,464,477
Total fund balances	1,803,323	458,650	137,241	2,399,214
Total liabilities and fund balances	3,957,006	739,712	367,492	5,064,210

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

	\$
Total fund balances of governmental funds (Exhibit C)	2,399,214
<i>Amounts reported for governmental activities in the Statement of Net Position 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.	7,867,938
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	346,249
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.	(19,037)
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.	2,991
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>(3,045,945)</u>
Net position of governmental activities (Exhibit A)	<u><u>7,551,410</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,428,103	619,068	192,775	2,239,946
Tuition	269,946	-	-	269,946
Other	62,477	1,628	97,739	161,844
State sources	2,349,233	-	-	2,349,233
Federal sources	157,772	-	-	157,772
Total revenues	<u>4,267,531</u>	<u>620,696</u>	<u>290,514</u>	<u>5,178,741</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,834,728	12,540	23,829	1,871,097
Special	555,693	-	-	555,693
Other	565,631	-	93,934	659,565
	<u>2,956,052</u>	<u>12,540</u>	<u>117,763</u>	<u>3,086,355</u>
Support services:				
Student	86,149	-	-	86,149
Instructional staff	165,104	-	-	165,104
Administration	639,708	49,048	8,579	697,335
Plant operation and maintenance	297,236	32,899	19,399	349,534
Transportation	246,814	26,101	10,901	283,816
	<u>1,435,011</u>	<u>108,048</u>	<u>38,879</u>	<u>1,581,938</u>
Other expenditures:				
Facilities acquisition	-	347,682	-	347,682
Long-term debt:				
Principal	-	-	150,000	150,000
Interest and fiscal charges	-	-	117,100	117,100
AEA flowthrough	167,133	-	-	167,133
	<u>167,133</u>	<u>347,682</u>	<u>267,100</u>	<u>781,915</u>
Total expenditures	<u>4,558,196</u>	<u>468,270</u>	<u>423,742</u>	<u>5,450,208</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(290,665)</u>	<u>152,426</u>	<u>(133,228)</u>	<u>(271,467)</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Sales of materials and equipment	1,232	-	-	1,232
Operating transfers in	-	150,000	125,000	275,000
Operating transfers out	-	(275,000)	-	(275,000)
Total other financing sources (uses)	<u>1,232</u>	<u>(125,000)</u>	<u>125,000</u>	<u>1,232</u>
Change in fund balances	(289,433)	27,426	(8,228)	(270,235)
Fund balances beginning of year	<u>2,092,756</u>	<u>431,224</u>	<u>145,469</u>	<u>2,669,449</u>
Fund balances end of year	<u><u>1,803,323</u></u>	<u><u>458,650</u></u>	<u><u>137,241</u></u>	<u><u>2,399,214</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, 2013

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(270,235)
<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 and depreciation expense in the current year are as follows:		
Expenditures for capital assets	252,039	
Depreciation expense	<u>(274,835)</u>	(22,796)
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.		1,744
Loss on disposal of assets with remaining basis is recorded for the Statement of Activities, but not in the governmental funds.		(32,007)
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.		150,000
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.		480
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	(21,856)	
Other postemployment benefits	<u>25,755</u>	3,899
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>(237)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>(169,152)</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2013

