

**FREMONT PUBLIC SCHOOLS
FREMONT, NEWAYGO COUNTY, MICHIGAN**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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FREMONT PUBLIC SCHOOLS

Board Members

Anita Osterman	President
Karla Gilliland	Vice-President
Phil Harmon	Treasurer
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Matt Hendrie	Trustee
Linda Blais	Trustee
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Executive Administration

Dr. Jim Hieftje	Superintendent
Bing Hanson	Director of Financial Services

The Board of Education
Fremont Public Schools
Fremont, Michigan

Independent Auditor's Report

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Public Schools as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2011 on our consideration of Fremont Public Schools' 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 an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12, and 36 through 37, be presented to supplement the basic financial statement. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Fremont Public School's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

H & S Companies, P.C.

H & S Companies, P.C.
Certified Public Accountants
October 27, 2011

Our discussion and analysis of Fremont Public Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- ï The District's total net assets of governmental activities increased \$798,945 to \$7,258,602.
- ï General revenues accounted for \$19.4 million in revenue, or 76 percent of all fiscal year 2011 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for over \$6 million or 24 percent of total fiscal year 2011 revenues. Revenues are down over \$1,244,000 compared to last year. The major changes are lower property tax revenues of \$73,000, a drop in investment income of \$715,000, and state aid decreased by \$78,000.
- ï The District had about \$24.7 million in expenses related to governmental activities; of which over \$6 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$19.4 million were adequate to provide for the remaining costs of these programs. Expenses decreased by \$35,000 compared to last year.
- ï The General Fund, a major fund for the District, had over \$19.6 million in revenue and other financing sources which primarily consisted of state aid and property taxes. The General Fund also had over 19.5 million in expenditures and other uses. The General Fund's fund balance increased by more than \$74,000.

General Fund revenues decreased over \$291,000 while expenditures were up by more than \$452,000 compared to the prior year.
- ï The Capital Projects - Building & Site Fund is also a major fund for the district with the ongoing construction on the new high school. The Building & Site Fund earned over \$211,000 in investment income and expended over \$14.5 million in land acquisition, equipment purchases, and professional services related to the new school.
- ï The Debt Service Fund is also a major fund for the district. The Debt service fund had over \$3.0 million of property tax revenue compared to \$3.1 million last year. The Debt Service Fund also received over \$965,000 in bond interest credits from the federal government. Expenditures increased from \$3.75 million to \$4.74 million due to interest on the 2009 Bonds. The Debt Service Fund Balance decreased over \$208,000.

- ï The Capital Projects-Sinking Fund and Food Service Funds are non-major funds for the District. Together they accounted for over \$1.5 million in revenue and over 1.25 million in expenses. The fund balances of these funds increased by more than \$342,000.

THE ANNUAL FINANCIAL REPORT

The School District's annual report includes fund financial statements and district-wide financial statements. The fund-level statements are reported using a modified accrual basis of accounting. That is, only those assets that are "measurable" and "currently available" are reported, and liabilities are recognized to the extent they would normally be paid with current financial resources. Fund financial statements report the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund, Capital Projects Funds (Building & Site Fund and Sinking Fund), Debt Funds, and Special Services Funds which are comprised of: Food Service and Student Activity accounts.

The District-wide Statement of Net Assets and Statement of Activities are reported using the full accrual basis of accounting. With this method all of the District's assets and liabilities, and all of the current year revenues and expenditures, are reported regardless of when cash is received or paid. These statements provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. For example, the Statement of Activities details how the District's services were financed in the short-term and the amount that remains for future spending. The Statement of Net Assets aggregates the District's restricted and unrestricted assets as well as short and long-term obligations recorded in all funds.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's *net assets* – the difference between assets and liabilities, as reported in the Statement of Net Assets, is one way to measure the School District's financial health, or *financial position* . Over time, increases or decreases in the District's net assets, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results* . However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the School District.

The following summarizes the net assets at fiscal years ended June 30, 2011 and 2010:

Net Assets Summary

Assets	<u>2011</u>	<u>2010</u>
Current assets	\$ 34,898,585	\$ 47,721,982
Capital assets	45,736,375	31,162,357
Less: Accumulated depreciation	<u>(13,590,718)</u>	<u>(12,777,556)</u>
Capital assets, net book value	<u>32,145,657</u>	<u>18,384,801</u>
Total assets	<u><u>\$ 67,044,242</u></u>	<u><u>\$ 66,106,783</u></u>
Liabilities		
Current liabilities	\$ 7,138,477	\$ 5,564,021
Long-term liabilities	<u>52,647,163</u>	<u>54,083,105</u>
Total liabilities	59,785,640	59,647,126
Net Assets		
Invested in capital assets, net of related debt	4,374,634	3,783,786
Restricted for debt service	203,266	411,632
Restricted for other activities	103,618	115,551
Unrestricted	<u>2,577,084</u>	<u>2,148,688</u>
Total net assets	<u>7,258,602</u>	<u>6,459,657</u>
Total liabilities and net assets	<u><u>\$ 67,044,242</u></u>	<u><u>\$ 66,106,783</u></u>

Results of Operations:

For the fiscal years ended June 30, 2011 and 2010, the District wide results of operations were:

	Year Ended 2011		Year Ended 2010	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
REVENUES:				
Program Revenues:				
Charges for Services	\$ 693,360	2.72	\$ 793,766	2.97
Operating Grants/Contr.	5,355,797	21.02	5,591,265	20.92
Capital Grants/Contr.	-	-	-	-
General Revenues:				
Property Taxes	5,942,962	23.32	6,015,871	22.51
State Aid	13,242,446	51.97	13,320,773	49.85
Interest and Other	244,391	0.96	1,002,125	3.75
TOTAL REVENUE	<u>25,478,956</u>	<u>100.00</u>	<u>26,723,800</u>	<u>100.00</u>
EXPENSES:				
Instruction				
Basic Programs	10,401,275	42.14	10,305,344	41.70
Added Needs	3,518,690	14.26	4,166,059	16.86
Adult Education	42,307	0.17	27,523	0.11
Total Instruction	<u>13,962,272</u>	<u>56.57</u>	<u>14,498,926</u>	<u>58.66</u>
Support Services				
Pupil	556,736	2.26	591,085	2.39
Instructional Staff	252,747	1.02	348,978	1.41
General Administration	355,507	1.44	244,610	0.99
School Administration	1,104,445	4.48	1,153,361	4.67
Business	339,605	1.38	346,018	1.40
Operations/Maintenance	1,418,626	5.75	1,447,259	5.86
Pupil Transportation	928,540	3.76	841,402	3.40
Central	434,807	1.76	355,082	1.44
Total Support Services	<u>5,391,013</u>	<u>21.84</u>	<u>5,327,795</u>	<u>21.56</u>
Community Services	309,969	1.26	327,555	1.33
Food Service	787,095	3.19	779,420	3.15
Athletics	550,952	2.23	542,440	2.19
Capital Outlay	446,611	1.81	336,944	1.36
Interest on Debt	3,232,099	13.10	2,902,537	11.74
TOTAL EXPENSES	<u>24,680,011</u>	<u>100.00</u>	<u>24,715,616</u>	<u>100.00</u>
CHANGE IN NET ASSETS	798,945		2,008,184	
BEGINNING NET ASSETS	<u>6,459,657</u>		<u>4,451,473</u>	
ENDING NET ASSETS	<u><u>\$ 7,258,602</u></u>		<u><u>\$ 6,459,657</u></u>	

Debt Administration

At year-end, the District had over \$54.3 million in long-term obligations of which \$1,792,625 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2011.

Early Retirement	\$	330,000
Compensated Absences		50,083
Bond Issues		53,920,640
	\$	<u>54,300,723</u>

Depreciation Expense

GASB 34 requires school Districts for the first time to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets.

For fiscal year ended June 30, 2011, the net increase in accumulated depreciation was \$813,162. Depreciation expense totaled \$813,162 and there were no current year deletions.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value.

One way to think of depreciation expense is that in order to maintain net assets at the same level, acquisitions of capital outlay and capitalized major maintenance projects would have to equal the annual depreciation expense. In other words, to stay even in net assets the District would have had to purchase and capitalize \$813,162 in assets during the year.

Capital Outlay Acquisitions

Actual capital outlay acquisitions were \$14,609,852 while there were no assets disposed of for the fiscal year ended June 30, 2011.

Net Acquisitions combined with the increase in accumulated depreciation, net assets (i.e., net book value) invested in capital assets increased by \$13,796,690 during the year.

Since accumulated depreciation is based on original cost, it does not take into consideration inflation. As a result, the actual investment in capital outlay would have to be more than depreciation expense in order to maintain assets at the same level of maintenance and upkeep.

Property Taxes levied for General Operations (General Fund Property Taxes)

The District levies 18 mills of property tax for operations (General Fund) on Non-Homestead Properties. In 2008, commercial personal property became exempt from the first 12 mills "non-homestead" operating millage levied. This resulted in a decrease in the non-homestead tax levy. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

The District's non-homestead property levy for the 2010-2011 fiscal year was \$2,211,646. The non-homestead tax levy decreased by 1.14% over the prior year.

The following summarizes the District's non-homestead levy the past five years:

Fiscal Year	Non-Homestead Levy	% Increase from Prior Year
2010-2011	2,211,646	-1.14%
2009-2010	2,237,091	2.55%
2008-2009	2,181,518	-16.35%
2007-2008	2,607,942	2.72%
2006-2007	2,538,998	4.74%
Average Decrease Last 5 Years		-1.50%

State of Michigan Aid, Unrestricted

That State of Michigan aid, unrestricted is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment – Blended at 75% of current year fall count and 25% of prior year winter count
- c. The District's non-homestead levy

Per Student, Foundation Allowance:

Annually, the State of Michigan sets the per student foundation allowance. The Fremont Public Schools foundation allowance was \$7,316 per student for the 2010-2011 school year. A reduction was expected, but ARRA stimulus grants restored the allowance to the same level of \$7,316 as it was during the 2008-2009 school year.

Student Enrollment:

The District's student enrollment for the fall count of 2010-2011 was 2,272 students. The following summarizes fall student enrollments in the past five years:

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2010-2011	2,272	(103)
2009-2010	2,375	12
2008-2009	2,363	(102)
2007-2008	2,465	(47)
2006-2007	2,512	25

Property Taxes levied for Debt Service

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) in lieu of taxes, which are essentially taxed at 50% of the regular tax rate.

For 2010-2011 the District's debt millage levy was 7.0 mills, which generated a levy of \$3,027,366.

Property Taxes levied for Building and Site Sinking Fund:

The District's Building and Site sinking fund levy, which is used for capital improvements, is based on the taxable valuation of all properties: homestead and non-homestead. For 2010-2011, the District's Building and Site sinking fund levy was 1.7191 mills, which generated a levy of \$743,478.

Food Service Sales to Students & Adults:

The District's food and milk sales to students and adults decreased by approximately \$40,000 from the prior school year. State Sources also dropped by \$7,700 while Federal Sources increased \$4,800. The total revenues from Food Service operations exceeded total expenditures for the year by \$59,000.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

General Fund Expenditures Budget vs. Actual 5-Year History

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
2006-2007	20,179,507	20,145,902	19,974,711	-1.01%	-0.85%
2007-2008	20,366,944	20,823,219	20,796,197	2.11%	-0.13%
2008-2009	20,703,239	20,529,401	20,380,228	-1.56%	-0.73%
2009-2010	20,294,554	19,873,689	19,558,705	-3.63%	-1.58%
2010-2011	19,714,805	19,814,178	19,597,988	-0.59%	-1.09%
Five-Year Average Over (Under) Budget				-0.94%	-0.88%

General Fund Revenue Budget vs. Actual 5-Year History

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual & Original Budget	Revenues Variance Actual & Final Budget
2006-2007	20,187,162	20,928,990	20,874,202	3.40%	-0.26%
2007-2008	20,308,266	20,707,003	20,671,306	1.79%	-0.17%
2008-2009	20,683,606	20,448,967	20,423,629	-1.26%	-0.12%
2009-2010	20,203,460	19,990,552	20,004,574	-0.98%	0.07%
2010-2011	19,515,608	19,834,996	19,671,992	0.80%	-0.82%
Five-Year Average Over (Under) Budget				0.75%	-0.26%

General Fund Budgetary Highlights:

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

General Fund Revenues:

Total Revenues Original Budget	\$ 19,515,608	
Total Revenues Final Budget	<u>\$ 19,834,996</u>	
Decrease in Budgeted Revenues	<u>\$ 319,388</u>	1.64%

The District's final general fund revenues differed from the final budget by \$163,004. This is a variance of .8%.

