

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

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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FREMONT PUBLIC SCHOOLS

Board Members

Ed Wosinski	President
Linda Blais	Vice-President
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Rhoni Kaastra	Trustee
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Executive Administration

James D. 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, 2012, 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, 2012, 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 22, 2012 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 22, 2012

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, 2012.

FINANCIAL HIGHLIGHTS

- ï The District's total net assets of governmental activities increased over \$128,000 to more than \$7.3 million.

- ï General revenues accounted for \$19.4 million, or 79 percent, of all fiscal year 2012 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for over \$5.2 million or 21 percent of total fiscal year 2012 revenues. Revenues were down over \$770,000 from the prior year. The major changes are increases in state aid and interest and other of \$96,000 and \$101,000 offset by lower property tax revenues of \$136,000 and operating grants that dropped \$835,000.

- ï The District had about \$24.6 million in expenses related to governmental activities; of which over \$5.2 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 almost \$100,000 compared to last year.

- ï The General Fund, a major fund for the District, had over \$19.1 million in revenue and other financing sources which primarily consisted of state aid and property taxes. The General Fund also had over 19.6 million in expenditures and other uses. The General Fund's fund balance decreased by more than \$544,000.

General Fund revenues decreased \$816,277 while expenditures were up by more than \$92,774 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 \$35,975 in investment income and expended over \$17.7 million in construction, 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 property taxes decreased \$37,824 from the prior year level of \$3,028,338. The Debt Service Fund also received \$961,607 in bond interest credits from the federal government. Expenditures increased from \$4.74 million to \$4.76 million due to principal payments on the bonds. The Debt Service Fund Balance increased \$3,477.

- ï The Capital Projects-Sinking Fund and Food Service Funds are non-major funds for the District. Together they accounted for over \$1.6 million in revenue and over \$1.29 million in expenses. The fund balances of these funds increased by more than \$338,000.

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, 2012 and 2011:

Net Assets Summary

Assets	<u>2012</u>	<u>2011</u>
Current Assets	\$ 14,766,794	\$ 34,898,585
Capital Assets	63,493,607	45,736,375
Less: Accumulated Depreciation	<u>(14,202,655)</u>	<u>(13,590,718)</u>
Capital Assets, Net Book Value	<u>49,290,952</u>	<u>32,145,657</u>
Total Assets	<u><u>\$ 64,057,746</u></u>	<u><u>\$ 67,044,242</u></u>
Liabilities		
Current Liabilities	\$ 5,063,869	\$ 7,138,474
Long-Term Liabilities	<u>51,607,120</u>	<u>52,647,163</u>
Total Liabilities	56,670,989	59,785,637
Net Assets		
Invested in Cap. Assets, Net of Related Debt	4,704,985	4,374,634
Restricted for Debt Service	206,743	203,266
Unrestricted	<u>2,475,029</u>	<u>2,680,705</u>
Total Net Assets	<u>7,386,757</u>	<u>7,258,605</u>
Total Liabilities and Net Assets	<u><u>\$ 64,057,746</u></u>	<u><u>\$ 67,044,242</u></u>

Results of Operations:

For the fiscal years ended June 30, 2012 and 2011, the District wide results of operations were:

	Year Ended 2012		Year Ended 2011	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 696,873	2.82	\$ 693,360	2.72
Operating Grants/Contr.	4,520,346	18.29	5,355,797	21.02
General Revenues:				
Property Taxes	5,807,007	23.50	5,942,962	23.32
State Aid	13,338,842	53.98	13,242,446	51.97
Interest and Other	345,625	1.40	244,391	0.96
Total Revenue	<u>24,708,693</u>	<u>100.00</u>	<u>25,478,956</u>	<u>100.00</u>
Expenses:				
Instruction				
Basic Programs	11,087,669	45.11	10,401,275	42.14
Added Needs	3,265,414	13.28	3,491,171	14.15
Adult Education	33,516	0.14	42,307	0.17
Total Instruction	<u>14,386,599</u>	<u>58.53</u>	<u>13,934,753</u>	<u>56.46</u>
Support Services				
Pupil	563,854	2.29	556,736	2.26
Instructional Staff	298,214	1.21	264,984	1.07
General Administration	357,349	1.45	355,507	1.44
School Administration	1,116,950	4.54	1,104,445	4.48
Business	304,766	1.24	339,605	1.38
Operations/Maintenance	1,413,109	5.75	1,436,175	5.82
Pupil Transportation	832,002	3.38	928,540	3.76
Central	332,793	1.35	432,540	1.75
Total Support Services	<u>5,219,037</u>	<u>21.23</u>	<u>5,418,532</u>	<u>21.96</u>
Community Services	377,285	1.53	309,969	1.26
Food Service	833,094	3.39	787,095	3.19
Athletics	440,483	1.79	550,952	2.23
Capital Outlay	139,763	0.57	446,611	1.81
Interest on Debt	3,184,280	12.95	3,232,096	13.10
Total Expenses	<u>24,580,541</u>	<u>100.00</u>	<u>24,680,008</u>	<u>100.00</u>
Change in Net Assets	128,152		798,948	
Beginning Net Assets	7,258,605		6,459,657	
Ending Net Assets	<u>\$ 7,386,757</u>		<u>\$ 7,258,605</u>	

Debt Administration

At year-end, the District had over \$53.4 million in long-term obligations of which \$1,943,855 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, 2012.

Early Retirement	\$	255,000
Compensated Absences		47,018
Bond Issues		<u>53,125,101</u>
	\$	<u>53,427,119</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, 2012, the net increase in accumulated depreciation was \$611,937. Depreciation expense totaled \$840,000 and \$228,063 was removed due to asset disposals.

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 \$840,000 in assets during the year.

Capital Outlay Acquisitions

Actual capital outlay acquisitions during the year were \$18,030,646 while \$237,580 of assets were disposed of for the fiscal year ended June 30, 2012.

Net Acquisitions combined with the increase in accumulated depreciation, net assets (i.e., net book value) invested in capital assets increased by \$17,181,129 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 2011-2012 fiscal year was \$2,167,268. The non-homestead tax levy decreased by 2.11% 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
2011-2012	2,167,268	-2.01%
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%

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 90% of current year fall count and 10% 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 \$6,846 per student for the 2011-2012 school year. This represented a reduction of \$470 per student compared to the allowance of \$7,316 for the 2010-2011 school year. Fremont Public Schools also received an additional \$100 per pupil to help offset increased retirement costs and \$100 per pupil for implementing best practices as defined by the State.

Student Enrollment:

The District's student enrollment for the fall count of 2011-2012 was 2,294 students. The following summarizes fall student enrollments in the past five years:

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2011-2012	2,294	22
2010-2011	2,272	(103)
2009-2010	2,375	12
2008-2009	2,363	(102)
2007-2008	2,465	(47)

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 2011-2012 the District's debt millage levy was 7.0 mills, which generated a levy of \$2,989,802.

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 2011-2012, the District's Building and Site sinking fund levy was 1.7191 mills, which generated a levy of \$734,253.

Food Service Sales to Students & Adults:

The District's food and milk sales to students and adults decreased by \$8,087 from the prior school year. State Sources increased \$213 while Federal Sources increased \$25,658. The total expenditures for Food Service operations exceeded total revenues for the year by \$2,543.

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
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%
2011-2012	19,394,831	19,835,745	19,685,220	1.50%	-0.76%
Five-Year Average Over (Under) Budget				-0.43%	-0.86%

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
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%
2011-2012	18,692,228	19,181,335	19,140,950	2.40%	-0.21%

**Management's Discussion and Analysis
For the Year Ended June 30, 2012**

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	\$ 18,692,228	
Total Revenues Final Budget	<u>\$ 19,181,335</u>	
 Increase in Budgeted Revenues	 <u>\$ 489,107</u>	 2.62%

The District's final general fund revenues differed from the final budget by \$52,392. This is a variance of .27%.

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

- ï Decrease in Property Taxes
- ï Increased State Aid Funding due to MPSERS offset and Best Practices
- ï Increased Special Education Funds

General Fund Expenditures:

Total Expenditures Original Budget	\$ 19,394,831	
Total Expenditures Final Budget	<u>\$ 19,835,745</u>	
 Increase in Budgeted Expenditures	 <u>\$ 440,914</u>	 2.27%

The District's final general fund expenditures differed from the final budget by \$162,532. This is a variance of .82%.