	Nonmajor School Nutrition <u> </u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Assets		
Current assets:		
Cash and cash equivalents	(6,370)	9,471
Accounts receivable	893	-
Inventories	1,515	-
Total current assets	<u>(3,962)</u>	<u>9,471</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>5,363</u>	<u>-</u>
Total assets	<u>1,401</u>	<u>9,471</u>
Liabilities		
Current liabilities:		
Accounts payable	1,999	6,480
Deferred revenue	2,599	-
Total current liabilities	<u>4,598</u>	<u>6,480</u>
Noncurrent liabilities:		
Net OPEB liability	<u>-</u>	<u>-</u>
Total Liabilities	<u>4,598</u>	<u>6,480</u>
Net Position		
Investment in capital assets	5,363	-
Unrestricted	<u>(8,560)</u>	<u>2,991</u>
Total net position	<u><u>(3,197)</u></u>	<u><u>2,991</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Nonmajor School Nutrition <u> </u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Operating revenue:		
Local sources:		
Charges for service	109,347	6,300
Operating expenses:		
Non-instructional programs:		
Salaries	78,016	-
Benefits	12,843	6,063
Purchased services	7,038	-
Supplies	142,692	-
Depreciation	2,244	-
Total operating expenses	<u>242,833</u>	<u>6,063</u>
Operating income (loss)	<u>(133,486)</u>	<u>237</u>
Non-operating revenues:		
State sources	2,346	-
Federal sources	102,740	-
Interest income	42	-
Total non-operating revenues	<u>105,128</u>	<u>-</u>
Change in net position	(28,358)	237
Net position beginning of year	<u>25,161</u>	<u>2,754</u>
Net position end of year	<u><u>(3,197)</u></u>	<u><u>2,991</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	Nonmajor School Nutrition <u> </u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	109,243	-
Cash received from services provided to other funds	-	6,300
Cash payments to employees for services	(90,859)	(6,063)
Cash payments to suppliers for goods or services	(145,068)	-
Net cash (used) provided by operating activities	<u>(126,684)</u>	<u>237</u>
Cash flows from non-capital financing activities:		
State grants received	2,346	-
Federal grants received	97,766	-
Net cash provided by non-capital financing activities	<u>100,112</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	42	-
Net increase (decrease) in cash and cash equivalents	(26,530)	237
Cash and cash equivalents at beginning of year	<u>20,160</u>	<u>9,234</u>
Cash and cash equivalents at end of year	<u>(6,370)</u>	<u>9,471</u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	(133,486)	237
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	4,974	-
Depreciation	2,244	-
Decrease (increase) in inventories	(437)	-
Decrease (increase) in accounts receivable	(893)	-
(Decrease) increase in accounts payable	125	-
(Decrease) increase in deferred revenue	789	-
Net cash (used) provided by operating activities	<u>(126,684)</u>	<u>237</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$4,974 of federal commodities.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash, cash equivalents and pooled investments	<u>36,643</u>	<u>9,929</u>
Liabilities		
Accounts payable	-	372
Other payables	<u>-</u>	<u>9,557</u>
Total liabilities	<u>-</u>	<u>9,929</u>
Net Position		
Reserved for scholarships	<u><u>36,643</u></u>	<u><u>-</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	149
Deductions	
Support services:	
Scholarships awarded	<u>500</u>
Change in net position	(351)
Net position beginning of year	<u>36,994</u>
Net position end of year	<u><u>36,643</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

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 and special education pre-kindergarten. 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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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 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 position and changes in net position. 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 position 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.

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, Cash Equivalents and Pooled Investments - 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of 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 Position.

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 the preceding 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, 2013.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio. Which are valued at an amortized cost of \$1,225,918 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, 2013 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service Fund	Capital Projects Fund	125,000
Nonmajor Property Plant & Equipment Fund	Capital Projects Fund	150,000

