

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

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

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## **FREMONT PUBLIC SCHOOLS**

### Board Members

Ed Wosinski	President
Linda Blais	Vice-President
Matt Hendrie	Treasurer
Jim Featherstone	Secretary
Terri Blake	Trustee
Paul Mellema	Trustee
Rick St. Peter	Trustee

### Executive Administration

Ken Haggart	Superintendent
Bing Hanson	Director of Financial Services



The Board of Education  
Fremont Public Schools  
Fremont, Michigan

### Independent Auditor's Report

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund and the aggregate remaining fund information of Fremont Public Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 from material misstatement.

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

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund and the aggregate remaining fund information of Fremont Public Schools as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.



**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the 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 the audit of the basic financial statements. We do not express an opinion or provide an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont Public School's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A133, *Audits of State and Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in the material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Fremont Public School's internal control and compliance.

*H & S Companies, P.C.*

H & S Companies, P.C.

November 11, 2014

As management of Fremont Public Schools, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the School's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- ï The District's total net position of governmental activities decreased about \$806,000 during the year and was just under \$4.6 million at June 30, 2014.
- ï General revenues accounted for \$18.6 million, or 75.5%, of all fiscal year 2014 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for over \$6.0 million or 24.5% of total fiscal year 2014 revenues. Revenues increased over \$642,000 from the prior year. The major changes are increases in property taxes, state aid, and operating grants and contributions of \$255,000, \$260,000, and \$272,000, respectively.
- ï The District had about \$25.4 million in expenses related to governmental activities; of which over \$6.0 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$18.6 million covered 90% of the remaining costs of these programs. Expenses decreased by \$540,000 compared to last year. Instruction accounted for \$442,000 of this decrease.
- ï The General Fund, a major fund for the District, had over \$19.8 million in revenue and other financing sources which primarily consisted of state aid and property taxes. The General Fund also had over \$19.5 million in expenditures and other uses. The General Fund's fund balance increased by more than \$368,000.  
  
General Fund revenues increased \$653,000 while expenditures were down by \$296,000 compared to the prior year.
- ï The Capital Projects - Building & Site Fund is also a major fund for the district. The Building & Site Fund earned \$250 in investment income and expended over \$850,000 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 increased \$159,000 from the prior year level of \$2,994,000. The Debt Service Fund also received almost \$866,000 in bond interest credits from the federal government. Expenditures decreased from \$6.94 million to \$4.73 million due to payments on the bonds. The Debt Service Fund Balance decreased \$(61,000).



- ¶ The Capital Projects-Sinking Fund, Capital Projects-Capital Improvement Fund, and Food Service Funds are non-major funds for the District. Together they accounted for over \$1,056,000 in revenue and nearly \$1,111,000 in expenses. The fund balances of these funds decreased by almost \$24,000.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The Schools' basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The District-wide Statement of Net Position 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 Position aggregates the District's restricted and unrestricted assets as well as short and long-term obligations recorded in all funds.

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, Building & Site Fund, Debt Funds, and Special Services Funds which are comprised of: Food Service and Capital Projects Sinking Fund.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-38 of this report.

**FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The District's *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position, is one way to measure the School District's financial health, or *financial position* . Over time, increases or decreases in the District's net position, 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 position at fiscal years ended June 30, 2014 and 2013:

**Net Position Summary**

<b>Assets</b>	<u><b>2014</b></u>	<u><b>2013</b></u>
Current Assets	\$ 6,548,057	\$ 7,202,273
Capital Assets	70,451,622	70,914,330
Less: Accumulated Depreciation	<u>(17,035,649)</u>	<u>(16,304,726)</u>
Capital Assets, Net Book Value	<u>53,415,973</u>	<u>54,609,604</u>
Total Assets	<u><u>\$ 59,964,030</u></u>	<u><u>\$ 61,811,877</u></u>
<b>Liabilities</b>		
Current Liabilities	\$ 5,614,261	\$ 5,666,097
Long-Term Liabilities	<u>49,759,107</u>	<u>50,748,657</u>
Total Liabilities	55,373,368	56,414,754
<b>Net Position</b>		
Net Investment in Capital Assets	2,452,616	3,536,331
Restricted for Debt Service	156,892	218,753
Unrestricted	<u>1,981,154</u>	<u>1,642,039</u>
Total Net Position	<u>4,590,662</u>	<u>5,397,123</u>
Total Liabilities and Net Position	<u><u>\$ 59,964,030</u></u>	<u><u>\$ 61,811,877</u></u>

**Results of Operations:**

For the fiscal years ended June 30, 2014 and 2013, the District wide results of operations were:

	Year Ended 2014		Year Ended 2013	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 767,348	3.12	\$ 783,996	3.27
Operating Grants/Contr.	5,256,218	21.35	4,983,584	20.79
General Revenues:				
Property Taxes	5,362,543	21.79	5,107,879	21.31
State Aid	13,319,795	54.11	13,059,394	54.48
Interest and Other	(91,944)	(0.37)	36,262	0.15
Total Revenue	<u>24,613,960</u>	100.00	<u>23,971,115</u>	100.00
Expenses:				
Instruction				
Basic Programs	11,561,337	45.48	11,991,670	46.19
Added Needs	3,652,371	14.37	3,643,014	14.03
Adult Education	26,690	0.10	47,676	0.18
Total Instruction	<u>15,240,398</u>	59.95	<u>15,682,360</u>	60.41
Support Services				
Pupil	428,428	1.69	567,616	2.19
Instructional Staff	247,660	0.97	307,581	1.18
General Administration	363,649	1.43	326,556	1.26
School Administration	1,158,314	4.56	1,142,765	4.40
Business	256,910	1.01	248,926	0.96
Operations/Maintenance	1,555,634	6.12	1,476,121	5.69
Pupil Transportation	892,237	3.51	868,692	3.35
Central	435,750	1.71	344,799	1.33
Total Support Services	<u>5,338,582</u>	21.00	<u>5,283,056</u>	20.35
Community Services	322,848	1.27	367,913	1.42
Food Service	952,916	3.75	944,988	3.64
Athletics	428,117	1.68	449,209	1.73
Capital Outlay	40,595	0.16	21,503	0.08
Interest on Debt	3,096,968	12.18	3,211,718	12.37
Total Expenses	<u>25,420,424</u>	100.00	<u>25,960,747</u>	100.00
Change in Net Position	(806,464)		(1,989,632)	
Beginning Net Position	5,397,126		7,386,758	
Ending Net Position	<u>\$ 4,590,662</u>		<u>\$ 5,397,126</u>	

**Debt Administration**

At year-end, the District had over \$51 million in long-term obligations of which \$1,886,642 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, 2014.

Compensated Absences	\$ 34,555
Bond Issues	<u>51,517,753</u>
	<u>\$ 51,552,308</u>

**Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position.

For fiscal year ended June 30, 2014, the net increase in accumulated depreciation was \$730,921. Depreciation expense totaled \$2,194,864 and \$1,463,943 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 position 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 position the District would have had to purchase and capitalize \$2,194,864 in assets during the year.

**Capital Outlay Acquisitions**

Actual capital outlay acquisitions during the year were \$1,187,972 while \$1,614,851 of assets were disposed of for the fiscal year ended June 30, 2014.

Net Acquisitions combined with the increase in accumulated depreciation, net investment in capital assets (i.e., net book value) decreased by \$1,157,800 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 2013-2014 fiscal year was \$2,381,039. The non-homestead tax levy increased by .9.40% 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
2013-2014	2,381,039	9.40%
2012-2013	2,176,478	0.42%
2011-2012	2,167,268	-2.01%
2010-2011	2,211,646	-1.14%
2009-2010	2,237,091	2.55%

**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 \$7,026 per student for the 2013-2014 school year. This represented an increase of \$60 per student compared to the allowance of \$6,966 for the 2012-2013 school year. Fremont Public Schools also received an additional \$67 per pupil to help offset increased retirement costs and for implementing best practices as defined by the State.

**Student Enrollment:**

The District's student enrollment for the fall count of 2013-2014 was 2,223 students. The following summarizes fall student enrollments in the past five years:

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2013-2014	2,223	16
2012-2013	2,207	(87)
2011-2012	2,294	22
2010-2011	2,272	(103)
2009-2010	2,375	12

**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 2013-2014 the District's debt millage levy was 7.0 mills, which generated a levy of \$3,126,300.

**Food Service Sales to Students & Adults:**

The District's food and milk sales to students and adults increased by \$37 from the prior school year. State Sources increased about \$4,000 while Federal Sources increased nearly \$61,000. The total expenditures for Food Service operations increased by just \$2,000 from the prior year. Revenues exceeded expenditures by over \$77,000.

**GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES**

**General Fund Expenditures Budget vs. Actual 5-Year History**

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
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%
2012-2013	19,424,365	19,935,915	19,861,047	2.25%	-0.38%
2013-2014	19,141,825	19,525,176	19,540,207	2.08%	0.08%
Five-Year Average Over (Under) Budget				0.32%	-0.75%

**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
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%
2012-2013	18,968,064	19,217,119	19,056,909	0.47%	-0.83%
2013-2014	19,201,095	19,773,062	19,714,627	2.67%	-0.30%
Five-Year Average Over (Under) Budget				1.07%	-0.42%

**General Fund Budgetary Highlights:**

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

**General Fund Revenues:**

Total Revenues Original Budget	\$ 19,201,095	
Total Revenues Final Budget	<u>19,773,062</u>	
 Increase in Budgeted Revenues	 <u><u>\$ 571,967</u></u>	 2.98%

The District's final general fund revenues differed from the final budget by \$138,845. This is a variance of .97%.

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

- Increase in Local Sources
- Increase in State Sources

**General Fund Expenditures:**

Total Expenditures Original Budget	\$ 19,141,825	
Total Expenditures Final Budget	<u>19,525,176</u>	
 Increase in Budgeted Expenditures	 <u><u>\$ 383,351</u></u>	 2.00%

The District's final general fund expenditures differed from the final budget by \$40,031. This is a variance of .98%.

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

- Increase due to MPSERS offset flow through for UAAL
- Increase in Support Services



**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 2014-2015 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 2014-2015. Budgeted expenditures in the General Fund are \$19,387,758 which is a decrease of \$177,449 from the 2013-2014 actual expenditures. General Fund Revenues were budgeted at 19,767,023. This is a \$132,806 decrease from the 2013-2014 actual revenues.