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

- ï Increase in Basic Program Instruction Salaries and Benefits
- ï Increase in Transportation Salaries and Benefits

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 2012-2013 budget. The primary factors include the previous history of declining enrollment and the per pupil foundation allowance. Also considered in the development of the budget is the local economy. These indicators were considered when adopting the budget for fiscal year 2012-2013. Budgeted expenditures in the General Fund are \$19,424,365 which is a 1.26% decrease from the 2011-2012 actual expenditures. The Food Service budget for 2012-2013 fiscal year reflects an increase of approximately 6.33% percent over the 2011-2012 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, 2012

	Governmental Activities
Assets	
Current Assets:	
Cash/Investments	\$ 624,825
Accounts Receivable	54,403
Due from Other Governmental Units	2,836,423
Inventory	92,111
Restricted Cash/Investments-Capital Projects and Debt Service	11,159,032
Total Current Assets	14,766,794
Noncurrent Assets:	
Deferred Charges (net of amortization)	331,836
Land	1,575,257
Capital Assets (net of accumulated depreciation)	47,383,859
Total Noncurrent Assets	49,290,952
Total Assets	64,057,746
Liabilities	
Current Liabilities:	
Accounts Payable	1,010,026
Salaries/Severance Payable	1,109,944
Retirement Payable	269,456
Health Insurance Payable	312,567
Payroll Taxes Payable	97,587
Deferred Revenue	320,434
Current Portion of Long-Term Obligations	1,943,855
Total Current Liabilities	5,063,869
Noncurrent Liabilities:	
Bond Issue Premium (net of amortization)	123,856
Noncurrent Portion of Long-Term Obligations	51,483,264
Total Noncurrent Liabilities	51,607,120
Total Liabilities	56,670,989
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,704,985
Restricted For:	
Debt Service	206,743
Unrestricted	2,475,029
Total Net Assets	\$ 7,386,757

See accompanying notes to the basic financial statements.

FREMONT PUBLIC SCHOOLS

Government Wide Statement of Activities

For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Revenue</u> <u>Government</u> <u>Activities</u>
Governmental Activities				
Instruction:				
Basic Programs	\$ 11,087,669	\$ -	\$ 291,414	\$ (10,796,255)
Added Needs	3,265,414	-	2,514,485	(750,929)
Adult Education	33,516	-	99,261	65,745
Total Instruction	14,386,599	-	2,905,160	(11,481,439)
Support Services:				
Pupil	563,854	-	4,981	(558,873)
Instructional Staff	298,214	-	-	(298,214)
General Administration	357,349	-	4,500	(352,849)
School Administration	1,116,950	-	-	(1,116,950)
Business	304,766	-	-	(304,766)
Operations and Maintenance	1,413,109	-	-	(1,413,109)
Pupil Transportation	832,002	75,872	-	(756,130)
Central	332,793	-	-	(332,793)
Total Support Services	5,219,037	75,872	9,481	(5,133,684)
Community Services	377,285	236,977	77,323	(62,985)
Food Services	833,094	304,155	566,775	37,836
Athletics	440,483	79,869	-	(360,614)
Capital Outlay (Under \$5,000)	139,763	-	-	(139,763)
Interest and Fees on Debt	3,184,280	-	961,607	(2,222,673)
Total School District	\$ 24,580,541	\$ 696,873	\$ 4,520,346	\$ (19,363,322)

General Revenues

Property Taxes	
General Purposes	\$ 2,082,091
Debt Services	2,990,514
Sinking Fund	734,402
State and Federal Aids Not Restricted To Specific Functions:	
General	13,338,842
Interest and Investment Earnings	40,733
Miscellaneous	40,760
Gain on Sale of Capital Assets	246,461
Amortized Bond Premium	17,671
	<hr/>
Total General Revenues	19,491,474
	<hr/>
Change in Net Assets	128,152
Net Assets - Beginning of Year	7,258,605
	<hr/>
Net Assets - Ending of Year	\$ 7,386,757
	<hr/> <hr/>

See accompanying notes to the basic financial statements

FREMONT PUBLIC SCHOOLS

Balance Sheet - All Governmental Funds

June 30, 2012

	General Fund	Building & Site Fund	Debt Services Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash/Investments	\$ 370,460	\$ 9,970,475	\$ 206,743	\$ 1,236,179	\$ 11,783,857
Accounts Receivable	54,403	-	-	-	54,403
Due from Other Funds	-	-	-	45,382	45,382
Due from Other Governmental Units	2,836,423	-	-	-	2,836,423
Inventory	57,470	-	-	34,641	92,111
Total Assets	<u>\$ 3,318,756</u>	<u>\$ 9,970,475</u>	<u>\$ 206,743</u>	<u>\$ 1,316,202</u>	<u>\$ 14,812,176</u>
Liabilities and Fund Equity					
Liabilities					
Accounts Payable	\$ 4,559	\$ 1,005,467	\$ -	\$ -	\$ 1,010,026
Salaries/Severance Payable	1,109,944	-	-	-	1,109,944
Retirement Payable	269,456	-	-	-	269,456
Health Insurance Payable	312,517	-	-	-	312,517
FICA Taxes Payable	97,637	-	-	-	97,637
Deferred Revenue	320,434	-	-	-	320,434
Due to Other Funds	45,382	-	-	-	45,382
Total Liabilities	2,159,929	1,005,467	-	-	3,165,396
Fund Equity					
Non-Spendable	57,470	-	-	34,641	92,111
Assigned	887,316	8,965,008	206,743	1,281,561	11,340,628
Unassigned	214,041	-	-	-	214,041
Total Fund Equity	<u>1,158,827</u>	<u>8,965,008</u>	<u>206,743</u>	<u>1,316,202</u>	<u>11,646,780</u>
Total Liabilities and Fund Equity	<u>\$ 3,318,756</u>	<u>\$ 9,970,475</u>	<u>\$ 206,743</u>	<u>\$ 1,316,202</u>	<u>\$ 14,812,176</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, 2012

Total Governmental Fund Balances \$ 11,646,780

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	63,493,605
Governmental Accumulated Depreciation	(14,202,655)

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>(53,550,973)</u>
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Total Net Assets - Governmental Activities:	<u><u>\$ 7,386,757</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, 2012

	General Fund	Building & Site Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Sources	\$ 2,757,244	\$ 35,975	\$ 2,992,059	\$ 1,065,697	\$ 6,850,975
State Sources	14,665,159	-	14,515	29,307	14,708,981
Federal Sources	917,497	-	961,607	537,468	2,416,572
Other Sources	488,284	-	-	-	488,284
Total Revenues	18,828,184	35,975	3,968,181	1,632,472	24,464,812
Expenditures					
Instruction					
Basic Programs	10,455,297	-	-	-	10,455,297
Added Needs	3,286,692	-	-	-	3,286,692
Adult Education	27,129	-	-	-	27,129
Support Services:					
Pupil	563,854	-	-	-	563,854
Instructional Staff	295,853	-	-	-	295,853
General Administration	337,948	-	-	-	337,948
School Administration	1,119,431	-	-	-	1,119,431
Business	344,613	-	-	-	344,613
Operations & Maintenance	1,363,882	-	-	-	1,363,882
Pupil Transportation	765,119	-	-	-	765,119
Central	332,793	-	-	-	332,793
Community Services	374,401	-	-	-	374,401
Athletics	418,208	-	-	-	418,208
Food Services	-	-	-	872,283	872,283
Capital Outlay	-	17,739,731	-	421,592	18,161,323
Debt Service	-	-	4,757,713	-	4,757,713
Total Expenditures	19,685,220	17,739,731	4,757,713	1,293,875	43,476,539
Excess Revenues Over (Under) Expenditures	(857,036)	(17,703,756)	(789,532)	338,597	(19,011,727)

Other Financing Sources (Uses)					
Sale of Fixed Assets	255,978	-	-	-	255,978
Proceeds from Long-Term Debt	-	-	793,009	-	793,009
Indirect Cost Allocation	<u>56,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,788</u>
Total Other Financing Sources (Uses)	<u>312,766</u>	<u>-</u>	<u>793,009</u>	<u>-</u>	<u>1,105,775</u>
Excess Revenues and Other Sources					
Over (Under) Expend. and Other Uses	(544,270)	(17,703,756)	3,477	338,597	(17,905,952)
Fund Balance - July 1	<u>1,703,097</u>	<u>26,668,764</u>	<u>203,266</u>	<u>977,605</u>	<u>29,552,732</u>
Fund Balance - June 30	<u>\$ 1,158,827</u>	<u>\$ 8,965,008</u>	<u>\$ 206,743</u>	<u>\$ 1,316,202</u>	<u>\$ 11,646,780</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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (17,905,952)

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	18,030,646	
Depreciation expense reported in the statement of activities	(840,000)	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations to increase (decrease)	(9,517)	
Amount by which capital outlays are more than depreciation and sale of assets in the current period.	<u>17,181,129</u>	17,181,129

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.