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

4. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	40,000	-	-	40,000
Capital assets being depreciated:				
Buildings	9,099,694	208,848	33,286	9,275,256
Improvements other than buildings	528,744	-	-	528,744
Furniture and equipment	1,023,786	43,191	(2,504)	1,069,481
Total capital assets being deprec.	<u>10,652,224</u>	<u>252,039</u>	<u>30,782</u>	<u>10,873,841</u>
Less accumulated depreciation for:				
Buildings	1,961,907	189,130	-	2,151,037
Improvements other than buildings	144,530	24,880	-	169,410
Furniture and equipment	663,046	60,825	(1,225)	725,096
Total accumulated depreciation	<u>2,769,483</u>	<u>274,835</u>	<u>(1,225)</u>	<u>3,045,543</u>
Total capital assets being depreciated, net	<u>7,882,741</u>	<u>(22,796)</u>	<u>32,007</u>	<u>7,827,938</u>
Governmental activities capital assets, net	<u>7,922,741</u>	<u>(22,796)</u>	<u>32,007</u>	<u>7,867,938</u>
Business type activities:				
Furniture and equipment	96,234	-	-	96,234
Less accumulated depreciation	<u>88,628</u>	<u>2,244</u>	-	<u>90,872</u>
Business type activities capital assets, net	<u>7,606</u>	<u>(2,244)</u>	-	<u>5,362</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	17,704
Support services:	
Student Support	4,119
Administration services	2,889
Operation and maintenance of plant services	1,333
Transportation	<u>34,780</u>
	60,825
Unallocated depreciation	<u>214,010</u>
Total depreciation expense – governmental activities	<u>274,835</u>
Business type activities:	
Food services	<u>2,244</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	3,155,000	-	150,000	3,005,000	155,000
Termination benefits	-	21,856		21,856	7,285
Net OPEB liability	44,844	-	25,755	19,089	-
Total	<u>3,199,844</u>	<u>21,856</u>	<u>175,755</u>	<u>3,045,945</u>	<u>162,285</u>

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	5.00	40,000	79,398	119,398
2019-2023	4.55-5.00	410,000	363,240	773,240
2024-2028	4-60-4.80	<u>1,230,000</u>	<u>180,002</u>	<u>1,410,002</u>
		<u>1,830,000</u>	<u>959,732</u>	<u>2,789,732</u>

Refunding Bond Issue of November 2010

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	2.30	130,000	18,823	148,823
2019-2022	2.6-3.15	550,000	41,175	591,175
		1,175,000	158,533	1,333,533

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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were, \$210,267, \$181,848 and, \$150,992 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 33 active and 3 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 determined using ACOPEB.com software, 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	7,892
Interest on net OPEB obligation	2,242
Adjustment to annual required contribution	<u>(1,797)</u>
Annual OPEB cost	8,337
Contributions made	<u>(34,092)</u>
Increase in net OPEB obligation	(25,755)
Net OPEB obligation beginning of year	<u>44,844</u>
Net OPEB obligation end of year	<u>19,089</u>

For calculation of the net OPEB obligation, the transition day has been set as July 1, 2012. The end of year net OPEB obligation was calculated as the cumulative difference between the funding requirements, determined by the Iowa School Finance Information Services using ACOPEB.com software, and the actual contributions for the year ended June 30, 2013

For the year ended June 30, 2013, the District contributed \$34,092 to the medical plan. Plan members eligible for benefits contributed \$26,964, or 100% 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, 2013 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
2013	8,337	409%	19,844

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$86,311, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$86,311. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,528,000, and the ratio of the UAAL to covered payroll was 5.6%. As of June 30, 2013, 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, this was done using ACOPEB.com software and information provided by the district.

As of the July 1, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy, and an ultimate medical trend rate of 5%. The medical insurance premium increases should be reasonably comparable with those found in the National Health Care Expenditures Projections of the Office of the actuary at the Centers for Medicare and Medicaid Services in 2007.

Life expectancy by gender rates come from the *Life Expectancy Table* from the National Center for Health Statistics, updated in 2008. Annual retirement and termination probabilities were developed using Table 1 in GASB Statement 45.

