

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
FREMONT COMMUNITY SCHOOLS
STEUBEN COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
03/14/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Shayne Tresenriter	07-01-08 to 06-30-11
Superintendent of Schools	Ben J. Roederer	07-01-08 to 06-30-11
President of the School Board	Tim Knoblauch	07-01-08 to 06-30-11



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF FREMONT COMMUNITY SCHOOLS, STEUBEN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Fremont Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 3, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis, Schedule of Contributions From the Employer and Other Contributing Entities, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 3, 2011



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF FREMONT COMMUNITY SCHOOLS, STEUBEN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Fremont Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation'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 or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management, the school board, 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 3, 2011

FREMONT COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 6,930,768	\$ -	\$ 121,863	\$ (6,808,905)
Support services	3,444,653	262,356	368,518	(2,813,779)
Noninstructional services	773,273	-	-	(773,273)
Facilities acquisition and construction	496,822	-	-	(496,822)
Debt service	8,605,934	-	-	(8,605,934)
Nonprogrammed charges	<u>148,221</u>	<u>-</u>	<u>-</u>	<u>(148,221)</u>
Total governmental activities	<u>\$ 20,399,671</u>	<u>\$ 262,356</u>	<u>\$ 490,381</u>	<u>(19,646,934)</u>
General receipts:				
Property taxes				9,169,758
Other local sources				1,418,914
State aid				3,549,501
Bonds and loans				1,779,043
Grants and contributions not restricted to specific programs				1,831,515
Sale of property				19,908
Investment earnings				34,148
Other				<u>1,674</u>
Total general receipts				<u>17,804,461</u>
Change in net assets				(1,842,473)
Net assets - beginning				<u>4,294,572</u>
Net assets - ending				<u>\$ 2,452,099</u>
<u>Assets</u>				
Cash and investments				\$ 2,242,437
Restricted assets:				
Cash and investments				<u>209,662</u>
Total assets				<u>\$ 2,452,099</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 185,412
Other purposes				24,250
Unrestricted				<u>2,242,437</u>
Total net assets				<u>\$ 2,452,099</u>

The notes to the financial statements are an integral part of this statement.

FREMONT COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				Net (Disbursement) Receipts and Changes in Net Assets
Instruction	\$ 8,063,634	\$ -	\$ 116,124	\$ (7,947,510)
Support services	3,677,633	245,914	397,640	(3,034,079)
Noninstructional services	773,218	-	-	(773,218)
Facilities acquisition and construction	500,531	-	-	(500,531)
Debt service	4,850,577	-	-	(4,850,577)
Nonprogrammed charges	294,146	-	-	(294,146)
 Total governmental activities	 <u>\$ 18,159,739</u>	 <u>\$ 245,914</u>	 <u>\$ 513,764</u>	 <u>(17,400,061)</u>
 General receipts:				
Property taxes				7,346,216
Other local sources				937,772
State aid				6,986,351
Bonds and loans				1,739,871
Grants and contributions not restricted to specific programs				1,937,979
Sale of property				16,055
Investment earnings				22,183
Other				1,459
 Total general receipts				 <u>18,987,886</u>
 Change in net assets				 1,587,825
 Net assets - beginning				 <u>2,452,099</u>
 Net assets - ending				 <u>\$ 4,039,924</u>
 <u>Assets</u>				
Cash and investments				\$ 3,059,795
Restricted assets:				
Cash and investments				<u>980,129</u>
 Total assets				 <u>\$ 4,039,924</u>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 963,676
Other purposes				16,453
Unrestricted				<u>3,059,795</u>
 Total net assets				 <u>\$ 4,039,924</u>

The notes to the financial statements are an integral part of this statement.