Proceeds from debt issues in the current year	(813,260)	
The amount of debt principal payments in the current year is:	1,608,799	
Current year bond issue premium and deferred charges net of amortization.	<u>(20,627)</u>	774,912

(Increase)Decrease in compensated absences that are recorded when earned in the statement of activities. 3,063

(Increase)Decrease in post-retirement benefits that are recorded when earned in the statement of activities. 75,000

Change in Net Assets - Governmental Activities. \$ 128,152

See accompanying notes to the basic financial statements.

FREMONT PUBLIC SCHOOLS

Statement of Net Assets - Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
Assets	
Cash/Investments	\$ 404,723
Total Assets	<u>\$ 404,723</u>
Liabilities and Net Assets	
Liabilities	
Due to Student Groups	\$ 404,723
Net Assets	
Unreserved	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 404,723</u>

See accompanying notes to the basic financial statements.

FREMONT PUBLIC SCHOOLS

Notes to the Financial Statements
For the Year Ended June 30, 2012

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 2,300 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	\$ 54,403	\$ -	\$ 54,403
Due from Other Governments	2,836,423	-	2,836,423
	<u>\$ 2,890,826</u>	<u>\$ -</u>	<u>\$2,890,826</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	\$ 52,062	\$ -
Copy Center Supplies - Paper	5,408	-
Food and Non-Food Supplies	-	34,641
Total Inventories	<u>\$ 57,470</u>	<u>\$ 34,641</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
Grants	\$ -	\$ 320,434

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 such as inventories and prepaids. Fremont Public Schools has \$92,111 reported as Non-spendable fund equity as a result of inventories in the general and food service funds.

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 \$887,316 of the general fund equity. \$392,316 is for a potential IFT tax repayment to the State of Michigan due to errors in the City of Fremont's tax calculations in prior years. The remaining \$495,000 is for payment of accepted voluntary severance plans. 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 in the appropriate fund balance classification based on the definition and criteria for fund balance classifications. 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	\$ 1,368
Cash and Time Deposits	1,380,289
Certificates of Deposit	152,864
External Investment Pool (2a-7 like pool)	183,396
US Government Agency Obligations (1-3 year maturity)	3,530,266
Cash Management Money Market Funds	6,940,397
	<u>\$12,188,580</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-VI by Fitch.

Notes to the Financial Statements (continued)

As of June 30, 2012, \$12,165,205 of the school district's bank balance of \$13,048,240 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 1,717,889
Uninsured and collateral held by pledging bank	3,530,266
Uninsured and collateral held by pledging bank's trust department not in District's name.	<u>6,917,050</u>
	<u><u>\$12,165,205</u></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 | 4. Michigan Liquid Asset Fund |
| 2. Chemical Bank | 5. Municipal Investors Service Corporation (MBIA) |
| 3. Fifth Third Bank | 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, 2012.
- 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 material overexpenditure occurred in the general fund during the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Support Services-Inst. Staff	220,762	295,853	(75,091)

NOTE D INTERFUND RECEIVABLES/PAYABLES

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, 2012, the balances are as follows.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 45,382
Special Revenue - Food Service	45,382	-
Total	<u>\$ 45,382</u>	<u>\$ 45,382</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, 2012:

	<u>Outstanding Principal 6/30/2012</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.	\$42,500,000	\$ 775,000
\$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.	6,925,000	680,000
\$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.	2,350,000	220,000

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.	13,855	13,855
\$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>1,336,246</u>	<u>-</u>
Total Bonds	<u>\$53,125,101</u>	<u>\$1,688,855</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. Eleven employees accepted this offer. In July of 2011, the District adopted a Voluntary Severance Plan to assist eligible teachers who elect to resign. Those that participated were to be paid \$60,000 payable to a tax deferred annuity in two payments of \$25,000 payable by December 15, 2011 and \$35,000 payable by August 1, 2012. Six employees accepted this offer.

\$	255,000	255,000
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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>47,018</u>	<u>-</u>
<u>\$ 302,018</u>	<u>\$ 255,000</u>

Notes to the Financial Statements (continued)

The annual requirements to amortize long-term debt outstanding as of June 30, 2012, 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
2013	775,000	2,719,513	680,000	277,325	220,000	94,048	13,855	660
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	950,000	2,569,652	750,000	177,950	285,000	59,292	-	-
2018-2022	5,775,000	12,017,624	3,310,000	342,050	1,140,000	121,550	-	-
2023-2027	7,825,000	9,958,740	-	-	-	-	-	-
2028-2032	9,600,000	7,147,384	-	-	-	-	-	-
2033-2037	10,725,000	3,695,230	-	-	-	-	-	-
2038-2040	4,300,000	444,406	-	-	-	-	-	-
Total	\$ 42,500,000	\$ 46,506,906	\$ 6,925,000	\$ 1,487,476	\$ 2,350,000	\$ 508,602	\$ 13,855	\$ 660

Changes in Long-Term Debt - The following is a summary of debt transactions of the District for the year ended June 30, 2012.

Governmental-Type Activities	Bond Issues	Notes Payable	Compensated Absence/Early Retirement Payable	Total
Debt Outstanding-July 1	\$ 53,920,640	\$ -	\$ 380,083	\$ 54,300,723
Debt Added During Year	813,260	-	250,006	1,063,266
Debt Retired During Year	(1,608,799)	-	(328,071)	(1,936,870)
Debt Outstanding-June 30	<u>\$ 53,125,101</u>	<u>\$ -</u>	<u>\$ 302,018</u>	<u>\$ 53,427,119</u>
Amount Due Within One Year	\$ 1,688,855	\$ -	\$ 255,000	\$ 1,943,855

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.

Property in the School District for the 2011 levy had a taxable value of \$427 million. For the 2011 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, ("MPERS"), 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. MPERS was established by the State of Michigan to provide retirement, survivor and disability benefits to the State's public school employees.

MPERS 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 MPERS' board, with whom general oversight of the retirement system resides. The State Treasurer serves as the investment officer and custodian for the system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. 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 MPERS. 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 MPERS who became a member of MPERS 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 for July 1, 2011 through September 30, 2011 was 20.66% for the base plan and 19.16% for Pension Plus members. Effective October 1, 2011, the rate increased to 24.46% for the base plan and 23.23% for Pension Plus Members. 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, 2011, benefit expenditures for the pension and postemployment benefits for the MPSERS as a whole were \$5,025,399,744. As of September 30, 2011, the amount of net assets held in trust for pension and health care benefits was \$36,126,969,248. At September 30, 2011 there were 444,185 members in the MPSERS, of which 192,435 were actively receiving benefits, 114,680 were vested employees, 121,980 were non-vested employees and 15,090 were inactive employees entitled to benefits and not yet receiving them. Actual contributions for retirement benefits were \$1,488,270,037. Annual payrolls for the fiscal year ended September 30, 2011 were not available.

Annual Pension and Other Costs

For the fiscal year ended June 30, 2012, the District's annual pension cost of \$2,630,209 was equal to the District's required and actual contributions. The required contribution was determined as part of the September 30, 2010 actuarial valuation using the following assumptions:

Valuation Date	September 30, 2010
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	26 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
2009	\$ 1,928,676	100%	-
2010	\$ 1,917,490	100%	-
2011	\$ 2,146,752	100%	-
2012	\$ 2,630,209	100%	-

NOTE H RELATED PARTY TRANSACTIONS

There were no related party transactions for the fiscal year ended June 30, 2012.

NOTE I SHORT TERM NOTE PAYABLE (See Also Note O)

In October 2011, the School entered into a State Aid Note for \$1,000,000 with Shelby State Bank for the purpose of providing money for school operations for the fiscal year ending June 30, 2012. The note bears interest at .99% and was to mature in October 2012. However, the loan was repaid in June 2012.