The Final revenue budget reflects the following changes from the original budget:

- Increase in Property Taxes
- Increase in State School Aid
- Reduction in Federal Grants

General Fund Expenditures:

Total Expenditures Original Budget	\$ 19,714,805	
Total Expenditures Final Budget	<u>\$ 19,814,178</u>	
Increase in Budgeted Expenditures	<u>\$ 99,373</u>	0.50%

The District's final general fund expenditures differed from the final budget by \$216,190. This is a variance of 1.09%.

The Final expenditure budget reflects the following changes from the original budget:

- Increase in Data Collection Services
- Increase in Transportation fuel
- Reduction in Utilities, Repairs and Indirect Cost Reimbursement
- Reduction in Legal and Election Costs

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2011-2012 budget. The primary factor was the previous history of declining enrollment. Also considered in the development of the budget is the local economy. These indicators were considered when adopting the budget for fiscal year 2011-2012. Budgeted expenditures in the General Fund are \$19,394,831 which is a 1.03% decrease from the 2010-2011 actual expenditures. The Food Service budget for 2011-2012 fiscal year reflects an increase of approximately 2.65% percent over the 2010-2011 actual expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have any questions about this report or need additional information, contact the Administration Offices, Fremont Public Schools, 450 E. Pine Street, Fremont, MI 49412.

FREMONT PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash/Investments	\$ 31,856,717
Accounts Receivable	56,385
Due from Other Governmental Units	2,881,865
Inventory	103,618
Total Current Assets	<u>34,898,585</u>
Noncurrent Assets:	
Deferred Charges (net of amortization)	367,669
Land	1,584,774
Capital Assets (net of accumulated depreciation)	30,193,214
Total Noncurrent Assets	<u>32,145,657</u>
Total Assets	67,044,242
Liabilities	
Current Liabilities:	
Accounts Payable	1,480,049
Due to Other Governmental Units	21,900
Salaries/Severance Payable	1,371,957
Retirement Payable	277,014
Health Insurance Payable	334,624
Payroll Taxes Payable	118,065
Deferred Revenue	242,244
Note Payable - Short Term	1,500,000
Current Portion of Long-Term Obligations	1,792,625
Total Current Liabilities	<u>7,138,478</u>
Noncurrent Liabilities:	
Bond Issue Premium (net of amortization)	139,064
Noncurrent Portion of Long-Term Obligations	52,508,098
Total Noncurrent Liabilities	<u>52,647,162</u>
Total Liabilities	<u>59,785,640</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,374,634
Restricted For:	
Debt Service	203,266
Inventory	103,618
Unrestricted	2,577,084
Total Net Assets	<u><u>\$ 7,258,602</u></u>

See accompanying notes to the basic financial statements.

FREMONT PUBLIC SCHOOLS

Government Wide Statement of Activities
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue</u>
Governmental Activities				Government Activities
Instruction:				
Basic Programs	\$ 10,401,275	\$ 4,475	\$ 936,297	\$ (9,460,503)
Added Needs	3,518,690	-	2,690,566	(828,124)
Adult Education	42,307	-	101,008	58,701
Total Instruction	13,962,272	4,475	3,727,871	(10,229,926)
Support Services:				
Pupil	556,736	-	5,000	(551,736)
Instructional Staff	252,747	-	-	(252,747)
General Administration	355,507	-	8,000	(347,507)
School Administration	1,104,445	-	-	(1,104,445)
Business	339,605	-	-	(339,605)
Operations and Maintenance	1,418,626	-	-	(1,418,626)
Pupil Transportation	928,540	90,296	-	(838,244)
Central	434,807	-	-	(434,807)
Total Support Services	5,391,013	90,296	13,000	(5,287,717)
Community Services	309,969	192,550	98,802	(18,617)
Food Services	787,095	312,119	540,904	65,928
Athletics	550,952	93,920	10,000	(447,032)
Capital Outlay (Under \$5,000)	446,611	-	-	(446,611)
Interest and Fees on Debt	3,232,099	-	965,220	(2,266,879)
Total School District	\$ 24,680,011	\$ 693,360	\$ 5,355,797	\$ (18,630,854)

General Revenues

Property Taxes	
General Purposes	\$ 2,170,887
Debt Services	3,028,338
Sinking Fund	743,737
State and Federal Aids Not Restricted To Specific Functions:	
General	13,242,446
Interest and Investment Earnings	219,068
Miscellaneous	7,652
Amortized Bond Premium	<u>17,671</u>
Total General Revenues	<u>19,429,799</u>
 Change in Net Assets	 798,945
 Net Assets - Beginning of Year	 <u>6,459,657</u>
 Net Assets - Ending of Year	 <u><u>\$ 7,258,602</u></u>

See accompanying notes to the basic financial statements

FREMONT PUBLIC SCHOOLS

Balance Sheet - All Governmental Funds
June 30, 2011

	General Fund	Building & Site Fund	Debt Services Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash/Investments	\$ 2,661,539	\$ 28,026,323	\$ 203,215	\$ 965,640	\$ 31,856,717
Accounts Receivable	56,385	-	-	-	56,385
Due from Other Funds	112	-	51	-	163
Due from Other Governmental Units	2,815,473	-	-	66,392	2,881,865
Inventory	66,069	-	-	37,549	103,618
Total Assets	<u>\$ 5,599,578</u>	<u>\$ 28,026,323</u>	<u>\$ 203,266</u>	<u>\$ 1,069,581</u>	<u>\$ 34,898,748</u>
Liabilities and Fund Equity					
Liabilities					
Accounts Payable	\$ 30,820	\$ 1,357,559	\$ -	\$ 91,668	\$ 1,480,047
Due to Other Governmental Units	21,900	-	-	-	21,900
Salaries/Severance Payable	1,371,957	-	-	-	1,371,957
Retirement Payable	277,014	-	-	-	277,014
Health Insurance Payable	334,540	-	-	-	334,540
FICA Taxes Payable	118,149	-	-	-	118,149
Deferred Revenue	242,091	-	-	153	242,244
Due to Other Funds	9	-	-	154	163
Notes Payable	1,500,000	-	-	-	1,500,000
Total Liabilities	3,896,480	1,357,559	-	91,975	5,346,014
Fund Equity					
Nonspendable Inventory	66,069	-	-	37,549	103,618
Designated for IFT Payback	392,316	-	-	-	392,316
Unreserved reported in					
General Fund	1,244,713	-	-	-	1,244,713
Debt Service	-	-	203,266	-	203,266
Capital Projects	-	26,668,764	-	-	26,668,764
Special Revenue Funds	-	-	-	940,057	940,057
Total Fund Equity	<u>1,703,098</u>	<u>26,668,764</u>	<u>203,266</u>	<u>977,606</u>	<u>29,552,734</u>
Total Liabilities and Fund Equity	<u>\$ 5,599,578</u>	<u>\$ 28,026,323</u>	<u>\$ 203,266</u>	<u>\$ 1,069,581</u>	<u>\$ 34,898,748</u>

See accompanying notes to the basic financial statements.

FREMONT PUBLIC SCHOOLS

Reconciliation of the Balance Sheet
of Governmental Funds to the Statement of Net Assets
June 30, 2011

Total Governmental Fund Balances \$ 29,552,734

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net

Governmental Capital Asset	45,736,373
Governmental Accumulated Depreciation	(13,590,718)

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are. Also, bond issuance costs, premiums, discounts, and similar items are reported in the governmental funds as expenditures when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

General Obligation Debt	<u>(54,439,787)</u>
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Total Net Assets - Governmental Activities:	<u><u>\$ 7,258,602</u></u>
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See accompanying notes to the basic financial statements.

FREMONT PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2011

	General Fund	Building & Site Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Sources	\$ 2,731,012	\$ 211,917	\$ 3,031,347	\$ 1,055,913	\$ 7,030,189
State Sources	14,644,796	-	14,515	29,094	14,688,405
Federal Sources	1,753,313	-	965,220	511,810	3,230,343
Other Sources	515,340	-	-	-	515,340
Total Revenues	19,644,461	211,917	4,011,082	1,596,817	25,464,277
Expenditures					
Instruction					
Basic Programs	9,872,154	-	-	-	9,872,154
Added Needs	3,561,111	-	-	-	3,561,111
Adult Education	40,807	-	-	-	40,807
Support Services:					
Pupil	591,736	-	-	-	591,736
Instructional Staff	209,753	-	-	-	209,753
General Administration	332,523	-	-	-	332,523
School Administration	1,111,833	-	-	-	1,111,833
Business	386,388	-	-	-	386,388
Operations & Maintenance	1,386,862	-	-	-	1,386,862
Pupil Transportation	828,651	-	-	-	828,651
Central	433,622	-	-	-	433,622
Community Services	309,681	-	-	-	309,681
Food Services	-	-	-	792,729	792,729
Athletics	528,678	-	-	-	528,678
Capital Outlay	-	14,561,417	-	461,627	15,023,044
Debt Service	4,189	-	4,739,442	-	4,743,631
Total Expenditures	19,597,988	14,561,417	4,739,442	1,254,356	40,153,203
Excess Revenues Over (Under)					
Expenditures	46,473	(14,349,500)	(728,360)	342,461	(14,688,926)

Other Financing Sources (Uses)					
Proceeds from Long-Term Debt	-	-	519,994	-	519,994
Indirect Cost Allocation	<u>27,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,531</u>
Total Other Financing Sources (Uses)	<u>27,531</u>	<u>-</u>	<u>519,994</u>	<u>-</u>	<u>547,525</u>
Excess Revenues and Other Sources					
Over (Under) Expenditures and Other Uses	74,004	(14,349,500)	(208,366)	342,461	(14,141,401)
Fund Balance - July 1 - See Note M	<u>1,629,094</u>	<u>41,018,264</u>	<u>411,632</u>	<u>635,145</u>	<u>43,694,135</u>
Fund Balance - June 30	<u>\$ 1,703,098</u>	<u>\$ 26,668,764</u>	<u>\$ 203,266</u>	<u>\$ 977,606</u>	<u>\$ 29,552,734</u>

See accompanying notes to the basic financial statements.

FREMONT PUBLIC SCHOOLS

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (14,141,401)

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	14,609,852	
Depreciation expense reported in the statement of activities	<u>(813,162)</u>	
Amount by which capital outlays are more than depreciation and sale of assets in the current period.		13,796,690

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

The amount of debt principal payments in the current year is:	1,536,174	
Current year bond issue premium and deferred charges net of amortization.	<u>(20,627)</u>	
		992,561

(Increase)Decrease in compensated absences that are recorded when earned in the statement of activities. (3,905)

(Increase)Decrease in post-retirement benefits that are recorded when earned in the statement of activities. 155,000

Change in Net Assets - Governmental Activities. \$ 798,945

See accompanying notes to the basic financial statements.

FREMONT PUBLIC SCHOOLS

Statement of Net Assets - Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash/Investments	\$ 347,694
Total Assets	<u>\$ 347,694</u>
Liabilities and Net Assets	
Liabilities	
Due to Student Groups	\$ 347,694
Net Assets	
Unreserved	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 347,694</u>

See accompanying notes to the basic financial statements.

FREMONT PUBLIC SCHOOLS

Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fremont Public School District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

1. Reporting Entity

Fremont Public Schools (the District) was organized under the School Code of the State of Michigan and services a population of approximately 2,400 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, vocational education, community services, and general administrative services. The accounting policies of Fremont Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the more significant policies.

In accordance with the provisions of the Governmental Accounting Standard's Board (GASB) Statement #14, "The Financial Reporting Entity" as amended by GASB Statement #39, "Determining Whether Certain Organizations are Component Units", the financial statements of Fremont Public Schools contain all the funds and account groups that are controlled by, or dependent on, the District's Board of Education, including all activities considered by the Michigan Department of Education and state law to be a part of the operations of Fremont Public Schools. Control by, or dependence on, the District was determined on the basis of appointment of governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligation of the District to finance any deficits that may occur, receipt of significant subsidies from the District, disposition of surplus funds, and scope of public service.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

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 that are clearly identifiable with a specific function or segment.