FREMONT COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Transportation Operating	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 5,811,028	\$ 997,351	\$ -	\$ 1,801,243	\$ 1,118,512	\$ 1,156,793	\$ 10,884,927
Intermediate sources	248	-	-	-	-	-	248
State sources	3,670,469	-	-	-	-	403,066	4,073,535
Federal sources	-	-	615,703	-	-	1,182,160	1,797,863
Temporary loans	-	-	-	997,063	620,474	161,506	1,779,043
Other	-	645	-	-	-	1,029	1,674
Total receipts	9,481,745	997,996	615,703	2,798,306	1,738,986	2,904,554	18,537,290
Disbursements:							
Current:							
Instruction	5,667,043	-	-	-	37,538	1,261,994	6,966,575
Support services	1,426,279	854,998	-	631	835,436	327,309	3,444,653
Noninstructional services	131,547	-	-	-	-	641,726	773,273
Facilities acquisition and construction	-	-	-	-	496,822	-	496,822
Debt services	3,856,807	433,425	-	2,771,544	920,468	623,690	8,605,934
Nonprogrammed charges	148,221	-	-	-	-	-	148,221
Total disbursements	11,229,897	1,288,423	-	2,772,175	2,290,264	2,854,719	20,435,478
Excess (deficiency) of receipts over disbursements	(1,748,152)	(290,427)	615,703	26,131	(551,278)	49,835	(1,898,188)
Other financing sources (uses):							
Sale of capital assets	12,231	-	-	-	-	7,677	19,908
Transfers in	-	-	-	-	-	55,796	55,796
Transfers out	-	-	-	-	-	(55,796)	(55,796)
Total other financing sources (uses)	12,231	-	-	-	-	7,677	19,908
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,735,921)	(290,427)	615,703	26,131	(551,278)	57,512	(1,878,280)
Cash and investments - beginning	2,618,757	811,120	-	151,274	647,502	77,476	4,306,129
Cash and investments - ending	\$ 882,836	\$ 520,693	\$ 615,703	\$ 177,405	\$ 96,224	\$ 134,988	2,427,849
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:							
Internal service funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.							
							24,250
Net assets of governmental activities							<u>\$ 2,452,099</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 882,836	\$ 520,693	\$ 615,703	\$ -	\$ 96,224	\$ 126,981	\$ 2,242,437
Restricted assets:							
Cash and investments	-	-	-	177,405	-	8,007	185,412
Total cash and investment assets - ending	\$ 882,836	\$ 520,693	\$ 615,703	\$ 177,405	\$ 96,224	\$ 134,988	\$ 2,427,849
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 177,405	\$ -	\$ 8,007	\$ 185,412
Unrestricted	882,836	520,693	615,703	-	96,224	126,981	2,242,437
Total cash and investment fund balance - ending	\$ 882,836	\$ 520,693	\$ 615,703	\$ 177,405	\$ 96,224	\$ 134,988	\$ 2,427,849

The notes to the financial statements are an integral part of this statement.

FREMONT COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Transportation Operating	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 471,108	\$ 1,635,969	\$ -	\$ 2,846,816	\$ 2,548,111	\$ 1,050,049	\$ 8,552,053
Intermediate sources	32	-	-	-	-	-	32
State sources	7,100,933	-	-	-	-	416,682	7,517,615
Federal sources	-	-	243,520	-	-	1,676,959	1,920,479
Temporary loans	-	-	-	1,188,855	344,375	206,641	1,739,871
Other	-	1,159	-	-	-	300	1,459
Total receipts	7,572,073	1,637,128	243,520	4,035,671	2,892,486	3,350,631	19,731,509
Disbursements:							
Current:							
Instruction	5,248,032	-	632,346	-	-	1,675,459	7,555,837
Support services	1,339,179	964,195	180,940	20,212	914,717	258,390	3,677,633
Noninstructional services	161,414	-	-	-	-	611,804	773,218
Facilities acquisition and construction	-	-	-	-	500,531	-	500,531
Debt services	-	-	-	3,414,219	841,577	594,781	4,850,577
Nonprogrammed charges	170,050	-	45,937	-	-	78,159	294,146
Total disbursements	6,918,675	964,195	859,223	3,434,431	2,256,825	3,218,593	17,651,942
Excess (deficiency) of receipts over disbursements	653,398	672,933	(615,703)	601,240	635,661	132,038	2,079,567
Other financing sources (uses):							
Sale of capital assets	11,967	-	-	-	-	4,088	16,055
Transfers in	1,868	-	-	-	-	69,622	71,490
Transfers out	(500,000)	-	-	-	-	(71,490)	(571,490)
Total other financing sources (uses)	(486,165)	-	-	-	-	2,220	(483,945)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	167,233	672,933	(615,703)	601,240	635,661	134,258	1,595,622
Cash and investments - beginning	882,836	520,693	615,703	177,405	96,224	134,988	2,427,849
Cash and investments - ending	<u>\$ 1,050,069</u>	<u>\$ 1,193,626</u>	<u>\$ -</u>	<u>\$ 778,645</u>	<u>\$ 731,885</u>	<u>\$ 269,246</u>	<u>4,023,471</u>
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:							
Internal service funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.							
Net assets of governmental activities							<u>\$ 4,039,924</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,050,069	\$ 1,193,626	\$ -	\$ -	\$ 731,885	\$ 84,215	\$ 3,059,795
Restricted assets:							
Cash and investments	-	-	-	778,645	-	185,031	963,676
Total cash and investment assets - ending	<u>\$ 1,050,069</u>	<u>\$ 1,193,626</u>	<u>\$ -</u>	<u>\$ 778,645</u>	<u>\$ 731,885</u>	<u>\$ 269,246</u>	<u>\$ 4,023,471</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 778,645	\$ -	\$ 185,031	\$ 963,676
Unrestricted	1,050,069	1,193,626	-	-	731,885	84,215	3,059,795
Total cash and investment fund balance - ending	<u>\$ 1,050,069</u>	<u>\$ 1,193,626</u>	<u>\$ -</u>	<u>\$ 778,645</u>	<u>\$ 731,885</u>	<u>\$ 269,246</u>	<u>\$ 4,023,471</u>

The notes to the financial statements are an integral part of this statement.