Short-Term Debt Outstanding, July 1, 2011	\$ 1,500,000
Debt Added During the Year	1,000,000
Debt Retired During the Year	(2,500,000)
Short-Term Debt Outstanding June 30, 2012	<u>\$ -</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	Balance 6/30/2011	Additions	Adjustments Deletions	Balance 6/30/2012
Capital Assets not being depreciated				
Land	\$ 1,584,774	\$ -	\$ (9,517)	\$ 1,575,257
Construction in Progress	<u>15,513,650</u>	<u>15,436,420</u>	<u>-</u>	<u>30,950,070</u>
Total Capital Assets, not being depreciated	17,098,424	15,436,420	(9,517)	32,525,327
Capital Assets Being Depreciated				
Buildings and Improvements	23,770,355	405,848	(85,656)	24,090,547
Equipment and Vehicles	<u>4,499,926</u>	<u>2,188,378</u>	<u>(142,407)</u>	<u>6,545,897</u>
Subtotal	28,270,281	2,594,226	(228,063)	30,636,444
Less Accumulated Depreciation for				
Buildings and Improvements	10,564,618	707,372	(85,656)	11,186,334
Equipment and Vehicles	<u>3,026,100</u>	<u>132,628</u>	<u>(142,407)</u>	<u>3,016,321</u>
Subtotal	<u>13,590,718</u>	<u>840,000</u>	<u>(228,063)</u>	<u>14,202,655</u>
Net Capital Assets being depreciated	<u>14,679,563</u>	<u>1,754,226</u>	<u>-</u>	<u>16,433,789</u>
Total Governmental Activities				
Capital Assets - Net of Depreciation	<u>\$31,777,987</u>	<u>\$17,190,646</u>	<u>\$ (9,517)</u>	<u>\$48,959,116</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 707,372
Support Services-Students and Staff	2,361
Support Services-Administration	21,676
Operation and Maintenance	7,904
Student Transportation	66,668
Food Services	11,744
Athletics	<u>22,275</u>
Total Depreciation Expense	<u>\$ 840,000</u>

NOTE K CAPITAL PROJECTS-BUILDING & SITE FUND

The Capital Projects-Building & Site Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the capital projects-building & site fund. The projects for which the 2009 Build America Bonds were issued were in process as of June 30, 2012 and the cumulative expenditures recognized for the construction period were as follows.

Notes to the Financial Statements (continued)

The following is a summary of the revenue and expenditures for the capital projects-building & site bond activity since inception:

	<u>Building & Site Fund</u>
Revenue and other financing sources	<u>\$ 44,653,860</u>
Expenditures	<u>\$ 33,385,541</u>

Revenue and other financing sources include the net bond proceeds of \$43,476,281.

NOTE L 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.

NOTE M 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 77.9% percent of total General Fund revenues.

NOTE N SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2012, the most recent balance sheet presented herein, through October 22, 2012, the date these financial statements were available to be issued. The following significant events or transactions were identified:

State Aid Note

The School District entered into an additional State Aid Note for \$1,500,000 on October 2, 2012. The note will bear interest at .79% and mature August 20, 2013.

State School Aid

As of October 9, 2012 the State of Michigan has projected a \$120 increase in the per pupil funding allowance bringing the amount to \$6,966. Fremont Public Schools expects to again receive the Best Practices as defined by the State, however, this additional per pupil funding has decreased from \$100 to \$52.

Voluntary Severance Plans

In July 2012, the District offered a one time retirement option to four employees consisting of one payment of \$35,000 each and one payment of \$25,000 each. Payments in the amount of \$35,000 are to be made in July 2012 and payments in the amount of \$25,000 are to be made in July 2013.

FREMONT PUBLIC SCHOOLS

Required Supplementary Information
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2012

	Budget Amounts		Actual	Variances	
	Original	Final		Original	Final
	to Final	to Actual		to Final	to Actual
Revenues					
Local Sources	\$2,815,398	\$2,839,301	\$2,757,244	\$ 23,903	\$ (82,057)
State Sources	14,210,430	14,645,253	14,665,159	434,823	19,906
Federal Sources	967,400	918,763	917,497	(48,637)	(1,266)
Other Sources	453,000	504,046	488,284	51,046	(15,762)
Total Revenues	18,446,228	18,907,363	18,828,184	461,135	(79,179)
Expenditures					
Instruction					
Basic Programs	9,964,870	10,503,280	10,455,297	538,410	47,983
Added Needs	3,455,240	3,329,895	3,286,692	(125,345)	43,203
Adult Education	105,495	131,480	27,129	25,985	104,351
Total Instruction	13,525,605	13,964,655	13,769,118	439,050	195,537
Support Services:					
Pupil	570,195	564,265	563,854	(5,930)	411
Instructional Staff	184,335	220,762	295,853	36,427	(75,091)
General Administration	331,510	337,332	337,948	5,822	(616)
School Administration	1,068,993	1,105,862	1,119,431	36,869	(13,569)
Business	334,039	342,791	344,613	8,752	(1,822)
Operations & Maintenance	1,405,464	1,379,604	1,363,882	(25,860)	15,722
Pupil Transportation	731,722	763,232	765,119	31,510	(1,887)
Central	363,786	341,843	332,793	(21,943)	9,050
Athletics	494,546	427,455	418,208	(67,091)	9,247
Total Support Services	5,484,590	5,483,146	5,541,701	(1,444)	(58,555)
Community Services	380,516	383,824	374,401	3,308	9,423
Debt Service	4,120	4,120	-	-	4,120
Total Expenditures	19,394,831	19,835,745	19,685,220	440,914	150,525
Excess (deficiency) of Revenue Over Expenditures	(948,603)	(928,382)	(857,036)	20,221	71,346
Other Financing Sources (Uses)					
Sale of Fixed Assets	246,000	273,972	255,978	27,972	(17,994)
Indirect Cost Allocation	-	-	56,788	-	56,788
Total Other Financing Sources (Uses)	246,000	273,972	312,766	27,972	38,794
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(702,603)	(654,410)	(544,270)	48,193	110,140
Fund Balance - July 1	1,637,233	1,703,097	1,703,097	65,864	-
Fund Balance - June 30	\$ 934,630	\$ 1,048,687	\$ 1,158,827	\$ 114,057	\$ 110,140

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 Liabilities	Funded Ratio	(Overfunded) Unfunded Accrued Liabilities	Covered Payroll	UAL as a % of Active Payroll
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%
2010	43,294	60,927	71.1%	17,633	8,845	199.36%

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet - General Fund June 30, 2012 and 2011

	June 30, 2012	June 30, 2011
Assets		
Cash/Investments	\$ 370,460	\$ 2,661,539
Accounts Receivable	54,403	56,385
Due From Other Funds	-	112
Due From Other Governmental Units	2,836,423	2,815,473
Inventory	57,470	66,069
Total Assets	<u>\$ 3,318,756</u>	<u>\$ 5,599,578</u>
Liabilities and Fund Equity		
Liabilities		
Accounts Payable	4,559	30,820
Due to Other Governmental Units	-	21,900
Salaries/Severance Payable	1,109,944	1,371,958
Retirement Payable	269,456	277,014
Health Insurance Payable	312,517	334,540
Payroll Taxes Payable	97,637	118,149
Deferred Revenue	320,434	242,091
Due to Other Funds	45,382	9
Notes Payable	-	1,500,000
Total Liabilities	<u>2,159,929</u>	<u>3,896,481</u>
Fund Equity		
Non-Spendable	57,470	66,069
Assigned for IFT Payback	392,316	392,316
Assigned for VSP Plans	495,000	490,000
Unassigned	214,041	754,712
Total Fund Equity	<u>1,158,827</u>	<u>1,703,097</u>
Total Liabilities and Fund Equity	<u>\$ 3,318,756</u>	<u>\$ 5,599,578</u>