Notes to the Financial Statements (continued)

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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, State and County aid, and other items not included among program revenues are reported instead as *general revenues* .

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* , as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service resources are provided during the current year for payment of general long-term debt principal and interest due early in the following year and, therefore, the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

Property taxes, State and County aid and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Food services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Notes to the Financial Statements (continued)

The District reports the following major governmental funds:

General Fund - The General Fund accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. Expenditures are classified in accordance with the Michigan School Accounting Manual, issued by the Michigan Department of Education as follows:

Instruction - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom; in another location, such as in a home or hospital and in other situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and machines, which assist directly in the instructional process.

Supporting Services - Supporting Services are those services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

Community Services - Community Services consist of those activities that are not directly related to providing education for pupils in a school system. These include services provided by the school system for the community as a whole or some segment of the community, such as community recreation programs, civic activities, public libraries, programs of custody and care of children, and community welfare activities.

Interdistrict - Interdistrict transactions consist of conduit-type (outgoing transfer) payments to other school districts or administrative units in the state or in another state not identified in the above classifications.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund-Building & Site Fund - The Building & Site Fund is used to account for financial resources to be used for the construction of a new high school. The Building & Site Capital Project Fund records this construction activity funded with Building & Site Fund millage. For this fund, the School district has complied with the applicable provisions of Sec. 1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of bonded Construction Funds and of Sinking Funds in Michigan.

The District also reports the following non-major funds:

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes.

School Service Funds - School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Fund maintained by the School District is the Food Service Fund.

Capital Projects Fund- Sinking Fund - The Sinking Fund is used to account for financial resources to be used for the acquisition, construction, renovation or repair of major capital facilities. The Sinking Fund Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School district has complied with the applicable provisions of Sec. 1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of bonded Construction Funds and of Sinking Funds in Michigan.

Additionally, the District also reports the following fund types:

Fiduciary Fund - The Fiduciary Fund accounts the for assets held by the District on behalf of others and include the Student Activities Fund. This fund accounts for monies raised by students to finance student clubs and organizations.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

4. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investment income is composed of interest and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements.

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax levies are obtained by applying tax rates against the taxable valuation. Taxable valuation is based upon the property's state equalized value (which approximates ½ actual value). However, the taxable valuation is limited to a 5% increase from the previous year, while there is no limit to the increase in property values for state equalized valuation.

The State of Michigan utilizes a foundation allowance funding approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Federal revenues are recorded as they are earned by the District under terms of specific grants.

Notes to the Financial Statements (continued)

Receivables as of year end for the school's individual major fund and nonmajor funds in aggregate are as follows:

	General Fund	Combined Nonmajor Funds	Total
Accounts Receivable	\$ 56,385	\$ -	\$ 56,385
Due from Other Governments	2,815,473	66,392	2,881,865
	<u>\$ 2,871,858</u>	<u>\$ 66,392</u>	<u>\$2,938,250</u>

6. Inventories

Inventories are stated at cost using the first-in, first-out method. Inventory in the General Fund consists of copy center supplies and operating supplies for the bus garage. The Food Service Fund inventory consists of food and other nonperishable supplies.

The inventories of the General Fund and Food Service are accounted for as expenditures at the time of purchase. Inventories reported for the General Fund and Food Service on the financial statements are offset by an equal fund balance reserve. Following is a schedule of the basic components in ending inventory:

	General Fund	Special Revenue
Operating Supplies	\$ 59,953	\$ -
Copy Center Supplies - Paper	6,116	-
Food and Non-Food Supplies	-	37,549
Total Inventories	<u>\$ 66,069</u>	<u>\$ 37,549</u>

7. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed.

8. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Federal	\$ 153	\$ -
Grants	\$ -	\$ 242,091

9. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, furniture, equipment and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements.

Notes to the Financial Statements (continued)

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital Assets are depreciated using the straight-line method over the following useful lives:

Land Improvements	20 - 25 Years
Buildings and Improvements	20 - 50 Years
Vehicles, Furniture and Equipment	5 - 15 Years

10. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose. Types of reservations include:

Non-spendable - Assets that are not available in a spendable form.

Restricted - Amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - Amounts constrained on use imposed by the District's highest level of decision-making, its board of education. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

Assigned - Amounts intended to be used for specific purposes, as determined by the board of education. The School District has assigned \$392,316 for a potential IFT tax repayment to the State of Michigan. The IFT overpayment is due to errors in the City of Fremont's tax calculations in prior years. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned - All other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

Notes to the Financial Statements (continued)

12. Encumbrances

Encumbrance accounting is used for the General Fund, special revenue funds, and capital projects funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet during the year. Encumbrances lapse at the close of the fiscal year and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

14. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

NOTE B DEPOSITS AND INVESTMENTS

INVESTMENTS

The School District is authorized by Michigan Law to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

The District held the following deposits and investments at year end:

Petty Cash	\$	820
Cash and Time Deposits		1,182,699
Certificates of Deposit		150,000
External Investment Pool (2a-7 like pool)		198,358
US Government Agency Obligations (1-3 year maturity)		23,384,295
Cash Management Money Market Funds		7,286,889
		<u>\$32,203,061</u>

Investments are normally categorized to give an indication of the level of risk assumed by the District; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The MBIA is a 2a-7 like pool. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool.

Custodial Credit Risk for Deposits - This is the risk that in the event of a bank failure, the District's deposits may not be returned.

Credit Risk -Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District's MBIA Michigan Class Pool is rated AAA-V1 by Fitch.

Notes to the Financial Statements (continued)

As of June 30, 2011, \$31,833,932 of the school district's bank balance of \$32,463,223 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 964,339
Uninsured and collateral held by pledging bank	23,384,295
Uninsured and collateral held by pledging bank's trust department not in District's name.	<u>7,485,298</u>
	<u>\$31,833,932</u>

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it may be impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level of risk level are used as depositories.

Depositories actively used by the School during the year are detailed as follows:

1. Huntington Bank
2. Chemical Bank
3. Fifth Third Bank
4. Michigan Liquid Asset Fund
5. Municipal Investors Service Corporation (MBIA)
6. Newaygo County Service Employees CU

NOTE C STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State of Michigan Public Act 621 requires that the General Fund and Special Revenue Funds of the School District be under budgetary control and that both budgeted and actual financial results do not incur a deficit. The District's Major Fund, Debt Service, is not required to adopt a budget. The District's Budget Appropriations Act must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from the District's Appropriations Act may occur without a corresponding amendment to the Appropriations Act. The District has the ability to amend the Appropriations Act provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. The District may also permit the chief administrative or fiscal officer to execute transfers between line items, without prior approval of the Board of Education. The level of control is the function level. All appropriations lapse at the end of the fiscal year.

The School District follows these procedures in establishing the budget data reflected in the financial statements:

- A. Starting in the spring, administrative personnel and department heads work with the Business Manager to establish a proposed operating budget for the fiscal year commencing the following July 1.
- B. In June a preliminary operating budget is submitted to the Board of Education by the Superintendent of Schools. This budget includes proposed expenditures and the means of financing them.
- C. Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budget.
- D. After the budget is finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- E. The budgets were amended at periodic times during the year to comply with PA 621.

Notes to the Financial Statements (continued)

- F. Budgets for the General, Special Revenue, and Debt Service funds are adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.
- G. The budgets shown in these financial statements are as last amended through June 30, 2011.
- H. PA 621 of 1978, section 18(1), as amended, provides that a school district shall not incur expenditures in excess of the amount appropriated. The following overexpenditure occurred in the general fund during the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Instruction-Basic Programs	9,137,429	9,872,154	(734,725)

NOTE D INTERFUND RECEIVABLES/PAYABLES/TRANSFERS

Interfund receivable and payable balances are largely due to lag time between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made. All interfund balances are expected to be paid within one year. At June 30, 2011, the balances are as follows.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 112	\$ 9
Special Revenue - Food Service	-	112
Debt Retirement	51	-
Total	<u>\$ 163</u>	<u>\$ 163</u>

NOTE E GENERAL LONG-TERM OBLIGATIONS

Summary - The long-term debt includes Bond Issues. Since none of this debt will be retired with current operating resources, they are appropriately included in the government-wide financial statement. All items will be recorded as an expenditure of the year in which they are paid, for fund statement reporting.

Bonds Payable are comprised of the following at June 30, 2010:

	<u>Outstanding Principal 6/30/2011</u>	<u>Due Within One Year</u>
\$43,875,000, 2009 General Obligation (unlimited tax) Build America Bonds due in annual installments of \$650,000 to \$2,150,000 through 2039; interest payable semiannually at 2.71 to 6.89 percent. Fremont Public Schools is eligible for a 35% credit of the interest payment.	\$43,225,000	\$ 725,000
\$8,210,000, 2008 General Obligation (Refunding) serial bonds due in annual installments of \$794,144 to \$875,225 through 2021; interest payable semiannually at 3.25 to 5.00 percent. Payments through 2010 are interest only.	7,570,000	645,000
\$3,545,000, 2003 General Obligation (Refunding) serial bonds due in annual installments of \$20,000 to \$295,000 through 2021; interest payable semiannually at 2.50 to 4.30 percent.	2,575,000	225,000

Notes to the Financial Statements (continued)

\$206,707.50, 1998 School Improvement Bond (Durant Settlement) due in annual installments of \$9,114 to \$18,666 through 2013; interest payable annually at 4.761353 percent.	27,654	12,625
\$522,986.75, 2009 School Bond Loan Fund loan advance due once property tax mileage collection covers annual debt requirements; interest accrues at 3.00 percent.	<u>522,986</u>	<u>-</u>
Total Bonds	<u>\$53,920,640</u>	<u>\$1,607,625</u>

Advance Refunding

In 1993, the school advance refunded the callable portion (\$2,450,000) of the 1987 General Obligation Bond issue and issued \$2,830,000 of general obligation refunding bonds to provide resources to call the bonds. In 1998, the school advance refunded \$9,285,000 of the 1995 General Obligation Issue and issued \$9,780,000 of General Obligation Refunding Bonds to provide the resources to call the bonds. In 2003, the school advance refunded \$475,000 of the 1993 General Obligation (Refunding) Bonds and \$2,780,000 of the 1995 General Obligation Issue and issued \$3,545,000 of General Obligation Refunding Bonds to provide the resources to call the bonds. In 2008, the school advance refunded \$8,630,000 of the 1998 Refunding Bonds and issued \$8,210,000 of General Obligation Refunding Bonds to provide the resources to call the bonds. As a result, the refunded bonds are considered legally defeased and the liability has been removed from the general long-term debt obligations.

The refunding was undertaken to take advantage of the low interest rates available in 1993, 1998, 2003, and 2008. The 1993 and 1998 advance refunding saved \$109,000 and \$624,000 respectively spread over 20 years. The 2003 refunding resulted in a net present value savings of \$171,358, and the 2008 refunding reduces the Districts interest expense approximately \$940,106 through lower debt payments over the next ten years.

Early Retirement Payable

In May 2010, eligible District employees were offered a retirement incentive bonus of \$45,000 upon separation from the District. These amounts were to be paid in three (3) installments of \$15,000 beginning August 1, 2010. Ten employees accepted this offer.	\$ 330,000	185,000
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Compensated Absences

Compensated Absences - At present, Fremont Public School Administration accumulate up to 5 unused vacation days and are reimbursed at their current hourly or salary rate upon retirement. Custodial staff have up to July 31st of the following year to use vacation or it will be lost.	<u>50,083</u>	<u>-</u>
	<u>\$ 380,083</u>	<u>\$ 185,000</u>

Notes to the Financial Statements (continued)

The annual requirements to amortize long-term debt outstanding as of June 30, 2011, including interest detailed as follows:

Year Ended June 30,	2009 Bond Issue		2008 Bond Issue		2003 Bond Issue		Durant Settlement Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	725,000	2,743,655	645,000	298,287	225,000	101,922	12,625	1,891
2013	775,000	2,719,513	680,000	277,325	220,000	94,048	15,029	1,289
2014	800,000	2,687,583	725,000	255,225	205,000	86,128	-	-
2015	850,000	2,653,022	710,000	231,663	250,000	78,542	-	-
2016	900,000	2,613,752	750,000	203,263	250,000	69,042	-	-
2017-2021	5,325,000	12,314,665	4,060,000	520,000	1,425,000	180,842	-	-
2022-2026	7,525,000	10,443,250	-	-	-	-	-	-
2027-2031	9,250,000	7,765,343	-	-	-	-	-	-
2032-2036	10,625,000	4,420,965	-	-	-	-	-	-
2037-2040	6,450,000	888,812	-	-	-	-	-	-
Total	\$ 43,225,000	\$ 49,250,560	\$ 7,570,000	\$ 1,785,763	\$ 2,575,000	\$ 610,524	\$ 27,654	\$ 3,180

Changes in Long-Term Debt - The following is a summary of debt transactions of the District for the year ended June 30, 2011.