FREMONT COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	<u>Internal Service Fund</u>
Operating receipts:	
Charges for services	\$ 1,815,942
Operating disbursements:	
Insurance claims and expense	<u>1,780,135</u>
Change in net assets	35,807
Cash and investment fund balance - beginning	<u>(11,557)</u>
Cash and investment fund balance - ending	<u>\$ 24,250</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 24,250
Total cash and investment assets - ending	<u>\$ 24,250</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 24,250
Total cash and investment fund balance - ending	<u>\$ 24,250</u>

The notes to the financial statements are an integral part of this statement.

FREMONT COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2010

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 1,726,181
Operating disbursements:	
Insurance claims and expense	2,233,978
Deficiency of operating receipts over operating disbursements	(507,797)
Transfers in	500,000
Change in net assets	(7,797)
Cash and investment fund balance - beginning	24,250
Cash and investment fund balance - ending	\$ 16,453
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 16,453
Total cash and investment assets - ending	\$ 16,453
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 16,453
Total cash and investment fund balance - ending	\$ 16,453

The notes to the financial statements are an integral part of this statement.

FREMONT COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Pension Trust Fund	Agency Fund
Deductions:		
Benefits	\$ 10,080	
Deficiency of total additions over total deductions	(10,080)	
Cash and investment fund balance - beginning	25,352	
Cash and investment fund balance - ending	\$ 15,272	\$ 209,846
Net assets:		
Cash and investments	\$ 15,272	\$ 209,846
Total net assets - cash and investment basis held in trust	\$ 15,272	\$ 209,846

The notes to the financial statements are an integral part of this statement.

FREMONT COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Pension Trust Fund	Agency Fund
Additions:		
Contributions:		
Employer	\$ 31,649	
Deductions:		
Benefits	32,304	
Deficiency of total additions over total deductions	(655)	
Cash and investment fund balance - beginning	15,272	
Cash and investment fund balance - ending	\$ 14,617	\$ 468,164
Net assets:		
Cash and investments	\$ 14,617	\$ 468,164
Total net assets - cash and investment basis held in trust	\$ 14,617	\$ 468,164

The notes to the financial statements are an integral part of this statement.

FREMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Fremont Community Schools

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant in a joint venture to operate Four County Area Vocational Cooperative (Co-op) which was created to provide vocational instruction for children. The School Corporation is obligated by contract to remit an amount annually to supplement the Four County Area Vocational Cooperative (Co-op). Complete financial statements for the Four County Area Vocational Cooperative (Co-op) can be obtained from Garrett-Keyser-Butler Community School District, 801 Houston St., Garrett, IN 46738.

The School Corporation is a participant in a joint venture to operate Northeast Indiana Special Education Cooperative (Co-op) which was created to provide programs and services for children with exceptional needs. The School Corporation is obligated by contract to remit an amount annually to supplement the Northeast Indiana Special Education Cooperative (Co-op). Complete financial statements for the Northeast Indiana Special Education Cooperative (Co-op) can be obtained from DeKalb County Eastern Community School District, 300 E. Washington St., Butler, IN 46721.

The School Corporation is a participant in a joint venture to operate Educational Opportunity Center Cooperative (Co-op) which was created to provide alternative means to achieve high school credit. The School Corporation is obligated by contract to remit an amount annually to supplement the Educational Opportunity Center Cooperative (Co-op). Complete financial statements for the Educational Opportunity Center Cooperative (Co-op) can be obtained from Metropolitan School District of Steuben County, 400 S. Martha St., Angola, IN 46703.

Related Organizations

The School Corporation's officials are also responsible for appointing the voting majority of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints the voting majority of the various boards.

FREMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The fiscal stabilization fund accounts for the receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state and federal programs.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling of buildings; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for the School Corporation's health care program provided to other departments on a cost-reimbursement basis.

The pension trust fund accounts for payments anticipated to be made to employees on or after the termination of employment to pay post retirement or severance benefits held by the School District in a trustee capacity.

FREMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Agency funds account for assets held by the School Corporation as an agent for the School Corporation and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the School Corporation and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds).

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

FREMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

FREMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

FREMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash Balance Deficits

At June 30, 2009 and 2010, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by State statute:

Fund	2009	2010
School Lunch	\$ 2,469	\$ -
Education License Plate Fee	1,168	1,055
Latchkey Program	2,386	4,284
Day Care Program	216,612	212,916
Title I 2009-10	-	14,768
ICI 99	-	5
Head Start 2008-09	81,462	-
Head Start 2009-10	-	103,747
Head Start Food Service	30,541	-
Title II, Part A 2002/2003	-	8,568
Title I (ARRA)	-	9,537

FREMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$4,522,705.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

IC 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations

FREMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>	<u>2010</u>
General Fund	Internal Service Fund	\$ -	\$ 500,000
Other Governmental Funds	General Fund	-	1,868
	Other Governmental Funds	<u>55,796</u>	<u>69,622</u>
Totals		<u>\$ 55,796</u>	<u>\$ 571,490</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties.