**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 Position

June 30, 2014

	Governmental Activities
<b>Assets</b>	
Current Assets:	
Cash/Investments	\$ 1,732,947
Accounts Receivable	80,723
Due from Other Governmental Units	2,929,630
Inventory	109,156
Restricted Cash/Investments-Capital Projects and Debt Service	1,695,601
Total Current Assets	6,548,057
Noncurrent Assets:	
Bond Issuance Costs (net of amortization)	260,169
Land	1,575,257
Capital Assets (net of accumulated depreciation)	51,580,547
Total Noncurrent Assets	53,415,973
Total Assets	59,964,030
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	77,560
Salaries/Severance Payable	951,875
Retirement Payable	384,557
Health Insurance Payable	261,411
Payroll Taxes Payable	75,014
Unearned Revenue	177,202
Note Payable - Short Term	1,800,000
Current Portion of Long-Term Obligations	1,886,642
Total Current Liabilities	5,614,261
Noncurrent Liabilities:	
Bond Issue Premium (net of amortization)	93,443
Noncurrent Portion of Long-Term Obligations	49,665,664
Total Noncurrent Liabilities	49,759,107
Total Liabilities	55,373,368
<b>Net position</b>	
Net Investment in Capital Assets	2,452,616
Restricted For:	
Debt Service	156,892
Unrestricted	1,981,154
Total Net Position	\$ 4,590,662

See accompanying notes to the basic financial statements.

**FREMONT PUBLIC SCHOOLS**

Government Wide Statement of Activities  
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue</u>
<b>Governmental Activities</b>				<b>Government Activities</b>
Instruction:				
Basic Programs	\$ 11,561,337	\$ -	\$ 547,867	\$ (11,013,470)
Added Needs	3,652,371	-	2,955,573	(696,798)
Adult Education	26,690	-	123,593	96,903
Total Instruction	15,240,398	-	3,627,033	(11,613,365)
Support Services:				
Pupil	428,428	-	5,000	(423,428)
Instructional Staff	247,660	-	-	(247,660)
General Administration	363,649	-	-	(363,649)
School Administration	1,158,314	-	-	(1,158,314)
Business	256,910	-	-	(256,910)
Operations and Maintenance	1,555,634	-	-	(1,555,634)
Pupil Transportation	892,237	80,877	-	(811,360)
Central	435,750	-	-	(435,750)
Total Support Services	5,338,582	80,877	5,000	(5,252,705)
Community Services	322,848	235,372	81,940	(5,536)
Food Services	952,916	379,240	676,373	102,697
Athletics	428,117	71,859	-	(356,258)
Capital Outlay (Under \$5,000)	40,595	-	-	(40,595)
Interest and Fees on Debt	3,096,968	-	865,872	(2,231,096)
<b>Total School District</b>	<b>\$ 25,420,424</b>	<b>\$ 767,348</b>	<b>\$ 5,256,218</b>	<b>\$ (19,396,858)</b>

**General Revenues**

Property Taxes	
General Purposes	\$ 2,208,724
Debt Services	3,153,819
State and Federal Aids Not Restricted To Specific Functions:	
General	13,319,795
Interest and Investment Earnings	3,146
Miscellaneous	2,930
Gain (Loss) on Disposition of Capital Assets	(115,691)
Amortized Bond Premium	<u>17,671</u>
Total General Revenues	<u>18,590,394</u>
 Change in Net Position	 (806,464)
 Net Position - Beginning of Year	 <u>5,397,126</u>
 Net Position - Ending of Year	 <u><u>\$ 4,590,662</u></u>

See accompanying notes to the basic financial statements

**FREMONT PUBLIC SCHOOLS**

Balance Sheet - All Governmental Funds

June 30, 2014

	General Fund	Building & Site Fund	Debt Services Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash/Investments	\$ 1,347,722	\$ 730,748	\$ 149,133	\$ 1,200,945	\$ 3,428,548
Accounts Receivable	76,532	-	-	4,191	80,723
Due from Other Funds	1,431	-	7,759	1,837	11,027
Due from Other Governmental Units	2,908,562	-	-	21,068	2,929,630
Inventory	66,843	-	-	42,313	109,156
Total Assets	<u>\$ 4,401,090</u>	<u>\$ 730,748</u>	<u>\$ 156,892</u>	<u>\$ 1,270,354</u>	<u>\$ 6,559,084</u>
<b>Liabilities and Fund Equity</b>					
Liabilities					
Accounts Payable	\$ 24,013	\$ 48,356	\$ -	\$ 5,191	\$ 77,560
Salaries/Severance Payable	951,875	-	-	-	951,875
Retirement Payable	384,557	-	-	-	384,557
Health Insurance Payable	261,411	-	-	-	261,411
FICA Taxes Payable	75,014	-	-	-	75,014
Unearned Revenue	177,202	-	-	-	177,202
Due to Other Funds	9,596	-	-	1,431	11,027
Notes Payable	1,800,000	-	-	-	1,800,000
Total Liabilities	3,683,667	48,356	-	6,622	3,738,645
Fund Equity					
Non-Spendable	66,843	-	-	42,313	109,156
Assigned	392,316	682,392	156,892	1,221,419	2,453,019
Unassigned	258,263	-	-	-	258,263
Total Fund Equity	717,422	682,392	156,892	1,263,732	2,820,438
Total Liabilities and Fund Equity	<u>\$ 4,401,090</u>	<u>\$ 730,748</u>	<u>\$ 156,892</u>	<u>\$ 1,270,354</u>	<u>\$ 6,559,083</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 Position June 30, 2014

Total Governmental Fund Balances \$ 2,820,438

Total Net Position reported for governmental activities in the statement of Net Position 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

Governmental Capital Asset	70,451,619
Governmental Accumulated Depreciation	(17,035,646)

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 position 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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