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues - General Fund
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Local Sources		
Property Taxes	\$ 2,082,091	\$ 2,170,887
Summer School Fees	1,550	1,550
Adult/Community Education Fees	215,686	172,744
Transportation Fees	75,872	94,771
Interest on Investments	1,737	2,538
Other Facilities	21,636	19,851
Grants and Donations	247,770	167,066
Athletics	79,869	93,920
Other	31,033	7,685
Total Local Sources	<u>2,757,244</u>	<u>2,731,012</u>
State Sources		
State School Aid	12,895,760	13,242,446
State School Aid-Supplemental	443,082	-
Agency Placed	6,066	-
Special Education	770,883	778,420
Vocational Education - Added Costs	-	34
At Risk	340,668	421,150
Adult Education	67,353	62,660
TSDL/Data Collection	51,007	49,179
Renaissance Zone	90,340	90,907
Total State Sources	<u>14,665,159</u>	<u>14,644,796</u>
Federal Sources		
Title I, Part A	426,137	520,128
Title II, Part A	141,925	107,591
ARRA	-	282,002
Education Jobs	39,763	526,371
EL & Civics Grants	31,908	38,348
National Forest Subsidy	2,764	2,956
Special Education - Flow Through	275,000	275,917
Total Federal Sources	<u>917,497</u>	<u>1,753,313</u>
Interdistrict Sources		
Special Education	488,284	515,340
Total Revenues	<u><u>\$ 18,828,184</u></u>	<u><u>\$ 19,644,461</u></u>

FREMONT PUBLIC SCHOOLS

Comparative Statement of Expenditures - General Fund For the Years Ended June 30, 2012 and 2011

	2012	2011
Instruction		
Basic Programs		
Elementary	\$ 4,723,722	\$ 4,420,297
Middle School	2,497,548	2,372,142
High School	2,889,734	2,806,956
Alternative Education	338,734	272,759
Driver Education	5,559	-
Total Basic Programs	10,455,297	9,872,154
Added Needs		
Special Education	2,361,211	2,428,036
Section 31A / At-Risk	338,380	422,873
Title Programs/Improving Teacher Quality	489,535	582,986
Vocational Education	97,566	76,613
Total Added Needs	3,286,692	3,510,508
Adult Education	27,129	40,807
Total Instruction	13,769,118	13,423,469
Supporting Services		
Pupil		
Guidance	558,501	557,693
Health	372	29,293
Psychological	4,981	4,750
Total Pupil	563,854	591,736
Instructional Staff		
Special Education	46,650	39,542
Adult Education	71,412	59,353
Curriculum Coordinator - School Improvement	76,013	52,870
Media Services	98,280	95,982
Instruction Technology	1,750	13,172
Audio-Visual	1,748	1,704
Total Instructional Staff	295,853	262,623
General Administration		
Board of Education	97,207	65,188
Executive Administration	240,741	231,977
Program Coordinator	-	35,358
Total General Administration	337,948	332,523
School Administration		
Office of the Principal	1,042,863	1,065,563
Alternative Education	74,205	38,685
Copy Center	2,363	7,585
Total School Administration	\$ 1,119,431	\$ 1,111,833

Statement of Expenditures - General Fund (continued)

Business		
Fiscal Services	\$ 228,979	\$ 257,617
Other Business	115,634	128,771
Total Business	<u>344,613</u>	<u>386,388</u>
Operations & Maintenance		
Operations and Maintenance	1,353,780	1,359,931
Energy Management	10,102	26,931
Total Operations & Maintenance	<u>1,363,882</u>	<u>1,386,862</u>
Transportation	765,119	828,651
Central		
Informational Services	33,675	47,629
Professional Development	1,137	10,386
Technology	229,092	302,295
Computer Information Management	19,080	21,810
Data Collection	49,809	49,235
Total Central	<u>332,793</u>	<u>431,355</u>
Athletics	418,208	528,678
Total Supporting Services	<u>5,541,701</u>	<u>5,860,649</u>
Community Services		
Community School Program	43,098	39,466
Community Recreation and Enrichment	57,045	47,244
Kids University	-	4,907
Day Care	117,451	92,351
Capturing Kids Hearts	43,490	-
After School Enrichment	113,317	125,713
Total Community Services	<u>374,401</u>	<u>309,681</u>
Debt Service		
Principal Retired	-	4,123
Interest	-	66
Total Debt Service	<u>-</u>	<u>4,189</u>
Total Expenditures	<u>\$ 19,685,220</u>	<u>\$ 19,597,988</u>

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet - Debt Service Fund
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash/Investments	\$ 206,743	\$ 203,215
Due From Other Funds	-	51
Total Assets	<u>\$ 206,743</u>	<u>\$ 203,266</u>
Fund Equity		
Assigned	<u>206,743</u>	<u>203,266</u>
Total Liabilities and Fund Equity	<u>\$ 206,743</u>	<u>\$ 203,266</u>

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues, Expenditures, and Changes
in Fund Balances - Debt Service Fund
For the Years Ended June 30, 2012 and 2011

	2012	2011
Revenues		
Local Sources		
Property Taxes	\$ 2,990,514	\$ 3,028,338
Interest on Investments	1,545	3,009
Total Local Sources	2,992,059	3,031,347
State Sources		
State Aid	14,515	14,515
Federal Sources		
Qualified Bonds Credit Payment	961,607	965,220
Total Revenues	3,968,181	4,011,082
Expenditures		
Taxes Abated	2,932	13,656
Principal Retired	1,608,226	1,532,051
Interest	3,145,155	3,192,335
Paying Agent	1,400	1,400
Total Debt Service	4,757,713	4,739,442
Excess Revenues Over(Under)Expenditures	(789,532)	(728,360)
Other Financing Sources(Uses)		
Proceeds from Issuance of Long-Term Debt	793,009	519,994
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,477	(208,366)
Fund Balance - July 1	203,266	411,632
Fund Balance - June 30	\$ 206,743	\$ 203,266

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet - Building & Site Fund June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash/Investments	<u>\$ 9,970,475</u>	<u>\$ 28,026,323</u>
Total Assets	<u>\$ 9,970,475</u>	<u>\$ 28,026,323</u>
Liabilities and Fund Equity		
Liabilities		
Accounts Payable	<u>\$ 1,005,467</u>	<u>\$ 1,357,559</u>
Total Liabilities	1,005,467	1,357,559
Fund Equity		
Assigned	<u>8,965,008</u>	<u>26,668,764</u>
Total Fund Equity	<u>8,965,008</u>	<u>26,668,764</u>
Total Liabilities and Fund Equity	<u>\$ 9,970,475</u>	<u>\$ 28,026,323</u>

FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues - Building & Site Fund
For the Years Ended June 30, 2012 and 2011

	2012	2011
Revenues		
Local Sources		
Interest on Investments	\$ 35,975	\$ 211,917
Total Revenues	35,975	211,917
Expenditures		
Capital Outlay	17,028,664	13,123,805
Land	303	2,017
Professional Services	241,579	165,708
Miscellaneous Expenses	469,185	1,269,887
Total Expenditures	17,739,731	14,561,417
Excess Revenues Over (Under) Expenditures	(17,703,756)	(14,349,500)
Fund Balance - July 1	26,668,764	41,018,264
Fund Balance - June 30	\$ 8,965,008	\$ 26,668,764

FREMONT PUBLIC SCHOOLS

Combining Balance Sheet
 All Non-Major Governmental Funds - By Fund Type
 June 30, 2012

	Special Revenue <u>Food Service</u>	Capital Projects <u>Sinking Fund</u>	Total Non-Major Governmental <u>Funds</u>
Assets and Other Debits			
Cash/Investments	\$ 254,365	\$ 981,814	\$ 1,236,179
Due From Other Funds	45,382	-	45,382
Inventory	<u>34,641</u>	<u>-</u>	<u>34,641</u>
Total Assets and Other Debits	<u><u>\$ 334,388</u></u>	<u><u>\$ 981,814</u></u>	<u><u>\$ 1,316,202</u></u>
Fund Equity and Other Credits			
Fund Balances			
Non-Spendable	\$ 34,641	\$ -	\$ 34,641
Assigned	<u>299,747</u>	<u>981,814</u>	<u>1,281,561</u>
Total Fund Equity and Other Credits	<u>334,388</u>	<u>981,814</u>	<u>1,316,202</u>
Total Liabilities, Fund Equity, and Other Credits	<u><u>\$ 334,388</u></u>	<u><u>\$ 981,814</u></u>	<u><u>\$ 1,316,202</u></u>

FREMONT PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - All Non-Major Governmental Funds - By Fund Type
For the Year Ended June 30, 2012