The School Corporation has chosen to establish a risk financing fund for risks associated with Group Health Insurance (Medical Benefits to Employees). The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The School Corporation purchases commercial insurance for claims in excess of coverage provided by the fund. Amounts are paid into the fund by all insurance funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based primarily upon the percentage of each fund's current year payroll as it relates to total payroll and are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

FREMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporations

The School Corporation has entered into a capital lease with Fremont Community School Improvement Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2009 and 2010, totaled \$1,240,000, and \$1,285,000, respectively.

The School Corporation has entered into a capital lease with Fremont Middle School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to State statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2009 and 2010, totaled \$285,000, and \$200,000, respectively.

C. Other Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provided postemployment medical insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retired from the School Corporation prior to September 1, 2003, on or after attaining age fifty-five until the age of sixty-five with at least ten years of service. Currently, one retiree remains who meets the eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the audit period, disbursements of \$11,000 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

FREMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$253,096.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation's contributions to the plan during the period were \$562,359.

FREMONT COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 1,744,008	\$ 1,919,474	\$ (175,466)	91%	\$ 1,526,908	(11%)
07-01-08	1,708,591	1,891,039	(182,448)	90%	1,548,168	(12%)
07-01-09	1,807,994	2,200,256	(392,262)	82%	1,688,598	(23%)

FREMONT COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Special Education Preschool	School Lunch	Textbook Rental	Education License Plate Fee	Early Intervention	Gifts	P.L. 221 Professional Development
Receipts:							
Local sources	\$ 15,811	\$ 238,657	\$ 95,212	\$ 186	\$ -	\$ -	\$ -
State sources	16,125	234,246	52,402	-	-	-	16,939
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	300	-	-	-	-	-
Total receipts	31,936	473,203	147,614	186	-	-	16,939
Disbursements:							
Current:							
Instruction	-	-	-	-	48	6,497	25,576
Support services	-	300	133,248	-	-	-	-
Noninstructional services	-	441,487	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	441,787	133,248	-	48	6,497	25,576
Excess (deficiency) of receipts over disbursements	31,936	31,416	14,366	186	(48)	(6,497)	(8,637)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	7,677	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	7,677	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	31,936	31,416	14,366	186	(48)	1,180	(8,637)
Cash and investments - beginning	5,151	(33,885)	86,300	(1,354)	3,243	4,188	29,555
Cash and investments - ending	<u>\$ 37,087</u>	<u>\$ (2,469)</u>	<u>\$ 100,666</u>	<u>\$ (1,168)</u>	<u>\$ 3,195</u>	<u>\$ 5,368</u>	<u>\$ 20,918</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 37,087	\$ (2,469)	\$ 100,666	\$ (1,168)	\$ 3,195	\$ 5,368	\$ 20,918
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 37,087	\$ (2,469)	\$ 100,666	\$ (1,168)	\$ 3,195	\$ 5,368	\$ 20,918
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	37,087	(2,469)	100,666	(1,168)	3,195	5,368	20,918
Total cash and investment fund balance - ending	\$ 37,087	\$ (2,469)	\$ 100,666	\$ (1,168)	\$ 3,195	\$ 5,368	\$ 20,918

FREMONT COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Latchkey Program	Non English Speaking	School Technology	Day Care Program	Title I 2007-08	Title I 2008-09	Title V Part A 2002-03
Receipts:							
Local sources	\$ 7,689	\$ -	\$ -	\$ 240,847	\$ -	\$ -	\$ -
State sources	435	1,049	-	-	-	-	-
Federal sources	-	-	-	-	7,000	75,689	-
Temporary loans	-	-	-	-	-	-	-
Other	-	729	-	-	-	-	-
Total receipts	8,124	1,778	-	240,847	7,000	75,689	-
Disbursements:							
Current:							
Instruction	-	115	-	-	12,790	63,853	23
Support services	-	-	-	-	-	-	4,399
Noninstructional services	7,674	-	-	192,565	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	7,674	115	-	192,565	12,790	63,853	4,422
Excess (deficiency) of receipts over disbursements	450	1,663	-	48,282	(5,790)	11,836	(4,422)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	37,807	-	5,856	-
Transfers out	-	-	-	-	(2,928)	-	-
Total other financing sources (uses)	-	-	-	37,807	(2,928)	5,856	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	450	1,663	-	86,089	(8,718)	17,692	(4,422)
Cash and investments - beginning	(2,836)	2,656	6,538	(302,701)	8,718	-	4,422
Cash and investments - ending	<u>\$ (2,386)</u>	<u>\$ 4,319</u>	<u>\$ 6,538</u>	<u>\$ (216,612)</u>	<u>\$ -</u>	<u>\$ 17,692</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (2,386)	\$ 4,319	\$ 6,538	\$ (216,612)	\$ -	\$ 17,692	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ (2,386)	\$ 4,319	\$ 6,538	\$ (216,612)	\$ -	\$ 17,692	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(2,386)	4,319	6,538	(216,612)	-	17,692	-
Total cash and investment fund balance - ending	\$ (2,386)	\$ 4,319	\$ 6,538	\$ (216,612)	\$ -	\$ 17,692	\$ -