Governmental-Type Activities	Bond Issues	Notes Payable	Compensated Absence/Early Retirement Payable	Total
Debt Outstanding-July 1	\$ 54,929,705	\$ 4,123	\$ 531,179	\$ 55,465,007
Debt Added During Year	522,986	-	131,690	654,676
Debt Retired During Year	<u>(1,532,051)</u>	<u>(4,123)</u>	<u>(282,786)</u>	<u>(1,818,960)</u>
Debt Outstanding-June 30	<u>\$ 53,920,640</u>	<u>\$ -</u>	<u>\$ 380,083</u>	<u>\$ 54,300,723</u>
Amount Due Within One Year	\$ 1,607,625	\$ -	\$ 185,000	\$ 1,792,625

NOTE F PROPERTY TAXES

Properties are assessed as of December 31, and the related taxes become a lien on December 1 of the following year. These taxes are due on September 10 and February 14 with the final collection date of February 28 before they are added to the County tax rolls. The taxes are collected and remitted to the District by the Treasurers of the City of Fremont and the various Townships within the District. The Counties of Newaygo, Muskegon and Oceana through their Delinquent Tax Revolving Funds, advance all delinquent real property taxes to the District each year.

Notes to the Financial Statements (continued)

Property in the School District for the 2010 levy had a taxable value of \$432 million. For the 2010 levy, the School District's operating tax rate was 18 mills, its debt service tax rate was 7 mills and the Sinking Fund rate was 1.7191 mills.

NOTE G DEFINED BENEFIT PENSION PLAN

Plan Description

All district full-time employees participate in the Michigan Public School Employees' Retirement System, ("MPSERS"), a cost-sharing multiple-employer, state-wide defined benefit public employee retirement plan governed by the State of Michigan, originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPSERS was established by the State of Michigan to provide retirement, survivor and disability benefits to the State's public school employees.

MPSERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems. The Department Director appoints the Office Director who serves as Executive Secretary to the MPSERS' board, with whom general oversight of the retirement system resides. The State Treasurer serves as the investment officer and custodian for the system. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public Schools Employees Retirement System, P.O. Box 30171, Lansing, MI 48909-7671 or by calling (517)322-5103 or 1-800-381-5111.

Funding Policy

All full-time employees of the District are required by law to participate in the MPSERS. All benefits vest after 10 years of service. Basic plan members may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at age 45 with 30 years of credited service, at age 60 with 10 or more years of credited service, or at age 60 having worked through 60th birthday with 5 years of service immediately preceding retirement effective date. There is no mandatory retirement age.

Both basic and MIP plan members may retire at age 55 with 15 years of service (with five of the years immediately preceding retirement effective date) and receive reduced early retirement benefits. The system also provides non-duty disability benefits and non-duty death benefits after 10 years (less if age 60 or older) of service for MIP members and 15 years of service for basic plan members (less if age 60 or older). The service provision is waived for duty disability and duty death benefits.

On May 19, 2010, Public Act 75 of 2010 was signed into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

The retirement benefit is based on a member's years of credited service (employment) and final average compensation. Final average compensation is the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same period. This period for MIP members is 36 consecutive months and for basic members is 60 consecutive months yielding the highest total wages. A pension is payable monthly for the lifetime of a retiree or survivor and equals 1.5% of a member's final average compensation multiplied by the total number of years of credited service.

Notes to the Financial Statements (continued)

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options: straight life, survivor options and equated plans. Mandatory member contributions were phased out between 1974 and 1977 with the plan remaining noncontributing until January 1, 1987, when the Member Investment Plan (MIP) was enacted.

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. Market rate interest is posted to member accounts on July 1st on all MIP contributions. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The Agency is required to contribute the full actuarial funding contribution amount to fund pension benefits plus an additional amount to fund retiree health benefit amounts on a cash disbursement basis. The rate through September 30, 2010 was 16.94% of payroll and increased to 19.4% for the base plan and 17.91% for Pension Plus members effective October 1, 2010 through October 31, 2010, at which time it increased again due to the number of retirees associated with the early retirement incentive to 20.66% for basic plan members and 19.16 for Pension Plus members for the period November 1, 2010 through June 30, 2011. In addition, the Agency is required to match 50% up to 1% of the employees' contribution in the Pension Plus Plan. The contribution requirements of plan members and the Agency are established and may be amended by the MPSERS Board of Trustees. The health care portion is 5.5% before the 3% for the injunction.

Other Post Employment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision insurance coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by the system with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan, and Hearing Plan coverage with the following exceptions:

- ï Retirees not yet eligible for Medicare coverage pay an amount equal to Medicare Part B premiums.
- ï Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially employer paid health benefit coverage. (No payment for less than 21 years of service). Dependents may receive 90% employer paid health benefit coverage.

Notes to the Financial Statements (continued)

During the plan year ended September 30, 2010, benefit expenditures for the pension and postemployment benefits for the MPSERS as a whole were \$4,290,105,622. As of September 30, 2010, the amount of net assets held in trust for pension and health care benefits was \$36,854,803,062. At September 30, 2010 there were 445,316 members in the MPSERS, of which 187,722 were actively receiving benefits, 113,688 were vested employees, 128,880 were non-vested employees and 15,026 were inactive employees entitled to benefits and not yet receiving them. Actual contributions for retirement benefits were \$1,379,000,428. Annual payrolls for the fiscal year ended September 30, 2010 were not available.

Annual Pension and Other Costs

For the fiscal year ended June 30, 2011, the District's annual pension cost of \$2,146,752 was equal to the District's required and actual contributions. The required contribution was determined as part of the September 30, 2009 actuarial valuation using the following assumptions:

Valuation Date	September 30, 2009
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	27 Years
Asset Valuation Method	5-year Smoothed Market Value

Actuarial Assumptions:

Inflation Rate	3.5%
Investment Rate of Return	8%
Projected Salary Increases	3.5% - 15.9%
Cost-of-Living Adjustment	3% annual MIP Members

Three-Year Trend Information

Fiscal Year Ending June 30	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 2,024,921	100%	-
2009	\$ 1,928,676	100%	-
2010	\$ 1,917,490	100%	-
2011	\$ 2,146,752	100%	-

NOTE H RELATED PARTY TRANSACTIONS

There were no related party transactions for the fiscal year ended June 30, 2011.

NOTE I SHORT TERM NOTE PAYABLE

In October 2010, the School entered into a State Aid Note for \$1,500,000 with Shelby State Bank for the purpose of providing money for school operations for the fiscal year ending June 30, 2011. The note bears interest at 1.17% and matures in October 2011.

Short-Term Debt Outstanding, July 1, 2010	\$ 1,500,000
Debt Added During the Year	1,500,000
Debt Retired During the Year	<u>(1,500,000)</u>
Short-Term Debt Outstanding June 30, 2011	<u>\$ 1,500,000</u>

Notes to the Financial Statements (continued)

NOTE J FIXED ASSETS

Capital asset balances and for the year ended June 30, 2011 were as follows:

Governmental-Type Activities	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Adjustments Deletions</u>	<u>Balance 6/30/2011</u>
Capital Assets not being depreciated				
Land	\$ 1,584,774	\$ -	\$ -	\$ 1,584,774
Construction in Progress	<u>1,941,858</u>	<u>13,571,792</u>	<u>-</u>	<u>15,513,650</u>
Total Capital Assets, not being depreciated	3,526,632	13,571,792	-	17,098,424
Capital Assets Being Depreciated				
Buildings and Improvements	23,355,780	414,575	-	23,770,355
Equipment and Vehicles	<u>3,876,442</u>	<u>623,485</u>	<u>-</u>	<u>4,499,927</u>
Subtotal	<u>27,232,222</u>	<u>1,038,060</u>	<u>-</u>	<u>28,270,282</u>
Less Accumulated Depreciation for				
Buildings and Improvements	9,915,497	649,121	-	10,564,618
Equipment and Vehicles	<u>2,862,059</u>	<u>164,041</u>	<u>-</u>	<u>3,026,100</u>
Subtotal	<u>12,777,556</u>	<u>813,162</u>	<u>-</u>	<u>13,590,718</u>
Net Capital Assets being depreciated	<u>14,454,666</u>	<u>224,898</u>	<u>-</u>	<u>14,679,564</u>
Total Governmental Activities Capital Assets - Net of Depreciation	<u>\$17,981,298</u>	<u>\$13,796,690</u>	<u>\$ -</u>	<u>\$31,777,988</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 649,121
Support Services-Students and Staff	2,361
Support Services-Administration	21,676
Operation and Maintenance	7,903
Student Transportation	98,992
Food Services	10,835
Athletics	<u>22,274</u>
Total Depreciation Expense	<u>\$ 813,162</u>

NOTE K RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Notes to the Financial Statements (continued)

NOTE L ECONOMIC DEPENDENCE

Effective for fiscal year ended June 30, 1995, the revision of the State of Michigan (State) school aid formula for local public schools significantly increased State school aid and the change in property tax laws significantly decreased local property tax revenues. As a result, State of Michigan revenues represent 74.5% percent of total General Fund revenues.

NOTE M ADOPTION OF NEW ACCOUNTING STANDARD

The Government Accounting Standards Board issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which the District adopted effective July 1, 2010. The new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types.

The standard includes a new definition of special revenue funds. Due to this new definition, the district no longer reports their athletic activities in the Athletics Fund. Also due to this change, the District restated its June 30, 2010 fund balance in the General Fund to absorb the remaining \$12,678 of fund balance of the former Athletics Fund. This change resulted in the fund balance of the General Fund as of June 30, 2010 being increased from \$1,616,416 to \$1,629,094.

NOTE N SUBSEQUENT EVENTS

State Aid Note

In August 2011, the State Aid Note for \$1,500,000 referred to in Note I was paid in full, with \$14,615 of interest and fees.

The School District is planning to enter into an additional State Aid Note for \$1,000,000 in November 2011. The note will bear interest at .99% and mature in June 2012.

State School Aid

As of September 23, 2011 the State of Michigan has projected a \$470 decrease in the per pupil funding allowance bringing the amount to \$6,846.

Voluntary Severance Plan

On July 18, 2011, the Fremont Public Schools Board of Education adopted a Voluntary Severance Plan to assist eligible teachers who elect to resign from Fremont Public Schools. A minimum of one and maximum of six participants were required for the plan to become effective. As of September 16, 2011, (the last date of the open window provision), two employees had accepted the severance plan and resigned from Fremont Public Schools. In accordance with this plan, each teacher will receive a total of \$50,000 payable to a tax deferred annuity in two equal payments of \$25,000 by December 15, 2011 and August 1, 2012.