General Obligation Debt	<u>(51,645,749)</u>
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Total Net Position - Governmental Activities:	<u><u>\$ 4,590,662</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, 2014

	General Fund	Building & Site Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local Sources	\$ 2,855,343	\$ 249	\$ 3,154,917	\$ 380,355	\$ 6,390,864
State Sources	15,291,735	-	-	40,451	15,332,186
Federal Sources	1,027,710	-	865,872	635,922	2,529,504
Other Sources	459,429	-	-	-	459,429
Total Revenues	<u>19,634,217</u>	<u>249</u>	<u>4,020,789</u>	<u>1,056,728</u>	<u>24,711,983</u>
<b>Expenditures</b>					
Instruction					
Basic Programs	9,611,150	-	-	-	9,611,150
Added Needs	3,642,684	-	-	-	3,642,684
Adult Education	41,615	-	-	-	41,615
Support Services:					
Pupil	428,428	-	-	-	428,428
Instructional Staff	250,050	-	-	-	250,050
General Administration	344,854	-	-	-	344,854
School Administration	1,165,844	-	-	-	1,165,844
Business	309,190	-	-	-	309,190
Operations & Maintenance	1,498,740	-	-	-	1,498,740
Pupil Transportation	1,063,499	-	-	-	1,063,499
Central	435,055	-	-	-	435,055
Community Services	317,610	-	-	-	317,610
Athletics	405,524	-	-	-	405,524
Food Services	-	-	-	988,013	988,013
Capital Outlay	-	853,241	-	122,931	976,172
Debt Service	50,964	-	4,737,650	-	4,788,614
Total Expenditures	<u>19,565,207</u>	<u>853,241</u>	<u>4,737,650</u>	<u>1,110,944</u>	<u>26,267,043</u>
Excess Revenues Over (Under)					
Expenditures	69,010	(852,992)	(716,861)	(54,216)	(1,555,059)

<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
Operating Transfers Out	(25,000)	-	-	-	(25,000)
Sale of Fixed Assets	35,198	-	-	15	35,213
Proceeds from Long-Term Debt	243,897	-	655,000	-	898,897
Indirect Cost Allocation	45,212	-	-	-	45,212
Total Other Financing Sources (Uses)	<u>299,307</u>	<u>-</u>	<u>655,000</u>	<u>25,015</u>	<u>979,322</u>
Excess Revenues and Other Sources					
Over (Under) Expend. and Other Uses	368,317	(852,992)	(61,861)	(29,201)	(575,737)
Fund Balance - July 1	354,689	1,535,384	218,753	1,287,349	3,396,175
Prior Period Adjustments	<u>(5,584)</u>	<u>-</u>	<u>-</u>	<u>5,584</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 717,422</u>	<u>\$ 682,392</u>	<u>\$ 156,892</u>	<u>\$ 1,263,732</u>	<u>\$ 2,820,438</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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (575,737)

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 Position and allocated over their estimated useful lives as annual depreciation expense.

Capital outlay reported in governmental fund statements	1,187,972	
Depreciation expense reported in the statement of activities	(2,194,864)	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations to decrease assets).	(150,908)	
Amount by which capital outlays are more than depreciation and sale of assets in the current period.		(1,157,800)

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 Position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Proceeds from debt issues in the current year	(979,917)	
The amount of debt principal payments in the current year is:	1,810,964	
Current year bond issue premium and issuance costs net of amortization.	(20,627)	
		810,420

Decrease in compensated absences that are recorded when earned in the statement of activities.	16,653	
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Decrease in post-retirement benefits that are recorded when earned in the statement of activities.	100,000	

Change in Net Position - Governmental Activities. \$ (806,464)

See accompanying notes to the basic financial statements.

**FREMONT PUBLIC SCHOOLS**

Statement of Net Position - Fiduciary Funds

June 30, 2014

	<u>Agency Funds</u>
<b>Assets</b>	
Cash/Investments	\$ 470,804
Total Assets	<u>\$ 470,804</u>
<b>Liabilities and Net position</b>	
Liabilities	
Due to Student Groups	\$ 470,804
Net Position	
Unrestricted	<u>-</u>
Total Liabilities and Net Position	<u>\$ 470,804</u>

See accompanying notes to the basic financial statements.

## FREMONT PUBLIC SCHOOLS

Notes to the Financial Statements  
For the Year Ended June 30, 2014

### 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 2,200 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 position 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)

Deferred inflows of resources- The statement of net position and governmental funds balance sheet include a separate section for deferred inflow of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs.

*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. Unearned 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.

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	\$ 76,532	\$ 4,191	\$ 80,723
Due from Other Governments	2,908,562	21,068	2,929,630
	<u>\$ 2,985,094</u>	<u>\$ 25,259</u>	<u>\$3,010,353</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	\$ 66,011	\$ -
Copy Center Supplies - Paper	832	-
Food and Non-Food Supplies	-	42,313
Total Inventories	<u>\$ 66,843</u>	<u>\$ 42,313</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. Unearned Revenue

Governmental funds report unearned 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	\$ -	\$ 177,202

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 position. 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. Net Position

Net Position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Fremont Public Schools report three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of Fremont Public Schools debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by Fremont Public Schools.

12. Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Non-spendable - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted -Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.



Notes to the Financial Statements (continued)

Committed - Includes amounts that can only used for specific purposes determined by a formal action by Board resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board resolution) that was employed when the funds were initially committed.

Assigned - Includes amounts a government intends to use for specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.

Unassigned - Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

Restricted sources are used first when an expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, Fremont Public Schools consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

13. 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.