	<u>Special Revenue Food Service</u>	<u>Capital Projects Sinking Fund</u>	<u>Total Non-Major Governmental Funds</u>
Revenues			
Local Sources	\$ 302,965	\$ 762,732	\$ 1,065,697
State Sources	29,307	-	29,307
Federal Sources	537,468	-	537,468
Total Revenues	<u>869,740</u>	<u>762,732</u>	<u>1,632,472</u>
Expenditures			
Supporting Services			
Capital Outlay	-	421,592	421,592
Food Service	872,283	-	872,283
Total Expenditures	<u>872,283</u>	<u>421,592</u>	<u>1,293,875</u>
Excess Revenues Over (Under) Expenditures	(2,543)	341,140	338,597
Fund Balance - July 1	<u>336,931</u>	<u>640,674</u>	<u>977,605</u>
Fund Balance - June 30	<u><u>\$ 334,388</u></u>	<u><u>\$ 981,814</u></u>	<u><u>\$ 1,316,202</u></u>

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet
Non-Major Food Service Special Revenue Fund
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash/Investments	\$ 254,365	\$ 233,256
Due From Other Governmental Units	-	66,392
Due From Other Funds	45,382	-
Inventory	<u>34,641</u>	<u>37,549</u>
Total Assets	<u>\$ 334,388</u>	<u>\$ 337,197</u>
Liabilities		
Due to Other Funds	\$ -	\$ 113
Deferred Revenue	<u>-</u>	<u>153</u>
Total Liabilities	-	266
Fund Equity		
Non-Spendable	34,641	37,549
Assigned	<u>299,747</u>	<u>299,382</u>
Total Fund Equity	<u>334,388</u>	<u>336,931</u>
Total Liabilities and Fund Equity	<u>\$ 334,388</u>	<u>\$ 337,197</u>

FREMONT PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2012

	Food Service		
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
Revenues			
Local Sources	\$ 303,360	\$ 302,965	\$ (395)
State Sources	30,000	29,307	(693)
Federal Sources	535,000	537,468	2,468
Total Revenues	868,360	869,740	1,380
 Expenditures			
Food Service	880,223	872,283	7,940
Total Expenditures	880,223	872,283	7,940
 Excess Revenues Over (Under) Expenditures	(11,863)	(2,543)	9,320
 Fund Balance - July 1	336,931	336,931	-
Fund Balance - June 30	\$ 325,068	\$ 334,388	\$ 9,320

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, 2012 and 2011

	2012	2011
Revenues		
Local Sources		
Children's Lunches and Breakfasts	\$ 171,314	\$ 153,662
Ala Carte	103,648	124,049
Adult Lunches and Breakfasts	8,197	6,791
Interest	362	480
Other	19,444	26,070
Total Local Sources	302,965	311,052
State Sources	29,307	29,094
Federal Sources	537,468	511,810
Total Revenues	869,740	851,956
Expenditures		
Salaries:		
Coordinator	47,210	49,955
Manager	23,482	22,939
Cooks	34,975	36,014
Servers and Others	187,620	173,240
Payroll Taxes and Other Fringe Benefits	106,114	92,525
Local Travel	3,145	1,152
Equipment Repairs and Maintenance	7,135	3,598
Other Purchased Services	10,736	9,194
Food	361,973	347,283
Vehicle Expense	3,708	2,958
Non-food Supplies and Miscellaneous	22,868	21,659
Indirect Costs	44,781	9,982
Sales Tax	438	350
Dues and Subscriptions	1,661	1,319
Capital Outlay	16,437	20,561
Total Expenditures	872,283	792,729
Excess Revenues Over (Under) Expenditures	(2,543)	59,227
Fund Balance - July 1	336,931	277,704
Fund Balance - June 30	\$ 334,388	\$ 336,931

FREMONT PUBLIC SCHOOLS

Comparative Balance Sheet - Non-Major Capital Projects Fund - Sinking Fund
For the Years Ended June 30, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

	Sinking Fund									
	June 30 2012	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
Assets										
Cash	\$ 981,814	\$ 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	\$ 981,814	\$ 732,384	\$ 357,469	\$ 126,937	\$ 63,933	\$ 27,738	\$ 184,961	\$ 3,460	\$ 235,800	\$ 100,941
Liabilities										
Accounts Payable	\$ -	\$ 91,668	\$ -	\$ 5,340	\$ 35,806	\$ -	\$ -	\$ -	\$ 8,500	\$ 11,075
Due to Other Governmental Units	-	-	-	-	-	175	-	-	-	-
Due to Other Funds	-	42	29	-	100,000	128,531	-	-	-	-
Total Liabilities	-	91,710	29	5,340	135,806	128,706	-	-	8,500	11,075
Fund Equity										
Assigned	981,814	640,674	357,440	121,597	(71,873)	(100,968)	184,961	3,460	227,300	89,866
Total Liabilities and Fund Equity	\$ 981,814	\$ 732,384	\$ 357,469	\$ 126,937	\$ 63,933	\$ 27,738	\$ 184,961	\$ 3,460	\$ 235,800	\$ 100,941

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, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

	June 30 2012	June 30 2011	June 30 2010	June 30 2009	June 30 2008	June 30 2007
Revenues						
Local Sources						
Property Taxes	\$ 734,402	\$ 743,737	763,974	722,848	\$ 699,881	\$ 667,257
Interest on Investments	1,114	1,124	579	294	1,401	2,536
Miscellaneous Income	27,216	-	150	-	-	-
Total Local Sources	762,732	744,861	764,703	723,142	701,282	669,793
Expenditures						
Supporting Services						
Taxes Abated	733	3,512	20	4,502	-	-
Capital Outlay	407,464	453,398	516,338	491,303	645,044	842,844
Professional Services	995	2,442	6,096	33,274	-	-
Miscellaneous Expense	12,400	2,275	6,406	593	27,143	5,156
Total Supporting Services	421,592	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	421,592	461,627	528,860	529,672	672,187	955,722
Excess Revenues Over (Under) Expenditures	341,140	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)	341,140	283,234	235,843	193,470	29,095	(285,929)
Fund Balance - July 1	640,674	357,440	121,597	(71,873)	(100,968)	184,961
Fund Balance - June 30	<u>\$ 981,814</u>	<u>\$ 640,674</u>	<u>\$ 357,440</u>	<u>\$ 121,597</u>	<u>\$ (71,873)</u>	<u>\$ (100,968)</u>

<u>June 30 2006</u>	<u>June 30 2005</u>	<u>June 30 2004</u>	<u>June 30 2003</u>	<u>Totals</u>
\$ 628,340	\$ 597,747	\$ 563,973	\$ 540,649	\$ 5,928,406
3,068	1,120	365	153	10,640
-	-	-	-	150
<u>631,408</u>	<u>598,867</u>	<u>564,338</u>	<u>540,802</u>	<u>5,939,196</u>
-	-	-	-	8,034
321,013	699,030	283,441	845,676	5,098,087
-	-	-	-	41,812
<u>14,124</u>	<u>1,860</u>	<u>14,599</u>	<u>-</u>	<u>72,156</u>
<u>335,137</u>	<u>700,890</u>	<u>298,040</u>	<u>845,676</u>	<u>5,220,089</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>70,473</u>
<u>114,770</u>	<u>121,817</u>	<u>128,864</u>	<u>50,000</u>	<u>523,173</u>
449,907	822,707	426,904	895,676	5,743,262
181,501	(223,840)	137,434	(354,874)	195,934
<u>-</u>	<u>-</u>	<u>-</u>	<u>452,700</u>	<u>452,700</u>
181,501	(223,840)	137,434	97,826	648,634
<u>3,460</u>	<u>227,300</u>	<u>89,866</u>	<u>(7,960)</u>	<u>-</u>
<u>\$ 184,961</u>	<u>\$ 3,460</u>	<u>\$ 227,300</u>	<u>\$ 89,866</u>	<u>\$ 648,634</u>

FREMONT PUBLIC SCHOOLS

Balance Sheet
Fiduciary Fund
Student Activities Agency Fund
June 30, 2012

Assets

Cash and Investments	<u>\$ 404,723</u>
Total Assets	<u><u>\$ 404,723</u></u>

Liabilities

Due to Student Groups	<u>\$ 404,723</u>
Total Liabilities	<u><u>\$ 404,723</u></u>

FREMONT PUBLIC SCHOOLS

Statement of Changes in Assets and Liabilities
Fiduciary Fund
Student Activities Agency Fund
For the Year Ended June 30, 2012