FREMONT PUBLIC SCHOOLS

Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local Sources	\$ 2,765,137	\$ 2,881,963	\$ 2,731,012	\$ 116,826	\$ (150,951)
State Sources	14,348,671	14,674,671	14,644,796	326,000	(29,875)
Federal Sources	1,951,800	1,763,362	1,753,313	(188,438)	(10,049)
Other Sources	450,000	515,000	515,340	65,000	340
Total Revenues	19,515,608	19,834,996	19,644,461	319,388	(190,535)
Expenditures					
Instruction					
Basic Programs	9,339,701	9,137,429	9,872,154	(202,272)	(734,725)
Added Needs	4,289,887	4,358,091	3,561,111	68,204	796,980
Adult Education	91,920	114,406	40,807	22,486	73,599
Total Instruction	13,721,508	13,609,926	13,474,072	(111,582)	135,854
Support Services:					
Pupil	583,095	602,522	591,736	19,427	10,786
Instructional Staff	133,754	190,803	209,753	57,049	(18,950)
General Administration	341,470	338,089	332,523	(3,381)	5,566
School Administration	1,140,851	1,101,463	1,111,833	(39,388)	(10,370)
Business	376,279	409,649	386,388	33,370	23,261
Operations & Maintenance	1,451,124	1,373,982	1,386,862	(77,142)	(12,880)
Pupil Transportation	806,999	824,924	828,651	17,925	(3,727)
Central	377,950	507,264	433,622	129,314	73,642
Athletics	-	533,953	528,678	533,953	5,275
Total Support Services	5,211,522	5,882,649	5,810,046	671,127	72,603
Community Services	337,702	317,483	309,681	(20,219)	7,802
Debt Service	4,073	4,120	4,189	47	(69)
Total Expenditures	19,274,805	19,814,178	19,597,988	539,373	216,190
Excess (deficiency) of Revenue Over Expenditures	240,803	20,818	46,473	(219,985)	25,655
Other Financing Sources (Uses)					
Indirect Cost Allocation	-	-	27,531	-	27,531
Operating Transfers Out	(440,000)	-	-	440,000	-
Total Other Financing Sources (Uses)	(440,000)	-	27,531	440,000	27,531
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(199,197)	20,818	74,004	220,015	53,186
Fund Balance - July 1 - See Note M	1,287,985	1,629,094	1,629,094	-	-
Fund Balance - June 30	\$ 1,088,788	\$ 1,649,912	\$ 1,703,098	\$ 220,015	\$ 53,186

FREMONT PUBLIC SCHOOLS

Required Supplementary Information Schedule of Pension Funding Progress

(Dollar Amounts in Millions)

Valuation Date <u>September 30</u>	Actuarial Valuation <u>Assets</u>	Actuarial Accrued <u>Liabilities</u>	Funded <u>Ratio</u>	(Overfunded) Unfunded Accrued <u>Liabilities</u>	Covered <u>Payroll</u>	UAL as a % of Active <u>Payroll</u>
2001	38,399	39,774	96.5%	1,375	9,264	14.84%
2002	38,382	41,957	91.5%	3,575	9,707	36.83%
2003	38,726	44,769	86.5%	6,043	10,044	60.17%
2004	38,784	46,317	83.7%	7,533	10,407	72.38%
2005	38,211	48,206	79.3%	9,995	10,206	97.93%
2006	42,995	49,136	87.5%	6,141	9,806	62.62%
2007	45,335	51,107	88.7%	5,772	9,851	58.59%
2008	45,677	54,608	83.6%	8,931	9,958	89.69%
2009	44,703	56,685	78.9%	11,982	9,884	121.23%

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet - General Fund June 30, 2011 and 2010

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Assets		
Cash/Investments	\$ 2,661,539	\$ 2,183,526
Accounts Receivable	56,385	137,639
Due From Other Funds	112	1,274
Due From Other Governmental Units	2,815,473	3,055,268
Inventory	66,069	74,353
Total Assets	<u>\$ 5,599,578</u>	<u>\$ 5,452,060</u>
 Liabilities and Fund Equity		
Liabilities		
Accounts Payable	30,820	25,975
Due to Other Governmental Units	21,900	43,800
Salaries/Severance Payable	1,371,957	1,439,531
Retirement Payable	277,014	221,469
Health Insurance Payable	334,540	336,620
Payroll Taxes Payable	118,149	131,039
Deferred Revenue	242,091	96,440
Due to Other Funds	9	28,092
Notes Payable	1,500,000	1,500,000
Total Liabilities	3,896,480	3,822,966
 Fund Equity		
Non-Spendable	66,069	74,353
Restricted for IFT Payback	392,316	392,316
Unassigned	1,244,713	1,162,425
Total Fund Equity	<u>1,703,098</u>	<u>1,629,094</u>
Total Liabilities and Fund Equity	<u>\$ 5,599,578</u>	<u>\$ 5,452,060</u>

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues - General Fund
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Local Sources		
Property Taxes - Net of Chargeback	\$ 2,170,887	\$ 2,146,707
Summer School Fees	1,550	3,025
Adult/Community Education Fees	172,744	207,958
Transportation Fees	90,296	92,090
Driver Education	4,475	6,250
Interest on Investments	2,538	4,465
Other Facilities	19,851	19,384
Grants and Donations	167,066	244,004
Athletics	93,920	-
Other	7,685	18,816
	<u>2,731,012</u>	<u>2,742,699</u>
Total Local Sources		
State Sources		
State School Aid	13,242,446	13,320,773
Agency Placed	-	(15,656)
Special Education	778,420	829,497
Vocational Education - Added Costs	34	3,135
At Risk	421,150	455,092
Adult Education	62,660	60,295
TSDL/Data Collection	49,179	-
Renaissance Zone	90,907	95,100
	<u>14,644,796</u>	<u>14,748,236</u>
Total State Sources		
Federal Sources		
Title I, Part A	520,128	551,004
Title II, Part A	107,591	134,524
ARRA	282,002	957,285
Education Jobs	526,371	-
EL & Civics Grants	38,348	25,975
National Forest Subsidy	2,956	3,216
Special Education - Flow Through	275,917	275,000
	<u>1,753,313</u>	<u>1,947,004</u>
Total Federal Sources		
Interdistrict Sources		
Special Education	515,340	498,373
	<u>515,340</u>	<u>498,373</u>
Total Revenues	<u>\$ 19,644,461</u>	<u>\$ 19,936,312</u>

FREMONT PUBLIC SCHOOLS

Comparative Statement of Expenditures - General Fund For the Years Ended June 30, 2011 and 2010

	2011	2010
Instruction		
Basic Programs		
Elementary	\$ 4,420,297	\$ 3,932,211
Middle School	2,372,142	2,296,098
High School	2,799,081	2,852,170
Alternative Education	280,634	199,325
Driver Education	-	-
Total Basic Programs	9,872,154	9,279,804
Added Needs		
Special Education	2,428,036	2,672,480
Section 31A / At-Risk	422,873	472,183
Title Programs/Improving Teacher Quality	633,589	977,118
Vocational Education	76,613	100,890
Total Added Needs	3,561,111	4,222,671
Adult Education	40,807	27,523
Total Instruction	13,474,072	13,529,998
Supporting Services		
Pupil		
Guidance	557,693	552,019
Health	29,293	18,858
Psychological	4,750	5,250
Teacher Consultant - Special Education	-	49,958
Total Pupil	591,736	626,085
Instructional Staff		
Special Education	39,542	33,031
Adult Education	59,353	54,812
Curriculum Coordinator - School Improvement	-	112
Media Services	95,982	208,619
Instruction Technology	13,172	15,400
Audio-Visual	1,704	706
Total Instructional Staff	209,753	312,680
General Administration		
Board of Education	65,188	99,230
Executive Administration	231,977	125,429
Program Coordinator	35,358	-
Total General Administration	332,523	224,659
School Administration		
Office of the Principal	1,065,563	1,029,629
Alternative Education	38,685	128,271
Copy Center	7,585	2,976
Total School Administration	\$ 1,111,833	\$ 1,160,876

Statement of Expenditures - General Fund (continued)

Business		
Fiscal Services	\$ 257,617	\$ 244,887
Other Business	128,771	137,424
Total Business	<u>386,388</u>	<u>382,311</u>
Operations & Maintenance		
Operations and Maintenance	1,359,931	1,348,202
Energy Management	26,931	70,741
Total Operations & Maintenance	<u>1,386,862</u>	<u>1,418,943</u>
Transportation	828,651	737,271
Central		
Informational Services	47,629	50,319
Professional Development	12,653	4,021
Technology	302,295	276,982
Computer Information Management	21,810	23,760
Data Collection	49,235	-
Total Central	<u>433,622</u>	<u>355,082</u>
Athletics	<u>528,678</u>	<u>-</u>
Total Supporting Services	5,810,046	5,217,907
Community Services		
Community School Program	39,466	52,079
Community Recreation and Enrichment	47,244	44,255
Kids University	4,907	15,171
Day Care	92,351	95,181
After School Enrichment	125,713	122,207
Total Community Services	<u>309,681</u>	<u>328,893</u>
Debt Service		
Principal Retired	4,123	66,177
Interest	66	2,126
Total Debt Service	<u>4,189</u>	<u>68,303</u>
Total Expenditures	<u><u>\$ 19,597,988</u></u>	<u><u>\$ 19,145,101</u></u>

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet - Debt Service Fund
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash/Investments	\$ 203,215	\$ 411,400
Due From Other Funds	<u>51</u>	<u>232</u>
Total Assets	<u><u>\$ 203,266</u></u>	<u><u>\$ 411,632</u></u>
 Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ -	\$ -
Due to Other Funds	<u>-</u>	<u>-</u>
Total Liabilities	-	-
Fund Equity		
Assigned	<u>203,266</u>	<u>411,632</u>
Total Liabilities and Fund Equity	<u><u>\$ 203,266</u></u>	<u><u>\$ 411,632</u></u>

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues, Expenditures, and Changes
in Fund Balances - Debt Service Fund
For the Years Ended June 30, 2011 and 2010

	2011	2010
Revenues		
Local Sources		
Property Taxes	\$ 3,028,338	\$ 3,105,190
Interest on Investments	3,009	5,095
Total Local Sources	3,031,347	3,110,285
State Sources		
State Aid	14,515	97,528
Federal Sources		
Qualified Bonds Credit Payment	965,220	824,162
Total Revenues	4,011,082	4,031,975
Expenditures		
Taxes Abated	13,656	40
Principal Retired	1,532,051	895,844
Interest	3,192,335	2,853,602
Paying Agent	1,400	1,800
Total Debt Service	4,739,442	3,751,286
Excess Revenues Over(Under)Expenditures	(728,360)	280,689
Other Financing Sources(Uses)		
Long-Term Debt Proceeds	519,994	-
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(208,366)	280,689
Fund Balance - July 1	411,632	130,943
Fund Balance - June 30	\$ 203,266	\$ 411,632

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet - Building & Site Fund June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash/Investments	\$ 28,026,323	\$ 41,246,994
Total Assets	<u>\$ 28,026,323</u>	<u>\$ 41,246,994</u>
Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ 1,357,559	\$ 228,730
Total Liabilities	1,357,559	228,730
Fund Equity		
Assigned	<u>26,668,764</u>	<u>41,018,264</u>
Total Fund Equity	<u>26,668,764</u>	<u>41,018,264</u>
Total Liabilities and Fund Equity	<u>\$ 28,026,323</u>	<u>\$ 41,246,994</u>

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues - Building & Site Fund For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Local Sources		
Interest on Investments	\$ 211,917	\$ 924,315
Total Revenues	<u>211,917</u>	<u>924,315</u>
Expenditures		
Capital Outlay	13,123,805	814,005
Land	2,017	888,386
Professional Services	165,708	1,503,019
Miscellaneous Expenses	<u>1,269,887</u>	<u>43,985</u>
Total Expenditures	<u>14,561,417</u>	<u>3,249,395</u>
Excess Revenues Over (Under) Expenditures	<u>(14,349,500)</u>	<u>(2,325,080)</u>
Fund Balance - July 1	<u>41,018,264</u>	<u>43,343,344</u>
Fund Balance - June 30	<u>\$ 26,668,764</u>	<u>\$ 41,018,264</u>

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet
Non-Major Food Service Special Revenue Fund
June 30, 2011

	<u>Food Service</u>
Assets	
Cash/Investments	\$ 233,256
Due From Other Governmental Units	66,392
Inventory	<u>37,549</u>
Total Assets	<u><u>\$ 337,197</u></u>
Liabilities	
Due to Other Funds	\$ 112
Deferred Revenue	<u>153</u>
Total Liabilities	265
Fund Equity	
Non-Spendable	37,549
Assigned	<u>299,383</u>
Total Fund Equity	<u>336,932</u>
Total Liabilities and Fund Equity	<u><u>\$ 337,197</u></u>