14. 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.

15. 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	\$ 2,086
Cash and Time Deposits	2,311,749
Certificates of Deposit	153,381
External Investment Pool (2a-7 like pool)	196,240
Cash Management Money Market Funds	1,235,901
	<u>\$ 3,899,357</u>

Notes to the Financial Statements (continued)

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* is the risk that, in the event of the failure of a financial institution, Fremont Public Schools will not be able to recover its deposits. Fremont Public School's investment policy does not specifically address custodial credit risk for deposits. At June 30, 2014, \$3,306,530 of Fremont Public School's bank balances of \$4,407,718 was exposed to custodial credit risk because it was uninsured and uncollateralized.

As of June 30, 2014, \$3,306,530 of the school district's bank balance of \$4,407,718 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 2,023,001
Uninsured and collateral held by pledging bank's trust department not in District's name.	<u>1,283,529</u>
	<u>\$ 3,306,530</u>

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

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.

Notes to the Financial Statements (continued)

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.
- 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, 2014.
- 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. There was one material overexpenditure during the current year caused by the purchase of three school buses.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Support Services-Pupil Trans.	903,461	1,063,499	(160,038)

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, 2014, the balances are as follows.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,431	\$ 9,596
Special Revenue - Food Service	1,799	1,431
Debt Retirement	7,759	-
Capital Projects - Sinking Fund	38	-
Total	<u>\$ 11,027</u>	<u>\$ 11,027</u>

Notes to the Financial Statements (continued)

NOTE E GENERAL LONG-TERM OBLIGATIONS

Summary - The long-term debt includes bond issues and a capital lease on 3 school buses. 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.

Long-Term Debt is comprised of the following at June 30, 2014:	Outstanding Principal 6/30/2014	Due Within One Year
\$2,210,000, 2013 General Obligation (Refunding) serial bonds due in annual installments of \$235,000 to \$300,000 through 2021; interest payable semiannually at .65 to 1.80 percent.	\$ 1,975,000	\$ 280,000
\$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.	40,925,000	850,000
\$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.	5,520,000	710,000
\$243,897, 2013 School Bus Capital Lease due in annual installments of \$50,964 through 2018; interest payable annually at 2.2 percent.	192,933	46,642
\$2,168,800, School Bond Loan Fund loan advance due once property tax millage collection covers annual debt requirements; interest accrues at 3.00 percent.	2,904,820	-
Total Bonds & Capital Leases	\$51,517,753	\$ 1,886,642

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. 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. In 2013, the school advance refunded the callable portion (\$2,130,000) of the 2003 General Obligation Bond issue and issued \$2,210,000 of General Obligation Refunding. As a result, the refunded bonds are considered legally defeased and the liability has been removed from the general long-term debt obligations.

Notes to the Financial Statements (continued)

The refunding was undertaken to take advantage of the low interest rates available in 1993, 1998, 2003, 2008, and 2013. 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 reduced the District's interest expense approximately \$940,106 through lower debt payments over the following ten years. The 2013 refunding reduced the District's interest expense approximately \$233,388 through lower debt payments over the following eight years.

Early Retirement Payable

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. At June 30, 2014, this offer was paid off and no new offers are outstanding.

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.

	34,555	-
Total Early Retirement and Compensated Absences	\$ 34,555	\$ -

The annual requirements to amortize long-term debt outstanding as of June 30, 2014, including interest detailed as follows:

Year Ended June 30,	2009 Bond Issue		2008 Bond Issue		2013 Bond Issue		2014 School Bus Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 850,000	\$ 2,653,022	\$ 710,000	\$ 231,663	\$ 280,000	\$ 25,608	\$ 46,642	\$ 4,322
2016	900,000	2,613,752	750,000	203,262	275,000	23,368	47,687	3,277
2017	950,000	2,569,652	750,000	177,950	300,000	20,619	48,755	2,209
2018	1,000,000	2,521,298	805,000	140,450	280,000	17,168	49,849	1,116
2019	1,050,000	2,468,398	820,000	100,200	295,000	13,668	-	-
2020-2024	6,675,000	11,306,498	1,685,000	101,400	545,000	14,159	-	-
2025-2029	8,500,000	8,914,820	-	-	-	-	-	-
2030-2034	10,250,000	5,830,343	-	-	-	-	-	-
2035-2039	10,750,000	2,222,025	-	-	-	-	-	-
Total	\$ 40,925,000	\$ 41,099,808	\$ 5,520,000	\$ 954,925	\$ 1,975,000	\$ 114,590	\$ 192,933	\$ 10,924

Notes to the Financial Statements (continued)

Changes in Long-Term Debt - The following is a summary of debt transactions of the District for the year ended June 30, 2014.

<b>Governmental-Type Activities</b>	Bond Issues	Capital Lease Payable	Compensated Absence/Early Retirement Payable	Total
Debt Outstanding-July 1	\$ 52,348,800	\$ -	\$ 151,206	\$ 52,500,006
Debt Added During Year	736,020	243,897	83,036	1,062,953
Debt Retired During Year	<u>(1,760,000)</u>	<u>(50,964)</u>	<u>(199,687)</u>	<u>(2,010,651)</u>
Debt Outstanding-June 30	<u>\$ 51,324,820</u>	<u>\$ 192,933</u>	<u>\$ 34,555</u>	<u>\$ 51,552,308</u>
Amount Due Within One Year	\$ 1,840,000	\$ 46,642	\$ -	\$ 1,886,642

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 2013 levy had a taxable value of \$446 million. For the 2013 levy, the School District's operating tax rate was 18 mills and its debt service tax rate was 7 mills.