	<u>Balance</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2012</u>
Assets				
Cash and Investments	<u>\$ 347,694</u>	<u>\$ 643,707</u>	<u>\$ 586,678</u>	<u>\$ 404,723</u>
Liabilities				
Due to Student Groups	<u>\$ 347,694</u>	<u>\$ 643,707</u>	<u>\$ 586,678</u>	<u>\$ 404,723</u>

FREMONT PUBLIC SCHOOLS

Statement of Cash Receipts and Disbursements

Fiduciary Fund

Student Activities Agency Fund

For the Year Ended June 30, 2012

	Balance 6/30/2011	Receipts	Disbursements	Balance 6/30/2012
Interest on Investment	\$ 1,567	\$ 399	\$ 996	\$ 970
Administration - Miscellaneous	22,959	11,092	5,120	28,931
Daisy Brook - Book Fair	1,901	13,706	14,520	1,087
Daisy Brook - Cash for Education	6,921	5,667	6,094	6,494
Daisy Brook - School/Store	-	378	378	-
Daisy Brook - Grade Funds	4,738	417	356	4,799
Daisy Brook - Activities Fund	4,833	4,097	5,315	3,615
Daisy Brook - Student Council	4,981	1,716	1,275	5,422
Daisy Brook - Poker Fundraiser	-	8,450	8,450	-
High School - Alumni Band	13	-	-	13
High School - Art/Pekel	973	1,588	863	1,698
High School - Athletic Uniforms	26,029	96,043	83,072	39,000
High School - Athletic Endowment	4,951	16,908	19,379	2,480
High School - Candy Machine Sales	4,403	1,683	2,480	3,606
High School - Industrial Arts	4,346	6,888	1,665	9,569
High School - Cheerleaders	332	2	-	334
High School - Salute to Valor	(8,097)	8,097	-	-
High School - Class of 2009	-	400	-	400
High School - Class of 2011	597	3	600	-
High School - Class of 2012	(10)	3,729	3,561	158
High School - Conservation Club	97	890	750	237
High School - Picket Fence Café	1,184	4	-	1,188
High School - Germany Trip	933	4	-	937
High School - FACF Girls BB Grant	(1,942)	3,210	3,335	(2,067)
High School - Escape	18,534	12,747	13,713	17,568
High School - Embroidery	104	-	-	104
High School - Equestrian Team	6	-	-	6
High School - FACF Baseball Grant	756	2	711	47
High School - FACF Boys BB Grant	(2,934)	2,910	3,000	(3,024)
High School - FACF Softball	1,343	567	1,900	10
High School - Poker Fundraising	11,263	18,789	19,467	10,585
High School - F.F.A. Project	10,509	42,409	37,548	15,370
High School - Media	156	-	-	156

Statement of Cash Receipts and Disbursements (continued)

	<u>6/30/2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/2012</u>
High School - Miscellaneous	30	2,000	-	2,030
High School - Mogul	2,793	24,258	7,451	19,600
High School - Music Boosters	28,192	27,433	18,645	36,980
High School - National Honor Society	384	3,118	1,683	1,819
High School - Parking Permits	1,666	1,076	1,188	1,554
High School - Peace Jam	24	-	24	-
High School - Photography	4,883	5,815	8,459	2,239
High School - Pop	2,717	5,875	5,022	3,570
High School - Quiz bowl	148	170	130	188
High School - Robotics	-	6,435	500	5,935
High School - Community Connection	5,523	19	-	5,542
High School - Scholarship Fund	22,863	578	500	22,941
High School - Science Exploration	489	2	-	491
High School - Store	7	18,316	23,901	(5,578)
High School - Student Council	1,631	8,070	5,882	3,819
High School - Theatre	(3,198)	11,239	7,271	770
High School - Theatre Endowment	24,492	96	6,510	18,078
High School - Trip Fund	462	20	-	482
High School - Chess Club	36	-	-	36
High School - Varsity Club	120	173	201	92
High School - Vocal Music	494	466	790	170
High School - Video Productions	466	362	356	472
High School - Spanish Club	97	-	-	97
High School - Prom	5,178	8,689	5,678	8,189
High School - 2D Art	(152)	-	-	(152)
Middle School - Art Club	219	470	466	223
Middle School - Band Fund	40	1,952	1,528	464
Middle School - Circle of Friends	1,682	6	-	1,688
Middle School - Cash for Education	7,840	122	272	7,690
Middle School - Candy and Pop	(1,041)	1,404	-	363
Middle School - Cheerleaders	2,095	7	642	1,460
Middle School - Ebay	(62)	1,706	670	974
Middle School - Gerber Grant	-	180	180	-
Middle School - Industrial Arts/Technology	482	-	508	(26)
Middle School - Instrument Repair/Rental	40	21	15	46
Middle School - Japan Friendship City	10,367	37,121	46,095	1,393
Middle School - Juice Fund	971	9	538	442
Middle School - Linda Bergklint Memorial	900	10	-	910

Statement of Cash Receipts and Disbursements (continued)

	<u>6/30/2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/2012</u>
Middle School - Outdoor Fitness	161	1	-	162
Middle School - Parent Group	33	-	-	33
Middle School - Pride Club	581	2	-	583
Middle School - Poker Fundraiser	(835)	11,154	11,471	(1,152)
Middle School - Rain Forest Fund	3,974	57,467	55,200	6,241
Middle School - Sixth Grade Camp	5,307	10,076	7,981	7,402
Middle School - Teacher Lounge Pop	624	383	891	116
Middle School - Student Council	-	401	-	401
Middle School - Yearbook	805	335	156	984
Pathfinder - Activity Fund	16,803	19,034	19,299	16,538
Pathfinder - Book Fair	2,372	5,494	4,496	3,370
Pathfinder - Office Activity	8,888	3,246	2,734	9,400
Pathfinder - Cash for Education	4,043	2,243	2,300	3,986
Pathfinder - Parent Group	10,459	85,548	71,736	24,271
Pathfinder - Poker Fundraiser	(57)	57	-	-
Pathfinder - Pop Fund	4,624	1,085	3,723	1,986
Pathfinder - Families Together	386	441	927	(100)
Pine Street - Book Fair	424	2	-	426
Pine Street - Activity Fund	25,655	964	9,980	16,639
Pine Street - Cash for Education	1,812	595	515	1,892
Quest - CE Scrip Program	214	4,036	4,007	243
Quest - Daycare Program	2,633	1,649	1,620	2,662
Quest - Student Activity	5,434	1,693	1,500	5,627
Quest - CE Rec Scholarship	863	4,756	5,664	(45)
Quest - Pop Fund	(14)	3,003	2,825	164
Quest - CE Recreation & Enrichment	7,704	27	-	7,731
Soccer Fields	477	2	-	479
Total	<u>\$ 347,694</u>	<u>\$ 643,707</u>	<u>\$ 586,678</u>	<u>\$ 404,723</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, 2012

<u>Function and Activity</u>	<u>Balance 6/30/2011</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance 6/30/2012</u>
Instruction	\$41,700,116	\$18,021,560	\$ 95,173	\$59,626,503
Support Service				
Students & Staff	445,762	-	-	445,762
Administration	250,489	-	-	250,489
Operation & Maintenance	179,778	-	-	179,778
Student Transportation Services	1,862,706	-	142,407	1,720,299
Food Services	173,708	9,085	-	182,793
Athletics	756,147	-	-	756,147
Total	<u>\$45,368,706</u>	<u>\$18,030,645</u>	<u>\$ 237,580</u>	<u>\$63,161,771</u>

FREMONT PUBLIC SCHOOLS

Schedule of Changes in Long-Term Debt Obligations
June 30, 2012

	Building America Bond 2009	Refunding Bond 2008	Refunding Bond 2003	Durant Settlement Bond	School Bond Loan Fund Loan	Compensated Absence/Early Retirement	Total
Long-Term Debt Outstanding June 30, 2011	\$43,225,000	\$7,570,000	\$2,575,000	\$ 27,654	\$ 522,986	\$ 380,083	\$54,300,723
Debt Added During Year	-	-	-	-	813,260	250,006	1,063,266
Debt Retired During Year	<u>(725,000)</u>	<u>(645,000)</u>	<u>(225,000)</u>	<u>(13,799)</u>	<u>-</u>	<u>(328,071)</u>	<u>(1,936,870)</u>
Long-Term Debt Outstanding June 30, 2012	<u>\$ 42,500,000</u>	<u>\$6,925,000</u>	<u>\$2,350,000</u>	<u>\$ 13,855</u>	<u>\$1,336,246</u>	<u>\$ 302,018</u>	<u>\$53,427,119</u>