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 4% 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 \$167,133 for the year ended June 30, 2013 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, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Returning dropout and dropout prevention program	108
Educator quality, professional development	36,072
At risk	55,108
Gifted and talented	21,685
Mentoring	369
State decategorization grant	1,579
Innovative at risk	6,286
Empowerment	27,401
Preschool	74,130
Core curriculum	18,768
Professional development model core curriculum	5,000
AIW	11,777
Market factor	9
Carl trust donation	80,554
	<u>338,846</u>

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, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,671,736	109,389	2,781,125	2,406,235	2,406,235	374,890
State sources	2,349,233	2,346	2,351,579	2,807,732	2,807,732	(456,153)
Federal sources	157,772	102,740	260,512	425,000	425,000	(164,488)
Total revenues	<u>5,178,741</u>	<u>214,475</u>	<u>5,393,216</u>	<u>5,638,967</u>	<u>5,638,967</u>	<u>(245,751)</u>
Expenditures/Expenses						
Instruction	3,086,355	-	3,086,355	4,084,000	4,084,000	997,645
Support services	1,581,938	-	1,581,938	1,785,000	1,785,000	203,062
Non-instructional programs	-	242,833	242,833	280,000	280,000	37,167
Other expenditures	781,915	-	781,915	669,384	669,384	(112,531)
Total expenditures/expenses	<u>5,450,208</u>	<u>242,833</u>	<u>5,693,041</u>	<u>6,818,384</u>	<u>6,818,384</u>	<u>1,125,343</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(271,467)	(28,358)	(299,825)	(1,179,417)	(1,179,417)	879,592
Other financing sources (uses) net	<u>1,232</u>	<u>-</u>	<u>1,232</u>	<u>(1,255,821)</u>	<u>(1,255,821)</u>	<u>1,257,053</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/ expenses and other financing uses	(270,235)	(28,358)	(298,593)	(2,435,238)	(2,435,238)	2,136,645
Balance beginning of year	<u>2,669,449</u>	<u>25,161</u>	<u>2,694,610</u>	<u>2,493,051</u>	<u>2,493,051</u>	<u>201,559</u>
Balance end of year	<u><u>2,399,214</u></u>	<u><u>(3,197)</u></u>	<u><u>2,396,017</u></u>	<u><u>57,813</u></u>	<u><u>57,813</u></u>	<u><u>2,338,204</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2013

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, 2013, 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%
2013	July 1, 2012	-	86,311	86,311	0.0%	1,528,000	5.6%

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, 2013

Assets	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	101,318	35,435	1,583	138,336
Receivables:				
Property tax:				
Delinquent	647	-	1,853	2,500
Succeeding year	75,000	-	150,222	225,222
Accounts	-	1,434	-	1,434
Total assets	176,965	36,869	153,658	367,492
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	5,029	-	5,029
Deferred revenue:				
Succeeding year property tax	75,000	-	150,222	225,222
Total liabilities	75,000	5,029	150,222	230,251
Fund balances:				
Restricted for:				
Debt service	-	-	3,436	3,436
Management levy	101,965	-	-	101,965
Student activities	-	31,840	-	31,840
Total fund balances	101,965	31,840	3,436	137,241
Total liabilities and fund balances	176,965	36,869	153,658	367,492

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	48,249	-	144,526	192,775
Other	3,615	94,121	3	97,739
Total revenues	<u>51,864</u>	<u>94,121</u>	<u>144,529</u>	<u>290,514</u>
Expenditures:				
Current:				
Instruction:				
Regular	23,829	-	-	23,829
Other	-	93,934	-	93,934
Support services:				
Administration	7,079	-	1,500	8,579
Operation and maintenance of plant	19,399	-	-	19,399
Transportation	10,901	-	-	10,901
Other expenditures:				
Long-term debt:				
Principal	-	-	150,000	150,000
Interest and fiscal charges	-	-	117,100	117,100
Total expenditures	<u>61,208</u>	<u>93,934</u>	<u>268,600</u>	<u>423,742</u>
Excess (deficiency) of revenues over (under) expenditures	(9,344)	187	(124,071)	(133,228)
Other financing sources (uses):				
Operating transfers in	-	-	125,000	125,000
Net change in fund balance	(9,344)	187	929	(8,228)
Fund balances beginning of year	<u>111,309</u>	<u>31,653</u>	<u>2,507</u>	<u>145,469</u>
Fund balances end of year	<u>101,965</u>	<u>31,840</u>	<u>3,436</u>	<u>137,241</u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	373,180	24,173	397,353
Receivables:			
Property tax:			
Delinquent	-	1,756	1,756
Succeeding year	-	129,642	129,642
Due from other governments	110,189	100,772	210,961
Total assets	483,369	256,343	739,712
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	-	50,648	50,648
Deferred revenue:			
Succeeding year property tax	-	129,642	129,642
Income surtax	-	100,772	100,772
Total liabilities	-	281,062	281,062
Fund balances:			
Restricted for:			
School infrastructure	483,369	-	483,369
Physical plant and equipment	-	(24,719)	(24,719)
Total fund balances	483,369	(24,719)	458,650
Total liabilities and fund balances	483,369	256,343	739,712