FREMONT COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	ICI 99	Head Start 2006-07	Head Start 2008-09	Head Start 2007-08	Head Start Food Service	Title IV, Part A 2002/2003	Title II, Part A 2002/2003
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	81,870	-	-
Federal sources	-	-	635,192	444,636	-	2,409	9,000
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	635,192	444,636	81,870	2,409	9,000
Disbursements:							
Current:							
Instruction	-	-	716,654	324,477	81,097	-	30,864
Support services	2,062	-	-	-	-	1,935	19,203
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	2,062	-	716,654	324,477	81,097	1,935	50,067
Excess (deficiency) of receipts over disbursements	(2,062)	-	(81,462)	120,159	773	474	(41,067)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	12,133	-	-
Transfers out	-	(12,133)	-	(37,807)	(2,928)	-	-
Total other financing sources (uses)	-	(12,133)	-	(37,807)	9,205	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,062)	(12,133)	(81,462)	82,352	9,978	474	(41,067)
Cash and investments - beginning	2,534	12,133	-	(82,352)	(40,519)	(96)	43,809
Cash and investments - ending	\$ 472	\$ -	\$ (81,462)	\$ -	\$ (30,541)	\$ 378	\$ 2,742
Cash and Investment Assets - Ending							
Cash and investments	\$ 472	\$ -	\$ (81,462)	\$ -	\$ (30,541)	\$ 378	\$ 2,742
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 472	\$ -	\$ (81,462)	\$ -	\$ (30,541)	\$ 378	\$ 2,742
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	472	-	(81,462)	-	(30,541)	378	2,742
Total cash and investment fund balance - ending	\$ 472	\$ -	\$ (81,462)	\$ -	\$ (30,541)	\$ 378	\$ 2,742

FREMONT COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title II, Part D 2002/2003	Title I (ARRA)	Severance/ Pension Bond	School Bus Replacement	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 385,785	\$ 172,606	\$ -	\$ 1,156,793
State sources	-	-	-	-	-	403,066
Federal sources	-	8,234	-	-	-	1,182,160
Temporary loans	-	-	161,506	-	-	161,506
Other	-	-	-	-	-	1,029
Total receipts	-	8,234	547,291	172,606	-	2,904,554
Disbursements:						
Current:						
Instruction	-	-	-	-	-	1,261,994
Support services	-	-	-	166,162	-	327,309
Noninstructional services	-	-	-	-	-	641,726
Debt services	-	-	623,690	-	-	623,690
Total disbursements	-	-	623,690	166,162	-	2,854,719
Excess (deficiency) of receipts over disbursements	-	8,234	(76,399)	6,444	-	49,835
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	7,677
Transfers in	-	-	-	-	-	55,796
Transfers out	-	-	-	-	-	(55,796)
Total other financing sources (uses)	-	-	-	-	-	7,677
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	8,234	(76,399)	6,444	-	57,512
Cash and investments - beginning	1,564	-	84,406	214,353	31,649	77,476
Cash and investments - ending	\$ 1,564	\$ 8,234	\$ 8,007	\$ 220,797	\$ 31,649	\$ 134,988
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,564	\$ 8,234	\$ -	\$ 220,797	\$ 31,649	\$ 126,981
Restricted assets:						
Cash and investments	-	-	8,007	-	-	8,007
Total cash and investment assets - ending	\$ 1,564	\$ 8,234	\$ 8,007	\$ 220,797	\$ 31,649	\$ 134,988
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 8,007	\$ -	\$ -	\$ 8,007
Unrestricted	1,564	8,234	-	220,797	31,649	126,981
Total cash and investment fund balance - ending	\$ 1,564	\$ 8,234	\$ 8,007	\$ 220,797	\$ 31,649	\$ 134,988

FREMONT COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	Special Education Preschool	School Lunch	Textbook Rental	Education License Plate Fee	Early Intervention	Gifts	P.L. 221 Professional Development
Receipts:							
Local sources	\$ -	\$ 229,296	\$ 83,091	\$ 113	\$ -	\$ -	\$ -
State sources	13,750	244,672	66,643	-	-	-	3,750
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	300	-	-	-	-	-
Total receipts	13,750	474,268	149,734	113	-	-	3,750
Disbursements:							
Current:							
Instruction	27,021	-	-	-	-	6,246	11,901
Support services	-	300	144,040	-	-	-	-
Noninstructional services	-	441,217	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	27,021	441,517	144,040	-	-	6,246	11,901
Excess (deficiency) of receipts over disbursements	(13,271)	32,751	5,694	113	-	(6,246)	(8,151)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	4,088	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(24)	-	-	-	-	-
Total other financing sources (uses)	-	(24)	-	-	-	4,088	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,271)	32,727	5,694	113	-	(2,158)	(8,151)
Cash and investments - beginning	37,087	(2,469)	100,666	(1,168)	3,195	5,368	20,918
Cash and investments - ending	<u>\$ 23,816</u>	<u>\$ 30,258</u>	<u>\$ 106,360</u>	<u>\$ (1,055)</u>	<u>\$ 3,195</u>	<u>\$ 3,210</u>	<u>\$ 12,767</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 23,816	\$ 30,258	\$ 106,360	\$ (1,055)	\$ 3,195	\$ 3,210	\$ 12,767
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 23,816</u>	<u>\$ 30,258</u>	<u>\$ 106,360</u>	<u>\$ (1,055)</u>	<u>\$ 3,195</u>	<u>\$ 3,210</u>	<u>\$ 12,767</u>