FREMONT PUBLIC SCHOOLS

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

June 30, 2012

Estimated Payment Date	Rate	Principal	Interest	Total	Treasury Credit
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>\$42,500,000</u>	<u>\$46,506,904</u>	<u>\$89,006,904</u>	<u>\$(16,277,416)</u>

FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments
 \$8,210,000 of General Obligation Bonds Dated February 2008
 June 30, 2012

<u>Estimated Payment Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 6,925,000</u>	<u>\$ 1,487,476</u>	<u>\$ 8,412,476</u>

FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments
 \$3,545,000 of Refunding Bonds Dated August 2003
 June 30, 2012

<u>Estimated Payment Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,350,000</u>	<u>\$ 508,602</u>	<u>\$ 2,858,602</u>

FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments
\$206,707.50 of School Improvement Bonds (Durant Settlement)
June 30, 2012

<u>Estimated Payment Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 15, 2013	4.761353	<u>13,855</u>	<u>660</u>	<u>14,515</u>
		<u>\$ 13,855</u>	<u>\$ 660</u>	<u>\$ 14,515</u>

FREMONT PUBLIC SCHOOLS

Schedule of Cash and Investments

June 30, 2012

General Fund		
Petty Cash	\$ 820	
Checking Accounts - Chemical Bank	7,746	
Athletic Funds - Chemical Bank	365	
Athletic Funds - Huntington Bank	4,850	
Receiving CSP - Huntington Bank	4,782	
MBIA Asset Management	-	
Michigan Liquid Asset Fund	<u>351,897</u>	\$ 370,460
Special Revenue Funds		
Food Service Fund		
Petty Cash	\$ 548	
Checking Account - Newaygo County SECU	45,305	
Receiving - Chemical Bank	89,118	
Savings and Bonus Savings - Newaygo County SECU	<u>119,394</u>	254,365
Petty Cash	-	
Checking Account - Chemical Bank	-	
Revolving Checking - Huntington Bank	<u>-</u>	<u>-</u>
Total Special Revenue Funds		254,365
Debt Service Fund		
Money Market Account - Huntington Bank		206,743
Capital Project Funds		
Sinking Fund -Checking Account - Chemical Bank		981,814
Building & Site Fund - Checking Account - Chemical Bank	58,452	
Building & Site Fund - Investments - Fifth Third Bank	<u>9,912,023</u>	<u>9,970,475</u>
Total Capital Projects Funds		10,952,289
Student Activity Agency Fund		
Checking - Newaygo County SECU	68,463	
Savings - Newaygo County SECU	5	
Certificate of Deposit - Chemical Bank	151,350	
MIA Asset Management	<u>184,905</u>	<u>404,723</u>
		<u>\$ 12,188,580</u>
Governmental Funds		
Major Funds		10,547,678
Non-Major Funds		<u>1,236,179</u>
		11,783,857
Fiduciary Funds		
		<u>404,723</u>
		<u>\$ 12,188,580</u>

FREMONT PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards

June 30, 2012

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>6/30/2011</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>6/30/2012</u>
<u>U.S. Department of Education</u>							
Passed Through Michigan Department of Education							
Federal Adult Education-English							
121120-125307	84.002A	14,000	-	-	9,908	4,771	5,137
121130-121307	84.002A	22,000	-	-	22,000	22,000	-
Total		<u>36,000</u>	<u>-</u>	<u>-</u>	<u>31,908</u>	<u>26,771</u>	<u>5,137</u>
Title I Part A Improving Basic Programs Cluster							
121530-1112	84.010	511,393	-	-	426,137	354,934	71,203
111520-1011	84.010	12,000	1,179	8,679	-	1,179	-
111530-1011	84.010	549,538	26,457	511,689	-	26,457	-
Total		<u>1,072,931</u>	<u>27,636</u>	<u>520,368</u>	<u>426,137</u>	<u>382,570</u>	<u>71,203</u>
Title II Part A Regular-Improving Teacher Quality							
120520-1112	84.367	142,756	-	-	142,756	109,641	33,115
110520-1011	84.367	143,872	14,623	107,591	(831)	13,792	-
Total		<u>286,628</u>	<u>14,623</u>	<u>107,591</u>	<u>141,925</u>	<u>123,433</u>	<u>33,115</u>
ARRA Education Stabilization Fund FY 2010							
112525-1011	84.394	273,710	49,788	273,710	-	49,788	-
		<u>273,710</u>	<u>49,788</u>	<u>273,710</u>	<u>-</u>	<u>49,788</u>	<u>-</u>
Education Jobs Fund							
112545-1112	84.410	39,763	-	-	39,763	39,763	-
Total Passed Through Michigan Department of Education		1,709,032	92,047	901,669	639,733	622,325	109,455
Passed Through Newaygo Regional Educational Service Agency							

Special Education 030450-Flow Through	84.027	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>275,000</u>	<u>232,947</u>	<u>42,053</u>
Total U.S. Department of Education		1,984,032	92,047	901,669	914,733	855,272	151,508
U.S. Department of Interior-Payment in Lieu of Taxes	15	2,764	-	-	2,764	2,764	-
<u>U.S. Department of Agriculture (See next page)</u>		<u>944,748</u>	<u>66,239</u>	<u>407,138</u>	<u>537,469</u>	<u>603,708</u>	<u>-</u>
Total Federal Financial Assistance		<u>\$ 2,931,544</u>	<u>\$ 158,286</u>	<u>\$ 1,308,807</u>	<u>\$ 1,454,966</u>	<u>\$ 1,461,744</u>	<u>\$ 151,508</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, 2012

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>6/30/2011</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>6/30/2012</u>
<u>U.S. Department of Agriculture</u>							
Passed Through Michigan Department of Education							
Nutrition Cluster							
111950 Sect 4 All Lunches	10.555	44,635	7,767	43,015	1,620	9,387	-
121980 Snacks	10.555	13,354	-	-	13,355	13,355	-
111980 Snacks	10.555	10,674	1,436	9,164	1,510	2,946	-
121960 Sec II Free & Reduced	10.555	354,103	-	-	354,103	354,103	-
111960 Sec II Free & Reduced	10.555	330,064	45,236	288,400	41,663	86,899	-
Total		752,830	54,439	340,579	412,251	466,690	-
111970 Breakfast	10.553	72,999	11,953	66,559	6,440	18,393	-
121970 Breakfast	10.553	71,950	-	-	71,950	71,950	-
Total		144,949	11,953	66,559	78,390	90,343	-
Total Passed Through Michigan Department of Education		897,779	66,392	407,138	490,641	557,033	-
Direct U.S.D.A.							
Entitlement Commodities	10.550	42,995	(153)	-	42,854	42,701	-
Bonus Commodities	10.550	3,974	-	-	3,974	3,974	-
Total Direct U.S.D.A.		46,969	(153)	-	46,828	46,675	-
Total Federal		\$ 944,748	\$ 66,239	\$ 407,138	\$ 537,469	\$ 603,708	\$ -

FREMONT PUBLIC SCHOOLS

Schedule of Reconciliation of Revenues
With Expenditures for Federal Awards
For the Year Ended June 30, 2012

Revenue from Federal Sources - Per Financial Statement (Includes all Funds)	\$ 2,416,572
Less: Federal Qualified Bonds Credit Payment	<u>(961,606)</u>
	<u>\$ 1,454,966</u>
Federal Expenditures Per the Schedule of Federal Financial Assistance (Excludes Local or State Matching Funds, Prior Year Expenditures, etc.)	<u>\$ 1,454,966</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, 2012, which collectively comprise Fremont Public School's basic financial statements and have issued our report thereon dated October 22, 2012. 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 22, 2012.

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 22, 2012

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, 2012. 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, 2012.

Internal Control Over Compliance

The management of Fremont Pubic 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 22, 2012

FREMONT PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

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 determined to be a low risk auditee.

Section II - Financial Statement Findings

2012-1

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, 2012

Audit Period: For the Year Ended June 30, 2011

The finding from the June 30, 2011 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

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.

This finding is repeated in the current fiscal year.