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2011

	Food Service		
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Local Sources	\$ 351,300	\$ 311,052	\$ (40,248)
State Sources	38,000	29,094	(8,906)
Federal Sources	470,000	511,810	41,810
Total Revenues	859,300	851,956	(7,344)
Expenditures			
Food Service	822,615	792,729	29,886
Excess Revenues Over (Under) Expenditures	36,685	59,227	22,542
Fund Balance - July 1	162,192	277,705	115,513
Fund Balance - June 30	\$ 198,877	\$ 336,932	\$ 138,055

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Food Service Special Revenue Fund For the Years Ended June 30, 2011 and 2010

	2011	2010
Revenues		
Local Sources		
Children's Lunches and Breakfasts	\$ 153,662	\$ 136,900
Ala Carte	124,049	174,068
Adult Lunches and Breakfasts	6,791	6,103
Interest	480	328
Other	26,070	33,475
Total Local Sources	311,052	350,874
State Sources	29,094	36,821
Federal Sources	511,810	507,006
Total Revenues	851,956	894,701
Expenditures		
Salaries:		
Coordinator	49,955	42,755
Manager	22,939	24,568
Cooks	36,014	35,206
Servers and Others	173,240	179,724
Payroll Taxes and Other Fringe Benefits	92,525	83,174
Local Travel	1,152	1,847
Equipment Repairs and Maintenance	3,598	10,524
Other Purchased Services	9,194	9,830
Food	347,283	355,232
Vehicle Expense	2,958	2,584
Non-food Supplies and Miscellaneous	21,659	23,318
Indirect Costs	9,982	9,527
Sales Tax	350	315
Dues and Subscriptions	1,319	1,083
Capital Outlay	20,561	399
Total Expenditures	792,729	780,086
Excess Revenues Over (Under) Expenditures	59,227	114,615
Other Financing Sources (Uses)		
Sale of Fixed Assets	-	900
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	59,227	115,515
Fund Balance - July 1	277,705	162,190
Fund Balance - June 30	\$ 336,932	\$ 277,705

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet - Non-Major Capital Projects Fund - Sinking Fund
For the Years Ended June 30, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, and 2002

	Sinking Fund									
	June 30 2011	June 30 2010	June 30 2009	June 30 2008	June 30 2007	June 30 2006	June 30 2005	June 30 2004	June 30 2003	June 30 2002
Assets										
Cash	\$732,384	\$357,419	\$126,937	\$ 44,754	\$ 4,220	\$184,961	\$ 3,345	\$234,462	\$100,941	\$ -
Accounts Receivable	-	-	-	-	-	-	-	1,092	-	-
Due from Other Governmental Units	-	-	-	-	4,322	-	-	-	-	-
Due from Other Funds	-	50	-	19,179	19,196	-	115	246	-	-
Total Assets	<u>\$732,384</u>	<u>\$357,469</u>	<u>\$126,937</u>	<u>\$ 63,933</u>	<u>\$ 27,738</u>	<u>\$184,961</u>	<u>\$ 3,460</u>	<u>\$235,800</u>	<u>\$100,941</u>	<u>\$ -</u>
Liabilities										
Accounts Payable	\$ 91,668	\$ -	\$ 5,340	\$ 35,806	\$ -	\$ -	\$ -	\$ 8,500	\$ 11,075	\$ 1,609
Due to Other Governmental Units	-	-	-	-	175	-	-	-	-	-
Due to Other Funds	42	29	-	100,000	128,531	-	-	-	-	6,351
Total Liabilities	<u>91,710</u>	<u>29</u>	<u>5,340</u>	<u>135,806</u>	<u>128,706</u>	<u>-</u>	<u>-</u>	<u>8,500</u>	<u>11,075</u>	<u>7,960</u>
Fund Equity										
Assigned	<u>640,674</u>	<u>357,440</u>	<u>121,597</u>	<u>(71,873)</u>	<u>(100,968)</u>	<u>184,961</u>	<u>3,460</u>	<u>227,300</u>	<u>89,866</u>	<u>(7,960)</u>
Total Liabilities and Fund Equity	<u><u>\$732,384</u></u>	<u><u>\$357,469</u></u>	<u><u>\$126,937</u></u>	<u><u>\$ 63,933</u></u>	<u><u>\$ 27,738</u></u>	<u><u>\$184,961</u></u>	<u><u>\$ 3,460</u></u>	<u><u>\$235,800</u></u>	<u><u>\$100,941</u></u>	<u><u>\$ -</u></u>

FREMONT PUBLIC SCHOOLS

Cumulative Statements of Revenues, Expenditures and Changes
in Fund Balance - Non-Major Capital Projects Fund - Sinking Fund
For the Years Ended June 30, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, and 2002

	June 30 2011	June 30 2010	June 30 2009	June 30 2008	June 30 2007
Revenues					
Local Sources					
Property Taxes	\$ 743,737	\$ 763,974	722,848	\$ 699,881	\$ 667,257
Interest on Investments	1,124	579	294	1,401	2,536
Miscellaneous Income	-	150	-	-	-
Total Local Sources	744,861	764,703	723,142	701,282	669,793
Expenditures					
Supporting Services					
Taxes Abated	3,512	20	4,502	-	-
Capital Outlay	453,398	516,338	491,303	645,044	842,844
Professional Services	2,442	6,096	33,274	-	-
Miscellaneous Expense	2,275	6,406	593	27,143	5,156
Total Supporting Services	461,627	528,860	529,672	672,187	848,000
Debt Service					
Principal Retired	-	-	-	-	100,675
Interest Expense	-	-	-	-	7,047
Total Debt Service	-	-	-	-	107,722
Total Expenditures	461,627	528,860	529,672	672,187	955,722
Excess Revenues Over (Under) Expenditures	283,234	235,843	193,470	29,095	(285,929)
Other Financing Sources(Uses)					
Proceeds from Long-Term Debt	-	-	-	-	-
Excess Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing (Uses)	283,234	235,843	193,470	29,095	(285,929)
Fund Balance - July 1	357,440	121,597	(71,873)	(100,968)	184,961
Fund Balance - June 30	\$ 640,674	\$ 357,440	\$ 121,597	\$ (71,873)	\$ (100,968)

<u>June 30 2006</u>	<u>June 30 2005</u>	<u>June 30 2004</u>	<u>June 30 2003</u>	<u>June 30 2002</u>	<u>Totals</u>
\$ 628,340	\$ 597,747	\$ 563,973	\$ 540,649	\$ -	\$ 5,184,669
3,068	1,120	365	153	-	9,516
-	-	-	-	-	150
<u>631,408</u>	<u>598,867</u>	<u>564,338</u>	<u>540,802</u>	<u>-</u>	<u>5,194,335</u>
-	-	-	-	-	4,522
321,013	699,030	283,441	845,676	7,960	4,652,649
-	-	-	-	-	39,370
<u>14,124</u>	<u>1,860</u>	<u>14,599</u>	<u>-</u>	<u>-</u>	<u>69,881</u>
<u>335,137</u>	<u>700,890</u>	<u>298,040</u>	<u>845,676</u>	<u>7,960</u>	<u>4,766,422</u>
100,675	100,675	100,675	50,000	-	452,700
<u>14,095</u>	<u>21,142</u>	<u>28,189</u>	<u>-</u>	<u>-</u>	<u>70,473</u>
<u>114,770</u>	<u>121,817</u>	<u>128,864</u>	<u>50,000</u>	<u>-</u>	<u>523,173</u>
449,907	822,707	426,904	895,676	7,960	5,289,595
181,501	(223,840)	137,434	(354,874)	(7,960)	(95,260)
<u>-</u>	<u>-</u>	<u>-</u>	<u>452,700</u>	<u>-</u>	<u>452,700</u>
181,501	(223,840)	137,434	97,826	-	365,400
<u>3,460</u>	<u>227,300</u>	<u>89,866</u>	<u>(7,960)</u>	<u>(7,960)</u>	<u>-</u>
<u>\$ 184,961</u>	<u>\$ 3,460</u>	<u>\$ 227,300</u>	<u>\$ 89,866</u>	<u>\$ (7,960)</u>	<u>\$ 365,400</u>

FREMONT PUBLIC SCHOOLS

Balance Sheet
Fiduciary Fund
Student Activities Agency Fund
June 30, 2011

Assets

Cash and Investments	<u>\$ 347,694</u>
Total Assets	<u><u>\$ 347,694</u></u>

Liabilities

Due to Student Groups	<u>\$ 347,694</u>
Total Liabilities	<u><u>\$ 347,694</u></u>

FREMONT PUBLIC SCHOOLS

Statement of Changes in Assets and Liabilities
Fiduciary Fund
Student Activities Agency Fund
For the Year Ended June 30, 2011

	<u>Balance</u> <u>6/30/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2011</u>
Assets				
Cash and Investments	<u>\$ 364,862</u>	<u>\$ 590,907</u>	<u>\$ 608,075</u>	<u>\$ 347,694</u>
Liabilities				
Due to Student Groups	<u>\$ 364,862</u>	<u>\$ 590,907</u>	<u>\$ 608,075</u>	<u>\$ 347,694</u>

FREMONT PUBLIC SCHOOLS

Statement of Cash Receipts and Disbursements

Fiduciary Fund

Student Activities Agency Fund

For the Year Ended June 30, 2011

	Balance 6/30/2010	Receipts	Disbursements	Balance 6/30/2011
Interest on Investment	\$ 2,946	\$ 1,571	\$ 2,950	\$ 1,567
Administration - Miscellaneous	19,362	15,458	11,861	22,959
Daisy Brook - Book Fair	876	6,691	5,666	1,901
Daisy Brook - Cash for Education	8,227	5,262	6,568	6,921
Daisy Brook - School/Store	3,196	19	3,215	-
Daisy Brook - Grade Funds	4,554	496	312	4,738
Daisy Brook - Weston DuBois Assistance	-	-	-	-
Daisy Brook - Activities Fund	8,477	9,820	13,464	4,833
Daisy Brook - Student Council	1,542	5,159	1,720	4,981
Daisy Brook - Poker Fundraiser	-	-	-	-
High School - Alumni Band	12	1	-	13
High School - Art/Pekel	754	1,324	1,105	973
High School - Athletic Uniforms	20,783	75,124	69,878	26,029
High School - Athletic Endowment	19,334	5,617	20,000	4,951
High School - Candy Machine Sales	4,419	1,589	1,605	4,403
High School - Industrial Arts	-	6,872	2,526	4,346
High School - Cheerleaders	732	200	600	332
High School - Salute to Valor	-	40,789	48,886	(8,097)
High School - Class of 2009	133	1	134	-
High School - Class of 2010	906	9	915	-
High School - Class of 2011	74	4,122	3,599	597
High School - Class of 2012	16	1	27	(10)
High School - Conservation Club	177	681	761	97
High School - Picket Fence Café	1,176	8	-	1,184
High School - Germany Trip	927	6	-	933
High School - FACF Girls BB Grant	350	202	2,494	(1,942)
High School - Escape	20,551	14,201	16,218	18,534
High School - Embroidery	103	1	-	104
High School - Equestrian Team	6	-	-	6
High School - FACF Baseball Grant	1,010	(254)	-	756
High School - FACF Boys BB Grant	141	265	3,340	(2,934)
High School - FACF Softball	700	643	-	1,343
High School - Poker Fundraising	2,564	22,439	13,740	11,263
High School - F.F.A. Project	8,491	35,633	33,615	10,509
High School - Media	155	1	-	156

Statement of Cash Receipts and Disbursements (continued)