FREMONT COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Latchkey Program	Non English Speaking	School Technology	Day Care Program	Title I 2008-09	Title I 2009-10	Title V Part A 2002-03
Receipts:							
Local sources	\$ 3,970	\$ -	\$ -	\$ 168,415	\$ -	\$ -	\$ -
State sources	-	1,542	-	-	-	-	-
Federal sources	-	-	-	-	36,401	38,647	703
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	3,970	1,542	-	168,415	36,401	38,647	703
Disbursements:							
Current:							
Instruction	-	-	-	-	20,200	53,415	-
Support services	-	-	-	-	-	-	-
Noninstructional services	5,868	-	-	164,719	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	5,868	-	-	164,719	20,200	53,415	-
Excess (deficiency) of receipts over disbursements	(1,898)	1,542	-	3,696	16,201	(14,768)	703
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(2,951)	-	-
Total other financing sources (uses)	-	-	-	-	(2,951)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,898)	1,542	-	3,696	13,250	(14,768)	703
Cash and investments - beginning	(2,386)	4,319	6,538	(216,612)	17,692	-	-
Cash and investments - ending	<u>\$ (4,284)</u>	<u>\$ 5,861</u>	<u>\$ 6,538</u>	<u>\$ (212,916)</u>	<u>\$ 30,942</u>	<u>\$ (14,768)</u>	<u>\$ 703</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (4,284)	\$ 5,861	\$ 6,538	\$ (212,916)	\$ 30,942	\$ (14,768)	\$ 703
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (4,284)</u>	<u>\$ 5,861</u>	<u>\$ 6,538</u>	<u>\$ (212,916)</u>	<u>\$ 30,942</u>	<u>\$ (14,768)</u>	<u>\$ 703</u>

FREMONT COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	ICI 99	Head Start 2008-09	Head Start 2009-10	Head Start Food Service	Title IV, Part A 2002/2003	Title II, Part A 2002/2003	Title II, Part D 2002/2003
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	86,325	-	-	-
Federal sources	-	564,487	706,600	-	2,915	60,374	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	564,487	706,600	86,325	2,915	60,374	-
Disbursements:							
Current:							
Instruction	-	383,367	807,177	90,858	-	53,902	-
Support services	477	-	-	-	3,049	17,782	1,564
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	477	383,367	807,177	90,858	3,049	71,684	1,564
Excess (deficiency) of receipts over disbursements	(477)	181,120	(100,577)	(4,533)	(134)	(11,310)	(1,564)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	51,015	-	-	-
Transfers out	-	(46,738)	(3,170)	-	-	-	-
Total other financing sources (uses)	-	(46,738)	(3,170)	51,015	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(477)	134,382	(103,747)	46,482	(134)	(11,310)	(1,564)
Cash and investments - beginning	472	(81,462)	-	(30,541)	378	2,742	1,564
Cash and investments - ending	<u>\$ (5)</u>	<u>\$ 52,920</u>	<u>\$ (103,747)</u>	<u>\$ 15,941</u>	<u>\$ 244</u>	<u>\$ (8,568)</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (5)	\$ 52,920	\$ (103,747)	\$ 15,941	\$ 244	\$ (8,568)	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ (5)	\$ 52,920	\$ (103,747)	\$ 15,941	\$ 244	\$ (8,568)	\$ -