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	<u>Capital Projects</u>		
	Statewide Sales, Services and Use Tax <u>\$</u>	Physical Plant and Equipment Levy <u>\$</u>	Total <u>\$</u>
Revenues:			
Local sources:			
Local tax	386,385	232,683	619,068
Other	1,614	14	1,628
Total revenues	<u>387,999</u>	<u>232,697</u>	<u>620,696</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	12,540	12,540
Support services:			
Administration services	6,418	42,630	49,048
Operation and maintenance of plant	1,086	31,813	32,899
Transportation services	-	26,101	26,101
Other expenditures:			
Facilities acquisition	630	347,052	347,682
Total expenditures	<u>8,134</u>	<u>460,136</u>	<u>468,270</u>
Excess (deficiency) of revenues over (under) expenditures	<u>379,865</u>	<u>(227,439)</u>	<u>152,426</u>
Other financing sources (uses):			
Operating transfers in	-	150,000	150,000
Operating transfers out	(275,000)	-	(275,000)
Total other financing sources (uses)	<u>(275,000)</u>	<u>150,000</u>	<u>(125,000)</u>
Change in fund balance	104,865	(77,439)	27,426
Fund balances beginning of year	<u>378,504</u>	<u>52,720</u>	<u>431,224</u>
Fund balance end of year	<u><u>483,369</u></u>	<u><u>(24,719)</u></u>	<u><u>458,650</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	Balance	Revenues	Expenditures	Balance End of Year
	Beginning of Year			
	\$	\$	\$	\$
Band fundraiser	4,175	11	430	3,756
Drill/dance team	2,114	2,523	3,364	1,273
Academic achievement	(120)	-	1,160	(1,280)
Annual	50	5,330	7,108	(1,728)
Art club	203	670	50	823
Athletics	3,771	53,794	42,058	15,507
Cheerleaders	3,766	3,187	6,233	720
Class of 2010	247	-	-	247
Class of 2011	57	-	-	57
Class of 2012	344	-	350	(6)
Class of 2013	1,176	-	2,907	(1,731)
Class of 2014	2,085	12,342	13,395	1,032
Class of 2016	-	17	-	17
FFA	2,266	4,365	4,084	2,547
FHA	291	-	-	291
Spanish club	593	1,328	1,500	421
High school student council	1,270	3,007	2,719	1,558
Knight club	618	-	-	618
Middle school athletics	(75)	109	75	(41)
Middle school student council	2,883	160	269	2,774
National Honor Society	206	200	-	406
Speech and drama	3,495	1,216	2,386	2,325
Thespians	91	-	-	91
Audio visual club	55	5	-	60
Interest on investments	1,481	31	-	1,512
SPLASH club	253	-	-	253
Little Knights FB	-	4,369	3,282	1,087
Basketball club	358	1,457	2,564	(749)
Total	<u>31,653</u>	<u>94,121</u>	<u>93,934</u>	<u>31,840</u>