	<u>6/30/2010</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>6/30/2011</u>
High School - Miscellaneous	-	30	-	30
High School - Mogul	849	28,873	26,929	2,793
High School - Music Boosters	24,161	49,976	45,945	28,192
High School - National Honor Society	334	2,750	2,700	384
High School - Parking Permits	1,033	933	300	1,666
High School - Peace Jam	23	1	-	24
High School - Photography	3,689	7,303	6,109	4,883
High School - Pop	3,991	3,995	5,269	2,717
High School - Quiz bowl	(92)	759	519	148
High School - Robotics	-	-	-	-
High School - Community Connection	5,500	23	-	5,523
High School - Scholarship Fund	22,569	794	500	22,863
High School - Science Exploration	486	3	-	489
High School - Store	(1,116)	13,144	12,021	7
High School - Student Council	2,635	4,561	5,565	1,631
High School - Theatre	1,647	8,720	13,565	(3,198)
High School - Theatre Endowment	28,115	198	3,821	24,492
High School - Trip Fund	-	462	-	462
High School - Chess Club	18	18	-	36
High School - Ward Music Grant	-	-	-	-
High School - Varsity Club	(6)	266	140	120
High School - Vocal Music	109	1,305	920	494
High School - Video Productions	712	602	848	466
High School - Spanish Club	96	1	-	97
High School - Prom	2,437	7,222	4,481	5,178
High School - 2D Art	(152)	-	-	(152)
Middle School - Art Club	(893)	1,293	181	219
Middle School - Band Fund	137	1,727	1,824	40
Middle School - Circle of Friends	1,824	14	156	1,682
Middle School - Cash for Education	8,431	419	1,010	7,840
Middle School - Candy and Pop	(2,151)	1,110	-	(1,041)
Middle School - Cheerleaders	2,080	15	-	2,095
Middle School - Ebay	160	1,038	1,260	(62)
Middle School - Gerber Grant	-	-	-	-
Middle School - Industrial Arts/Technology	558	369	445	482
Middle School - Instrument Repair/Rental	109	180	249	40
Middle School - Japan Friendship City	8,151	25,083	22,867	10,367
Middle School - Juice Fund	3,248	14	2,291	971
Middle School - Linda Bergklint Memorial	3,039	1,162	3,301	900

Statement of Cash Receipts and Disbursements (continued)

	<u>6/30/2010</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/2011</u>
Middle School - Outdoor Fitness	160	1	-	161
Middle School - Parent Group	33	-	-	33
Middle School - Pride Club	577	4	-	581
Middle School - Poker Fundraiser	4,763	5,246	10,844	(835)
Middle School - Rain Forest Fund	3,063	5,311	4,400	3,974
Middle School - Sixth Grade Camp	4,536	7,849	7,078	5,307
Middle School - Teacher Lounge Pop	810	253	439	624
Middle School - Student Council	-	6,522	6,522	-
Middle School - Yearbook	789	1,683	1,667	805
Pathfinder - Activity Fund	11,845	20,840	15,882	16,803
Pathfinder - Book Fair	3,263	6,422	7,313	2,372
Pathfinder - Office Activity	13,060	1,173	5,345	8,888
Pathfinder - Cash for Education	4,205	3,399	3,561	4,043
Pathfinder - Parent Group	14,223	78,214	81,978	10,459
Pathfinder - Poker Fundraiser	1,773	6,955	8,785	(57)
Pathfinder - Pop Fund	3,742	882	-	4,624
Pathfinder - Families Together	-	386	-	386
Pine Street - Book Fair	805	1,231	1,612	424
Pine Street - Activity Fund	24,810	7,876	7,031	25,655
Pine Street - Cash for Education	2,321	853	1,362	1,812
Quest - CE Scrip Program	465	7,373	7,624	214
Quest - Daycare Program	1,733	900	-	2,633
Quest - Student Activity	3,895	3,039	1,500	5,434
Quest - CE Rec Scholarship	291	4,024	3,452	863
Quest - Pop Fund	653	2,098	2,765	(14)
Quest - CE Recreation & Enrichment	8,147	57	500	7,704
Soccer Fields	475	2	-	477
Total	<u>\$ 364,862</u>	<u>\$ 590,907</u>	<u>\$ 608,075</u>	<u>\$ 347,694</u>

FREMONT PUBLIC SCHOOLS

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 For the Year Ended June 30, 2011

Function and Activity	Balance 6/30/2010	Additions	Adjustments/ Deletions	Balance 6/30/2011
Instruction	\$27,139,111	\$14,561,005	\$ -	\$41,700,116
Support Service				
Students & Staff	445,762	-	-	445,762
Administration	237,213	13,276	-	250,489
Operation & Maintenance	179,778	-	-	179,778
Student Transportation Services	1,862,706	-	-	1,862,706
Food Services	153,565	20,143	-	173,708
Athletics	740,719	15,428	-	756,147
	<u>\$30,758,854</u>	<u>\$14,609,852</u>	<u>\$ -</u>	<u>\$45,368,706</u>
Total	<u>\$30,758,854</u>	<u>\$14,609,852</u>	<u>\$ -</u>	<u>\$45,368,706</u>

FREMONT PUBLIC SCHOOLS

Schedule of Changes in Long-Term Debt Obligations
June 30, 2011

	Building America Bond 2009	Refunding Bond 2008	Refunding Bond 2003	Durant Settlement Bond	John Deere Note	School Bond Loan Fund Loan	Compensated Absence/Early Retirement	Total
Long-Term Debt Outstanding June 30, 2010	\$43,875,000	\$8,210,000	\$2,805,000	\$ 39,706	\$ 4,123	\$ -	\$ 531,179	\$55,465,008
Debt Added During Year	-	-	-	-	-	522,986	91,690	614,676
Debt Retired During Year	(650,000)	(640,000)	(230,000)	(12,051)	(4,123)	-	(272,786)	(1,808,960)
Long-Term Debt Outstanding June 30, 2011	<u>\$ 43,225,000</u>	<u>\$7,570,000</u>	<u>\$2,575,000</u>	<u>\$ 27,655</u>	<u>\$ -</u>	<u>\$ 522,986</u>	<u>\$ 350,083</u>	<u>\$54,270,724</u>

FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments
 \$43,875,000 of School Building & Site Bonds Dated June 2009
 June 30, 2011

<u>Estimated Payment Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Treasury Credit</u>
November 1, 2011	3.33	-	1,371,828	1,371,828	(480,140)
May 1, 2012		725,000	1,371,828	2,096,828	(480,140)
November 1, 2012	4.12	-	1,359,756	1,359,756	(475,915)
May 1, 2013		775,000	1,359,756	2,134,756	(475,915)
November 1, 2013	4.32	-	1,343,791	1,343,791	(470,327)
May 1, 2014		800,000	1,343,791	2,143,791	(470,327)
November 1, 2014	4.62	-	1,326,511	1,326,511	(464,279)
May 1, 2015		850,000	1,326,511	2,176,511	(464,279)
November 1, 2015	4.90	-	1,306,876	1,306,876	(457,407)
May 1, 2016		900,000	1,306,876	2,206,876	(457,407)
November 1, 2016		-	1,284,826	1,284,826	(449,689)
May 1, 2017	5.09	950,000	1,284,826	2,234,826	(449,689)
November 1, 2017		-	1,260,649	1,260,649	(441,227)
May 1, 2018	5.29	1,000,000	1,260,649	2,260,649	(441,227)
November 1, 2018		-	1,234,199	1,234,199	(431,970)
May 1, 2019	5.54	1,050,000	1,234,199	2,284,199	(431,970)
November 1, 2019		-	1,205,114	1,205,114	(421,790)
May 1, 2020	5.79	1,125,000	1,205,114	2,330,114	(421,790)
November 1, 2020		-	1,172,545	1,172,545	(410,391)
May 1, 2021	6.04	1,200,000	1,172,545	2,372,545	(410,391)
November 1, 2021		-	1,136,305	1,136,305	(397,707)
May 1, 2022	6.24	1,400,000	1,136,305	2,536,305	(397,707)
November 1, 2022		-	1,092,625	1,092,625	(382,419)
May 1, 2023	6.34	1,450,000	1,092,625	2,542,625	(382,419)
November 1, 2023		-	1,046,660	1,046,660	(366,331)
May 1, 2024	6.44	1,500,000	1,046,660	2,546,660	(366,331)
November 1, 2024		-	998,360	998,360	(349,426)
May 1, 2025	6.54	1,550,000	998,360	2,548,360	(349,426)

November 1, 2025		-	947,675	947,675	(331,686)
May 1, 2026	6.60	1,625,000	947,675	2,572,675	(331,686)
November 1, 2026		-	894,050	894,050	(312,918)
May 1, 2027	6.60	1,700,000	894,050	2,594,050	(312,918)
November 1, 2027		-	837,950	837,950	(293,283)
May 1, 2028	6.60	1,775,000	837,950	2,612,950	(293,283)
November 1, 2028		-	779,375	779,375	(272,781)
May 1, 2029	6.60	1,850,000	779,375	2,629,375	(272,781)
November 1, 2029		-	718,325	718,325	(251,414)
May 1, 2030	6.79	1,925,000	718,325	2,643,325	(251,414)
November 1, 2030		-	652,971	652,971	(228,540)
May 1, 2031	6.79	2,000,000	652,971	2,652,971	(228,540)
November 1, 2031		-	585,071	585,071	(204,775)
May 1, 2032	6.79	2,050,000	585,071	2,635,071	(204,775)
November 1, 2032		-	515,474	515,474	(180,416)
May 1, 2033	6.79	2,125,000	515,474	2,640,474	(180,416)
November 1, 2033		-	443,330	443,330	(155,166)
May 1, 2034	6.79	2,150,000	443,330	2,593,330	(155,166)
November 1, 2034		-	370,338	370,338	(129,618)
May 1, 2035	6.89	2,150,000	370,338	2,520,338	(129,618)
November 1, 2035		-	296,270	296,270	(103,695)
May 1, 2036	6.89	2,150,000	296,270	2,446,270	(103,695)
November 1, 2036		-	222,203	222,203	(77,771)
May 1, 2037	6.89	2,150,000	222,203	2,372,203	(77,771)
November 1, 2037		-	148,135	148,135	(51,847)
May 1, 2038	6.89	2,150,000	148,135	2,298,135	(51,847)
November 1, 2038		-	74,068	74,068	(25,924)
May 1, 2039	6.89	2,150,000	74,068	2,224,068	(25,924)
		<u>\$43,225,000</u>	<u>\$49,250,560</u>	<u>\$92,475,560</u>	<u>\$(17,237,696)</u>

FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments
 \$8,210,000 of General Obligation Bonds Dated February 2008
 June 30, 2011

<u>Estimated Payment Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2011		-	149,143	149,143
May 1, 2012	3.25	645,000	149,144	794,144
November 1, 2012		-	138,662	138,662
May 1, 2013	3.25	680,000	138,663	818,663
November 1, 2013		-	127,612	127,612
May 1, 2014	3.25	725,000	127,613	852,613
November 1, 2014		-	115,831	115,831
May 1, 2015	4.00	710,000	115,832	825,832
November 1, 2015		-	101,631	101,631
May 1, 2016	3.375	750,000	101,632	851,632
November 1, 2016		-	88,975	88,975
May 1, 2017	5.00	750,000	88,975	838,975
November 1, 2017		-	70,225	70,225
May 1, 2018	5.00	805,000	70,225	875,225
November 1, 2018		-	50,100	50,100
May 1, 2019	4.00	820,000	50,100	870,100
November 1, 2019		-	33,700	33,700
May 1, 2020	4.00	835,000	33,700	868,700
November 1, 2020		-	17,000	17,000
May 1, 2021	4.00	850,000	17,000	867,000
		<u>\$ 7,570,000</u>	<u>\$ 1,785,763</u>	<u>\$ 9,355,763</u>

FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments
 \$3,545,000 of Refunding Bonds Dated August 2003
 June 30, 2011

<u>Estimated Payment Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2011		-	50,961	50,961
May 1, 2012	3.50	225,000	50,961	275,961
November 1, 2012		-	47,024	47,024
May 1, 2013	3.60	220,000	47,024	267,024
November 1, 2013		-	43,064	43,064
May 1, 2014	3.70	205,000	43,064	248,064
November 1, 2014		-	39,271	39,271
May 1, 2015	3.80	250,000	39,271	289,271
November 1, 2015		-	34,521	34,521
May 1, 2016	3.90	250,000	34,521	284,521
November 1, 2016		-	29,646	29,646
May 1, 2017	4.00	285,000	29,646	314,646
November 1, 2017		-	23,946	23,946
May 1, 2018	4.10	270,000	23,946	293,946
November 1, 2018		-	18,411	18,411
May 1, 2019	4.15	295,000	18,411	313,411
November 1, 2019		-	12,290	12,290
May 1, 2020	4.25	290,000	12,290	302,290
November 1, 2020		-	6,128	6,128
May 1, 2021	4.30	285,000	6,128	291,128
		<u>\$ 2,575,000</u>	<u>\$ 610,524</u>	<u>\$ 3,185,524</u>

FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments
\$206,707.50 of School Improvement Bonds (Durant Settlement)
June 30, 2011

<u>Estimated Payment Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 15, 2012	4.761353	12,625	1,891	14,516
May 15, 2013	4.761353	15,030	1,289	16,319
		<u>\$ 27,655</u>	<u>\$ 3,180</u>	<u>\$ 30,835</u>

FREMONT PUBLIC SCHOOLS

Schedule of Cash and Investments

June 30, 2011

General Fund		
Petty Cash	\$ 820	
Checking Account - Chemical Bank	20,628	
Receiving CSP - Huntington Bank	3,037	
MBIA Asset Management	5,132	
Michigan Liquid Asset Fund	2,619,182	\$ 2,648,799
Special Revenue Funds		
Food Service Fund		
Checking Account - Newaygo County SECU	64,129	
Receiving - Chemical Bank	49,982	
Savings and Bonus Savings - Newaygo County SECU	119,145	233,256
Athletics Fund		
Petty Cash	-	
Checking Account - Chemical Bank	-	
Revolving Checking - Huntington Bank	-	-
Total Special Revenue Funds		233,256
Debt Service Fund		
Money Market Account - Huntington Bank		203,214
Capital Project Funds		
Sinking Fund -Checking Account - Chemical Bank		732,384
Building & Site Fund - Checking Account - Chemical Bank	177,536	
Building & Site Fund - Investments - Fifth Third Bank	27,848,786	28,026,322
Total Capital Projects Funds		28,758,706
Student Activity Agency Fund		
Checking - Newaygo County SECU	3,119	
Savings - Newaygo County SECU	5	
Certificate of Deposit - Chemical Bank	150,494	
MIA Asset Management	194,076	347,694
		\$ 32,191,669
Governmental Funds		
Major Funds		30,878,335
Non-Major Funds		965,640
		31,843,975
Fiduciary Funds		
		347,694
		\$ 32,191,669

FREMONT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards

June 30, 2011

Federal Grantor Pass-Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Grant Award <u>Amount</u>	Accrued (Deferred) Revenue <u>6/30/2010</u>	(Memo Only) Prior Year <u>Expenditures</u>	Current Year <u>Expenditures</u>	Current Year <u>Cash Receipts</u>	Accrued or (Deferred) Revenue at <u>6/30/2011</u>
<u>U.S. Department of Education</u>							
Passed Through Michigan Department of Education							
Federal Adult Education-English							
101120-105307	84.002A	14,000	-	10,575	8	8	-
111120-115307	84.002A	12,600	-	-	12,600	12,600	-
111130-111998	84.002A	25,740	-	-	25,740	25,740	-
Total		<u>52,340</u>	<u>-</u>	<u>10,575</u>	<u>38,348</u>	<u>38,348</u>	<u>-</u>
Title I Part A Improving Basic Programs Cluster							
101530-0910	84.010	557,111	71,826	551,244	(240)	71,586	-
111520-1011	84.010	12,000	-	-	8,679	7,500	1,179
111530-1011	84.010	549,538	-	-	511,689	485,232	26,457
Total		<u>1,118,649</u>	<u>71,826</u>	<u>551,244</u>	<u>520,128</u>	<u>564,318</u>	<u>27,636</u>
ARRA Title I Part A							
101535-0910-ARRA	84.389	290,574	60,775	280,770	-	60,775	-
111535-1011-ARRA	84.389	9,804	-	-	9,804	9,804	-
		<u>300,378</u>	<u>60,775</u>	<u>280,770</u>	<u>9,804</u>	<u>70,579</u>	<u>-</u>
Title II Part D Regular Cluster							
104295-0910-ARRA	84.386	11,388	2,630	12,900	(1,656)	974	-
114295-1011-ARRA	84.386	144	-	-	144	144	-
Total		<u>11,532</u>	<u>2,630</u>	<u>12,900</u>	<u>(1,512)</u>	<u>1,118</u>	<u>-</u>
Title II Part A Regular-Improving Teacher Quality							
100520-0910	84.367	158,004	37,100	134,524	-	37,100	-
110520-1011	84.367	143,872	-	-	107,591	92,968	14,623
Total		<u>301,876</u>	<u>37,100</u>	<u>134,524</u>	<u>107,591</u>	<u>130,068</u>	<u>14,623</u>
ARRA Education Stabilization Fund FY 2010							
102525-0910	84.394	665,438	121,043	665,438	-	121,043	-
112525-1011	84.394	273,710	-	-	273,710	223,922	49,788
		<u>939,148</u>	<u>121,043</u>	<u>665,438</u>	<u>273,710</u>	<u>344,965</u>	<u>49,788</u>

Education Jobs Fund 112545-1011	84.410A	<u>526,371</u>	<u>-</u>	<u>-</u>	<u>526,371</u>	<u>526,371</u>	<u>-</u>
Total Passed Through Michigan Department of Education		3,250,294	293,374	1,655,451	1,474,440	1,675,767	92,047
Passed Through Newaygo Regional Educational Service Agency Special Education 030450-Flow Through	84.027	<u>275,916</u>	<u>-</u>	<u>-</u>	<u>275,916</u>	<u>215,679</u>	<u>60,237</u>
Total U.S. Department of Education		3,526,210	293,374	1,655,451	1,750,356	1,891,446	152,284
U.S. Department of Interior-Payment in Lieu of Taxes	15	2,956	-	-	2,956	2,956	-
<u>U.S. Department of Agriculture</u> (See next page)		<u>985,354</u>	<u>16,832</u>	<u>407,783</u>	<u>511,813</u>	<u>462,406</u>	<u>66,239</u>
Total Federal Financial Assistance		<u>\$ 4,514,520</u>	<u>\$ 310,206</u>	<u>\$ 2,063,234</u>	<u>\$ 2,265,125</u>	<u>\$ 2,356,808</u>	<u>\$ 218,523</u>

NOTES:

1. The significant accounting policies used in preparing this schedule are the same as those utilized in preparing the general purpose financial
2. The amounts reported on the R7120, Grant Section Auditor's Report reconcile with this schedule.
3. There are no federal loan balances reported on this schedule. Pass-through funds are reported from the Newaygo Regional Educational Service Agency for Special Education

FREMONT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards
June 30, 2011

Federal Grantor Pass-Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Grant Award <u>Amount</u>	Accrued (Deferred) Revenue <u>6/30/2010</u>	(Memo Only) Prior Year <u>Expenditures</u>	Current Year <u>Expenditures</u>	Current Year <u>Cash Receipts</u>	Accrued or (Deferred) Revenue at <u>6/30/2011</u>
<u>U.S. Department of Agriculture</u>							
Passed Through Michigan Department of Education							
Nutrition Cluster							
101950 Sect 4 All Lunches	10.555	\$ 54,527	\$ 634	\$ 47,397	\$ 7,130	\$ 7,764	\$ -
111950 Sect 4 All Lunches	10.555	50,283	-	-	43,015	40,531	2,484
101980 Snacks	10.555	9,978	417	8,918	1,060	1,477	-
111980 Snacks	10.555	10,599	-	-	9,164	7,728	1,436
101960 Sec II Free & Reduced	10.555	322,190	12,914	288,091	34,099	47,013	-
111960 Sec II Free & Reduced	10.555	333,635	-	-	288,400	237,881	50,519
Total		781,212	13,965	344,406	382,868	342,394	54,439
101970 Breakfast	10.553	70,156	3,153	63,377	6,779	9,932	-
111970 Breakfast	10.553	78,512	-	-	66,559	54,606	11,953
Total		148,668	3,153	63,377	73,338	64,538	11,953
Total Passed Through Michigan Department of Education		929,880	17,118	407,783	456,206	406,932	66,392
Direct U.S.D.A.							
Bonus Commodities	10.555	3,348	-	-	3,348	3,348	-
Entitlement Commodities	10.555	52,126	(286)	-	52,259	52,126	(153)
Total Direct U.S.D.A.		55,474	(286)	-	55,607	55,474	(153)
Total Federal		\$ 985,354	\$ 16,832	\$ 407,783	\$ 511,813	\$ 462,406	\$ 66,239

FREMONT PUBLIC SCHOOLS

Schedule of Reconciliation of Revenues
With Expenditures for Federal Awards
For the Year Ended June 30, 2011

Revenue from Federal Sources - Per Financial Statement (Includes all Funds)	\$ 3,230,343
Less: Additional Federal Commodity Revenue recorded due to change in accounting estimate	<u>(965,218)</u>
	<u>\$ 2,265,125</u>
Federal Expenditures Per the Schedule of Federal Financial Assistance (Excludes Local or State Matching Funds, Prior Year Expenditures, etc.)	<u>\$ 2,265,125</u>

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

Board of Education
Fremont Public School District
Fremont, Michigan 49412

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont Public Schools as of and for the year ended June 30, 2011, which collectively comprise Fremont Public School's basic financial statements and have issued our report thereon dated October 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a 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 that a material misstatement of the entity's financial statements will not be presented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-1 that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the Fremont Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Fremont Public School in a separate letter dated October 27, 2011.

Fremont Public School's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Fremont Public School's response and, accordingly express no opinion on it.

This report is intended solely for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

H & S Companies, P.C.

H & S Companies, P.C.
Certified Public Accountants
October 27, 2011

Report on Compliance with Requirement That Could Have a Direct
and Material Effect on Each Major Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

Board of Education
Fremont Public Schools
Fremont, Michigan 49412

Compliance

We have audited Fremont Public Schools compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Fremont Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Fremont Public School's management. Our responsibility is to express an opinion on Fremont Public School's compliance based on our audit.

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

In our opinion, Fremont Public Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Fremont Public School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fremont Public School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

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

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

This report is intended solely for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

H & S Companies, P.C.

H & S Companies, P.C.
Certified Public Accountants
October 27, 2011

FREMONT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued is unqualified.
2. Internal control over financial reporting.
 - a. No material weaknesses were identified.
 - b. Significant deficiency identified that is not considered to be material weakness.
3. No Noncompliance material to the financial statements noted.

Federal Awards

1. Internal control over major programs:
 - a. No material weaknesses identified.
 - b. No significant deficiency(ies) identified that are not considered to be material weaknesses.
2. The type of auditor's report issued on compliance for major programs is unqualified.
3. Audit findings were disclosed that are required to be reported in accordance with section 510(a) of Circular A-133.
4. The programs tested as a major programs included:

Education Jobs Fund	CFDA #:	84.410A
Child Nutrition Cluster	CFDA #:	10.553, 10.555
5. The threshold for distinguishing Types A and B programs was \$300,000.
6. Fremont Public School District was not determined to be a low risk auditee.

Section II - Financial Statement Findings

2011-1

Finding Type - Significant Deficiency

Criteria -Segregation of Duties

Condition - For effective internal controls, authorization, bookkeeping, access to assets, and independent reconciliation functions should be separated.

Context/Cause -Due to the limited number of employees in the accounting department an adequate segregation of duties has not been implemented by the District.

Effect - It may be possible for District employees to appropriate assets or misstate data, both intentionally or unintentionally, without discovery by another school employee.

Corrective Action Plan- Fremont Public Schools will continue to look for cost effective ways to monitor and improve this limitation in internal controls.

Section III - Federal Award Findings and Questioned Costs

No Findings

FREMONT PUBLIC SCHOOLS

Schedule of Prior Audit Findings
For the Year Ended June 30, 2011

Audit Period: For the Year Ended June 30, 2010

The finding from the June 30, 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section II - Financial Statement Findings

2010-1

Finding Type - Significant Deficiency

Criteria -Segregation of Duties

Condition - For effective internal controls, authorization, bookkeeping, access to assets, and independent reconciliation functions should be separated.

Context/Cause -Due to the limited number of employees in the accounting department an adequate segregation of duties has not been implemented by the District.

Effect - It may be possible for District employees to appropriate assets or misstate data, both intentionally or unintentionally, without discovery by another school employee.

Corrective Action Plan- Fremont Public Schools will continue to look for cost effective ways to monitor and improve this limitation in internal controls.

This finding is repeated in the current fiscal year.