FREMONT COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Title I (ARRA)	Special Education Part B (ARRA)	Head Start (ARRA)	Severance/ Pension Bond	School Bus Replacement	Construction	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ 565,164	\$ -	\$ -	\$ 1,050,049
State sources	-	-	-	-	-	-	416,682
Federal sources	28,000	158,294	80,538	-	-	-	1,676,959
Temporary loans	-	-	-	206,641	-	-	206,641
Other	-	-	-	-	-	-	300
Total receipts	28,000	158,294	80,538	771,805	-	-	3,350,631
Disbursements:							
Current:							
Instruction	45,771	95,698	79,903	-	-	-	1,675,459
Support services	-	-	-	-	91,178	-	258,390
Noninstructional services	-	-	-	-	-	-	611,804
Debt services	-	-	-	594,781	-	-	594,781
Nonprogrammed charges	-	46,510	-	-	-	31,649	78,159
Total disbursements	45,771	142,208	79,903	594,781	91,178	31,649	3,218,593
Excess (deficiency) of receipts over disbursements	(17,771)	16,086	635	177,024	(91,178)	(31,649)	132,038
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	4,088
Transfers in	-	-	18,607	-	-	-	69,622
Transfers out	-	-	(18,607)	-	-	-	(71,490)
Total other financing sources (uses)	-	-	-	-	-	-	2,220
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(17,771)	16,086	635	177,024	(91,178)	(31,649)	134,258
Cash and investments - beginning	8,234	-	-	8,007	220,797	31,649	134,988
Cash and investments - ending	<u>\$ (9,537)</u>	<u>\$ 16,086</u>	<u>\$ 635</u>	<u>\$ 185,031</u>	<u>\$ 129,619</u>	<u>\$ -</u>	<u>\$ 269,246</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (9,537)	\$ 16,086	\$ 635	\$ -	\$ 129,619	\$ -	\$ 84,215
Restricted assets:							
Cash and investments	-	-	-	185,031	-	-	185,031
Total cash and investment assets - ending	<u>\$ (9,537)</u>	<u>\$ 16,086</u>	<u>\$ 635</u>	<u>\$ 185,031</u>	<u>\$ 129,619</u>	<u>\$ -</u>	<u>\$ 269,246</u>

FREMONT COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For the Year Ended June 30, 2009

	Payroll
Additions:	
Agency fund additions	\$ 4,072,364
Deductions:	
Agency fund deductions	4,102,649
Deficiency of total additions over total deductions	(30,285)
Cash and investment fund balance - beginning	240,131
Cash and investment fund balance - ending	\$ 209,846

FREMONT COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For the Year Ended June 30, 2010

	Payroll
Additions:	
Agency fund additions	\$ 4,784,326
Deductions:	
Agency fund deductions	4,526,008
Excess of total additions over total deductions	258,318
Cash and investment fund balance - beginning	209,846
Cash and investment fund balance - ending	\$ 468,164

FREMONT COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 270,775
Buildings	30,534,000
Improvements other than buildings	1,043,000
Machinery and equipment	<u>3,003,256</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 34,851,031</u>

FREMONT COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Team Building	\$ 1,255,000	\$ 129,473
Middle School Building	3,365,000	713,175
Tax Anticipation warrants	942,449	942,449
Bonds payable:		
General obligation bonds:		
Pension Liability	2,260,000	181,825
High School Roof	195,000	29,156
Total governmental activities debt	<u>\$ 8,017,449</u>	<u>\$ 1,996,078</u>

FREMONT COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

TRANSPORTATION FUND EXPENDITURES – UTILITY AND TELEPHONE SERVICES

Portions of the utility services for buildings of the School Corporation were paid from the Transportation Fund and were not related expenses of the Transportation Fund. \$89,601 was spent in the fiscal year ended June 30, 2009, from the Transportation Fund for non-transportation related expenses and for the fiscal year ended June 30, 2010, the amount was \$57,519. A similar comment appeared in Report B34484.

The School Transportation Fund, designated Fund Number 0410 in the prescribed accounting system is required by IC 20-40-6 for each public school corporation in Indiana, including school townships. The School Transportation Fund is to be the exclusive fund used to record all receipts and disbursements of the school corporation for the payment of costs attributable to the transportation of school children to and from school. The cost of transportation listed in IC 20-40-6-6 sections (1) through (7) shall be paid from the School Transportation Fund. (Accounting and Uniform Compliance Guidelines Manual For Indiana Public School Corporations, Chapter 3)

IC 20-40-6-6, concerning the Transportation Fund, states in part: "(a) The following costs are payable from the fund: . . . (7) Other expenses of operating the school corporation's transportation service, including gasoline, lubricants, tires, repairs, contracted repairs, parts, supplies, equipment, and other related expenses . . ."

OVERDRAWN CASH BALANCES

The following cash balances of funds were overdrawn at June 30, 2009 and 2010.

Fund	Balance June 30, 2009	Balance June 30, 2010
School Lunch	\$ 2,469	\$ -
Education License Plate Fee	1,168	1,055
Latchkey Program	2,386	4,284
Day Care Program	216,612	212,916
Title I 2009-10	-	14,768
ICI 99	-	5
Head Start 2008-09	81,462	-
Head Start 2009-10	-	103,747
Head Start Food Service	30,541	-
Title II, Part A 2002/2003	-	8,568
Title I (ARRA)	-	9,537

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FREMONT COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

PAYMENT TO EMPLOYEES FROM EXTRA-CURRICULAR ACTIVITY FUNDS
(Applies to Fremont High School)

Payments to School Corporation employees working at Extra-Curricular activity events and bus drivers were made by extra-curricular check rather than through the School Corporation payroll system. These included payments for working athletic events, driving bus, supervising athletic training facilities, and managing the concessions.