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

Year ended June 30, 2013

	<u>Employee Vending</u> \$	<u>Booster Club</u> \$	<u>Total</u> \$
Balance beginning of year	4,843	5,540	10,383
Additions:			
Collections	2,777	2,101	4,878
Deductions:			
Miscellaneous	<u>5,282</u>	<u>422</u>	<u>5,704</u>
Balance end of year	<u><u>2,338</u></u>	<u><u>7,219</u></u>	<u><u>9,557</u></u>

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,239,946	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	269,946	304,958	232,964	219,851	188,907	188,041	164,042	122,109	116,356	110,342
Other	161,844	239,135	728,365	1,488,194	543,588	199,344	107,618	112,525	158,443	135,652
State sources	2,349,233	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	157,772	127,878	379,013	447,318	161,352	150,546	158,499	161,535	204,699	156,975
Total revenues	<u>5,178,741</u>	<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	1,871,097	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	555,693	471,945	406,650	476,852	517,949	477,563	410,197	475,025	462,817	355,366
Other	659,565	620,621	662,869	515,936	528,882	444,284	446,314	413,821	333,128	295,634
Support services:										
Student	86,149	72,139	70,752	71,116	47,179	39,456	31,771	40,270	52,710	50,733
Instructional staff	165,104	133,034	84,382	118,237	95,906	57,898	73,725	66,614	39,275	69,075
Administration	697,335	602,138	567,010	543,797	586,257	564,204	561,353	507,897	431,773	456,536
Operation and maintenance	349,534	265,192	255,639	295,224	323,812	301,516	307,586	339,895	430,292	315,387
Transportation	283,816	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	347,682	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	150,000	1,420,000	190,000	180,000	160,000	135,000	135,000	125,000	120,000	115,000
Interest and other charges	117,100	189,015	214,996	178,633	162,719	97,865	103,890	109,220	115,510	118,457
AEA flowthrough	167,133	166,781	186,662	187,488	168,022	153,365	139,070	135,941	124,327	126,078
Total expenditures	<u>5,450,208</u>	<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.

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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 and of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fremont-Mills Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Fremont-Mills Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items I3-I-A and I3-I-B 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 which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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

Fremont-Mills Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Fremont-Mills Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

June 30, 2014

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

13-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 segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

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

Conclusion: Response accepted.

13-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.

Instances of Noncompliance:

No matters were reported.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

13-II-A Certified Budget: Expenditures for the year ended June 30, 2013, 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.

13-II-B Questionable Expenditures: During our testing of transactions we noted 2 employees were overpaid and a few credit card payments did not have supporting documentation.

Recommendation: The district should ensure accuracy of payroll payments and always have supporting documentation for all credit card purchases.

District Response: We will ensure we have documents in the future to support all payments and ensure payroll is correct in the future.

Conclusion: Response accepted.

13-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.

13-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	10,560
Susan Shepherd, Board Secretary, Spouse owns Shepherd Construction	Rock, clear trees and move dirt	4,125

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.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

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

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

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

13-II-G Certified Enrollment Variances in the basic enrollment data certified to the Department of Education were noted. The district over counted one student and under counted another with the net result of a zero change in the certified enrollment.

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

13-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.

13-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education one day late.

Recommendation: The district should timely file the CAR in the future.

District Response: We will timely file the CAR in the future.

Conclusion: Response accepted.

13-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.

District 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.

13-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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.

FREMONT-MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

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

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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$
		378,504
Revenues:		
Statewide sales, services and use tax revenue	386,385	
Interest	1,614	387,999
Expenditures/transfers out:		
Equipment	8,134	
Transfers to Debt Service and PPEL funds	275,000	283,134
Ending balance		483,369

For the year ended June 30, 2013, 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
	\$	\$
Debt Service Levy	1.01	125,000

13-II-M Deficit Balances: The Activity Fund has several deficit account balances at June 30, 2013.

Recommendation: The District should continue to investigate alternatives to eliminate the deficits in order to return the accounts to sound financial condition.

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.