NOTE G DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

### Pension Benefits

All full-time employees of the District are required by law to participate in the MPSERS. All benefits vest after 10 years of service. Basic plan members may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at age 46 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.

The retirement benefit for DB and Pension Plus 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. For a MIP member who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a basic member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA300 of 2012 and is shown below:

Option 1:  $FAC \times \text{total years of service} \times 1.5\%$

Option 2:  $FAC \times 30 \text{ years of service} \times 1.5\% + FAC \times \text{years of service beyond 30} \times 1.25\%$

Option 3:  $FAC \times \text{years of service as of transition date} \times 1.5\% + FAC \times \text{years of service after transition date} \times 1.25\%$

Option 4:  $FAC \text{ as of transition date} \times \text{years of service as of transition date} \times 1.25\%$

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.

### Funding Policy

Mandatory member contributions were phased out between 1974 and 1977 with the plan remaining non contributing until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled 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 between January 1, 1990 and June 30, 2008, 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. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described below. Members who elected to increase their level of contributions contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits plus an additional amount to fund retiree health benefit amounts. Effective February 1, 2013, the rates ranged from 20.96% to 24.32% based upon Basic, MIP or Pension Plus enrollment. As of October 1, 2013, the rates range from 20.96% to 24.79%. In addition, the District is required to match up to 4% of the employees' contribution. As of September 3, 2012, new employees were enrolled in a personal health care fund with a mandatory 2% employer match. Beginning in February, 2013 MPSERS UAAL Stabilization Funding was also established which increased the contribution rate an estimated 1.60%, to be funding through the State School Aid Fund. Effective October 1, 2013 the MPSERS UAAL Stabilization Rate was increased to 4.56%. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees.

#### Other Post Employment Benefits

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as to that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% of their compensation to offset employer contributions for health care benefits for current retirees. Effective April 1, 2011 a court order eliminated this requirements. The court order was appealed by the State of Michigan. The Court of Appeals has denied the stay and the schools are waiting for guidance, but are continuing to withhold this payment until that guidance is received as instructed by the Office of Retirement Services.



Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's "transition date", which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 200 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) account no later than their first pay date after March 1, 2013.

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who were rehired on or after September 4, 2012, will contribute 3% to retiree healthcare and will retain the subsidy benefit. Retiring members who made the retirement healthcare election will retain whichever option they choose.

#### Annual Pension and Other Costs

During the plan year ended September 30, 2013, benefit expenditures for the pension and post employment benefits for the MPSERS as a whole were \$5,162,664,637. As of September 30, 2013, the amount of Net Position held in trust for pension and health care benefits was \$42,608,084,143. At September 30, 2013 there were 432,093 members in the MPSERS, of which 200,952 were actively receiving benefits, 110,926 were vested employees, 103,980 were non-vested employees and 16,235 were inactive employees entitled to benefits and not yet receiving them. Actual employer contributions for retirement benefits were \$1,364,136,462 and for other postemployment benefits were \$973,002,719. Annual payrolls for the fiscal year ended September 30, 2013 were not available.

Notes to the Financial Statements (continued)

For the fiscal year ended June 30, 2014, the District's annual pension cost of \$3,380,359 was equal to the District's required and actual contributions. The required contribution was determined as part of the September 30, 2012 actuarial valuation using the following assumptions:

Valuation Date	September 30, 2012
Actuarial Cost Method	Entry Age, Normal
Amortization Method-Pension & OPEB	Level Percent of Payroll, Closed
Remaining Amortization Period-Pension & OPEB	24 Years
Asset Valuation Method-Pension	5-year Smoothed Market Value
Asset Valuation Method-OPEB	Market Value
Actuarial Assumptions:	
Inflation Rate	3.5%
Investment Rate of Return-Pension	
-MIP and Basic Plans	8%
-Pension Plus Plan	7%
-OPEB	8%
Projected Salary Increases	3.5% - 15.9%
	3% annual non-compounded for MIP Members
Healthcare Cost Trend Rate	3.5% - 15.9%
Other Assumptions OPEB only:	
Opt Out Assumption	21% of eligible participants hired before 7/1/2008 and 30% of those hired after 6/30/2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Three-Year Trend Information

Fiscal Year Ending June 30	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 2,630,209	100%	-
2013	\$ 2,646,680	100%	-
2014	\$ 3,380,359	100%	-

NOTE H RELATED PARTY TRANSACTIONS

There were no related party transactions for the fiscal year ended June 30, 2014.

Notes to the Financial Statements (continued)

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

In August 2013, the School entered into a State Aid Note for \$1,800,000 with Chemical Bank for the purpose of providing money for school operations for the fiscal year ending June 30, 2014. The note bears interest at .89% and was repaid in August 2014.