Pay of teachers and other personnel for service at interscholastic athletic events such as ticket takers, scoreboard personnel, etc., are expenses of the Athletic Fund of the Extra-Curricular Account. Pay of concession stand supervisors and of ticket takers, etc., for fine arts events should be paid from the proceeds of the activity sponsoring these events. Payment to all such personnel must be by way of a payroll. If an extra-curricular payroll is not maintained, the payments may be made a part of the corporation payroll and charged to a school corporation General Fund appropriation; however, the General Fund must be reimbursed for such payment by the activity which the employees served. (The School Administrator and Uniform Compliance Guidelines, Volume 170) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

EXTRA-CURRICULAR DISBURSEMENTS (Applies to Fremont High School)

The following items were noted from the information presented for audit:

Payments were made for hotels claims without a paid receipt. Most hotel claims were supported by a copy of the reservation confirmation printed from the internet.

During the 2009-2010 school year disbursements were made to students for "senior graduation items reimbursements". The invoices attached to the claims did not agree with the amounts paid.

Payments were made from the Athletic Fund for various items, such as hotels, postage, and sectional tickets, with only a typed memo from the Athletic director as supporting documentation.

During the 2009-2010 school year disbursements were made to two students for reimbursement of monies stolen during an athletic event. The only documentation attached was a memo from the Athletic Director.

During the audit period interfund transfers were made without a claim form being prepared or approved by the appropriate activity sponsor. All disbursements should be supported by an approved claim form.

During the 2008-2009 school year the balance of \$120.48 in the Class of 2008 Fund was closed out to the Yearbook Fund. During the 2009-2010 school year the balance of \$930.90 in the Class of 2009 Fund was closed out of the Yearbook Fund. Both of these disbursements were made without a claim form being prepared or approval by the respective class sponsors, class officers, and School Board.

FREMONT COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PURCHASE OF GIFT CARDS (Applies to Fremont High School)

During the audit period we noted the purchase of numerous gift cards from the Athletic Fund. There was no documentation attached to show who received the gift cards.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

UNTIMELY PAYMENT OF INVOICES (Applies to Fremont High School)

Information presented for audit indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until six month after the invoice dates.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CASH CHANGE (Applies to Fremont High School)

During the audit period numerous disbursements were made for cash change for athletic events. We could not always easily determine when the cash change was receipted back into the Athletics Fund. During the 2009-2010 school year disbursements totaling \$1,200 were made for cash change but receipts designated as the return of cash change totaled \$1,100.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF FREMONT COMMUNITY SCHOOLS, STEUBEN COUNTY, INDIANA

Compliance

We have audited the compliance of Fremont Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation'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 the School Corporation's management. Our responsibility is to express an opinion on the School Corporation'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 the School Corporation'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 of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010.

Internal Control Over Compliance

The management of the School Corporation 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 the School Corporation'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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 identify all deficiencies in 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 significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management, the school board, 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 3, 2011

FREMONT COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 28,827	\$ 30,620
National School Lunch Program	10.555		227,931	239,028
Total for cluster			<u>256,758</u>	<u>269,648</u>
Child and Adult Care Food Program	10.558		81,870	86,272
Total for federal grantor agency			<u>338,628</u>	<u>355,920</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
		08-7605	9,752	-
		09-7605	75,690	7,400
		10-7605	-	67,647
Total for program			<u>85,442</u>	<u>75,047</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389		8,235	28,000
Total for cluster			<u>93,677</u>	<u>103,047</u>
Pass-Through DeKalb County Eastern Community School District				
Special Education Cluster				
ARRA - Special Education - Grants to States, Recovery Act	84.391		-	142,208
Pass-Through Indiana Department of Education				
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		615,703	243,521
Safe and Drug-Free Schools and Communities - State Grants	84.186		2,409	2,915
State Grants for Innovative Programs	84.298		-	703
Improving Teacher Quality State Grants	84.367			
		FY 08/09	9,000	17,313
		FY 09/10	-	34,061
Total for program			<u>9,000</u>	<u>51,374</u>
Total for federal grantor agency			<u>720,789</u>	<u>543,768</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct Grant				
Head Start Cluster				
Head Start	93.600			
		05CH4191/43	-	351,208
		05CH4191/44	635,192	511,567
		05CH4191/45	-	706,600
Total for program			<u>635,192</u>	<u>1,569,375</u>
ARRA - Head Start, Recovery Act	93.708			
		05SE4191/01	-	80,538
Total for federal grantor agency			<u>635,192</u>	<u>1,649,913</u>
Total federal awards expended			<u>\$ 1,694,609</u>	<u>\$ 2,549,601</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

FREMONT COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fremont Community Schools (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2008-2009	2009-2010
National School Lunch Program	10.555	\$ 29,034	\$ 30,714

FREMONT COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

<u>Name of Federal Program or Cluster</u>
State Fiscal Stabilization Fund Cluster
Head Start Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

FREMONT COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

FREMONT COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 3, 2011, with Ben J. Roederer, Superintendent of Schools; Shayne Tresenriter, Treasurer; and Loraine Vaughn, Assistant Superintendent of Schools. The officials concurred with our audit findings.