Short-Term Debt Outstanding, July 1, 2013	\$ 1,500,000
Debt Added During the Year	1,800,000
Debt Retired During the Year	<u>(1,500,000)</u>
Short-Term Debt Outstanding June 30, 2014	<u><u>\$ 1,800,000</u></u>

NOTE J FIXED ASSETS

Capital asset balances and for the year ended June 30, 2014 were as follows:

<b>Governmental-Type Activities</b>	Balance 6/30/2013	Additions	Adjustments Deletions	Balance 6/30/2014
Capital Assets not being depreciated				
Land	\$ 1,575,257	\$ -	\$ -	\$ 1,575,257
Total Capital Assets, not being depreciated	1,575,257	-	-	1,575,257
Capital Assets Being Depreciated				
Buildings and Improvements	58,464,007	253,830	(1,270,958)	57,446,879
Equipment and Vehicles	10,579,065	934,142	(343,893)	11,169,314
Subtotal	\$69,043,072	\$ 1,187,972	\$ (1,614,851)	\$68,616,193
Less Accumulated Depreciation for				
Buildings and Improvements	\$13,162,706	\$ 2,050,187	\$ (1,446,280)	\$13,766,613
Equipment and Vehicles	3,142,019	144,677	(17,663)	3,269,033
Subtotal	16,304,725	2,194,864	(1,463,943)	17,035,646
Net Capital Assets being depreciated	52,738,347	(1,006,892)	(150,908)	51,580,547
Total Governmental Activities				
Capital Assets - Net of Depreciation	<u>\$54,313,604</u>	<u>\$ (1,006,892)</u>	<u>\$ (150,908)</u>	<u>\$ 53,155,804</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 2,050,187
Support Services-Students and Staff	2,361
Support Services-Administration	20,960
Operation and Maintenance	7,904
Student Transportation	81,063
Food Services	10,115
Athletics	<u>22,275</u>
Total Depreciation Expense	<u><u>\$ 2,194,865</u></u>

Notes to the Financial Statements (continued)

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, 2014 and the cumulative expenditures recognized for the construction period were as follows.

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

	<u>Building &amp; Site Fund</u>
Revenue and other financing sources	<u>\$ 44,656,747</u>
Expenditures	<u>\$ 43,925,748</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, 2014, the most recent balance sheet presented herein, through October 31, 2014, 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 \$1,700,000 on September 17, 2014. The note will bear interest at .79% and mature August 21, 2015.

New School Buses

In July 2014, the District borrowed \$165,602 from Chemical Bank to purchase 2 new school buses.

Notes to the Financial Statements (continued)

NOTE O UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2012, the Government Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pension. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for this first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide statements will be computed differently than the current accountability and transparency through revised note disclosures and required supplemental information (RSI). The Office of Retirement Services (ORS) provided estimates of the District's proportionate share of the Net Pension Liability (\$29,712,000) and Pension Expense (\$1,135,000) from September 30, 2012 plan fiscal year. The ORS reports that the system totals for Net Pension Liability and Pension Expense were \$25,015,617,000 and \$923,532,000 respectively, for the same plan year. The provisions of this statement are effective for financial statements for the year ending June 30, 2015. The ORS will be providing actual amounts from the 2014 plan fiscal year for schools to report in the June 30, 2015 financial statements.

NOTE P CONTINGENCIES

As of June 30, 2014, the District was a party to a tenure case involving a teacher who was terminated for misconduct. As of the date of issuance of the financial statements, it could not be determined if a liability had been incurred at the date of the financial statements. However, the estimated potential liability, including reinstatement with eventual back pay and attorney's fees, is in the range of \$100,000 to \$150,000.

NOTE Q PRIOR PERIOD ADJUSTMENT

During the current year, it was determined that the General Fund charged the Food Service fund for indirect expenses. In order to correct this error, the General Fund beginning fund balance was decreased \$5,584 and the Food Service Fund beginning fund balance was increased by \$5,584.

## FREMONT PUBLIC SCHOOLS

Required Supplementary Information  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2014

	Budget Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local Sources	\$2,755,346	\$2,994,976	\$2,855,343	\$ 239,630	\$ (139,633)
State Sources	14,841,749	15,297,807	15,291,735	456,058	(6,072)
Federal Sources	1,094,000	1,024,420	1,027,710	(69,580)	3,290
Other Sources	505,000	455,000	459,429	(50,000)	4,429
Total Revenues	<u>19,196,095</u>	<u>19,772,203</u>	<u>19,634,217</u>	<u>576,108</u>	<u>(137,986)</u>
<b>Expenditures</b>					
Instruction					
Basic Programs	9,539,367	9,701,022	9,611,150	161,655	89,872
Added Needs	3,696,031	3,693,123	3,642,684	(2,908)	50,439
Adult Education	187,643	60,829	41,615	(126,814)	19,214
Total Instruction	<u>13,423,041</u>	<u>13,454,974</u>	<u>13,295,449</u>	<u>31,933</u>	<u>159,525</u>
Support Services:					
Pupil	564,008	434,341	428,428	(129,667)	5,913
Instructional Staff	151,396	238,514	250,050	87,118	(11,536)
General Administration	294,274	359,065	344,854	64,791	14,211
School Administration	1,047,000	1,175,460	1,165,844	128,460	9,616
Business	270,076	318,276	309,190	48,200	9,086
Operations & Maintenance	1,453,155	1,493,957	1,498,740	40,802	(4,783)
Pupil Transportation	874,918	903,461	1,063,499	28,543	(160,038)
Central	334,603	454,198	435,055	119,595	19,143
Athletics	449,865	400,791	405,524	(49,074)	(4,733)
Total Support Services	<u>5,439,295</u>	<u>5,778,063</u>	<u>5,901,184</u>	<u>338,768</u>	<u>(123,121)</u>
Community Services	279,489	292,139	317,610	12,650	(25,471)
Debt Service	-	-	50,964	-	(50,964)
Total Expenditures	<u>19,141,825</u>	<u>19,525,176</u>	<u>19,565,207</u>	<u>383,351</u>	<u>(40,031)</u>
Excess (deficiency) of Revenue Over Expenditures	54,270	247,027	69,010	192,757	(178,017)
<b>Other Financing Sources (Uses)</b>					
Sale of Fixed Assets	5,000	859	35,198	(4,141)	34,339
Capital Lease Proceeds	-	-	243,897	-	243,897
Indirect Cost Allocation	-	-	45,212	-	45,212
Operating Transfers Out	-	-	(25,000)	-	(25,000)
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>859</u>	<u>299,307</u>	<u>(4,141)</u>	<u>298,448</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	59,270	247,886	368,317	188,616	120,431
Fund Balance - July 1	354,689	354,689	354,689	-	-
Prior Period Adjustment- See Note Q	-	-	(5,584)	-	(5,584)
Fund Balance - June 30	<u>\$ 413,959</u>	<u>\$ 602,575</u>	<u>\$ 717,422</u>	<u>\$ 188,616</u>	<u>\$ 114,847</u>

## FREMONT PUBLIC SCHOOLS

### Comparative Balance Sheet - General Fund June 30, 2014 and 2013

	<u>June 30,</u> 2014	<u>June 30,</u> 2013
<b>Assets</b>		
Cash/Investments	\$ 1,347,722	\$ 1,098,913
Accounts Receivable	76,532	61,145
Due From Other Funds	1,431	287
Due From Other Governmental Units	2,908,562	3,002,034
Inventory	<u>66,843</u>	<u>40,668</u>
Total Assets	<u><u>\$ 4,401,090</u></u>	<u><u>\$ 4,203,047</u></u>
 <b>Liabilities and Fund Equity</b>		
Liabilities		
Accounts Payable	\$ 24,013	\$ 13,864
Salaries/Severance Payable	951,875	1,089,346
Retirement Payable	384,557	480,776
Health Insurance Payable	261,411	337,711
Payroll Taxes Payable	75,014	91,123
Unearned Revenue	177,202	293,277
Due to Other Funds	9,596	42,260
Notes Payable	<u>1,800,000</u>	<u>1,500,000</u>
Total Liabilities	3,683,668	3,848,357
 Fund Equity		
Non-Spendable	66,843	40,668
Assigned for IFT Payback	392,316	392,316
Assigned for VSP Plans	-	100,000
Unassigned	<u>258,263</u>	<u>(178,294)</u>
Total Fund Equity	<u>717,422</u>	<u>354,690</u>
Total Liabilities and Fund Equity	<u><u>\$ 4,401,090</u></u>	<u><u>\$ 4,203,047</u></u>

**FREMONT PUBLIC SCHOOLS**

Comparative Statement of Revenues - General Fund  
For the Years Ended June 30, 2014 and 2013

	2014	2013
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 2,208,724	\$ 2,112,788
Summer School Fees	-	1,850
Adult/Community Education Fees	210,641	243,667
Transportation Fees	80,877	76,437
Interest on Investments	683	829
Other Facilities	24,731	19,497
Grants and Donations	257,506	255,897
Athletics	71,859	64,060
Other	322	5,611
Total Local Sources	2,855,343	2,780,636
State Sources		
State School Aid	12,717,351	12,612,738
State School Aid-Supplemental	691,124	446,656
Agency Placed	-	(3,033)
Special Education	778,502	726,831
Principal Educator Evaluation Training	-	1,800
At Risk	518,657	512,386
Adult Education	73,593	71,807
TSDL/Data Collection	176,684	174,686
Teacher Technology	158,195	-
Renaissance Zone	177,629	90,025
Total State Sources	15,291,735	14,633,896
Federal Sources		
Title I, Part A	589,243	628,795
Title II, Part A	110,855	144,208
WIA	30,000	40,000
EL & Civics Grants	20,000	39,000
National Forest Subsidy	2,612	2,291
Special Education - Flow Through	275,000	275,000
Total Federal Sources	1,027,710	1,129,294
Interdistrict Sources		
Special Education	459,429	437,644
Total Revenues	\$ 19,634,217	\$ 18,981,470



**FREMONT PUBLIC SCHOOLS**

Comparative Statement of Expenditures - General Fund  
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Instruction</b>		
Basic Programs		
Elementary	\$ 4,003,696	\$ 4,334,164
Middle School	2,499,189	2,497,324
High School	2,749,809	2,976,402
Alternative Education	342,980	345,217
Summer School	15,476	17,191
Total Basic Programs	<u>9,611,150</u>	<u>10,170,298</u>
Added Needs		
Special Education	2,380,179	2,364,909
Section 31A / At-Risk	505,543	497,989
Title Programs/Improving Teacher Quality	646,489	692,866
Vocational Education	110,473	96,418
Total Added Needs	<u>3,642,684</u>	<u>3,652,182</u>
Adult Education	41,615	61,920
Total Instruction	<u>13,295,449</u>	<u>13,884,400</u>
<b>Supporting Services</b>		
Pupil		
Guidance	404,628	545,963
Health	18,806	16,652
Psychological	4,994	5,001
Total Pupil	<u>428,428</u>	<u>567,616</u>
Instructional Staff		
Special Education	26,901	43,061
Adult Education	73,458	66,107
Curriculum Coordinator - School Improvement	66,485	76,289
Media Services	67,191	95,193
Instruction Technology	14,725	21,376
Audio-Visual	1,290	2,036
Total Instructional Staff	<u>250,050</u>	<u>304,062</u>
General Administration		
Board of Education	98,848	82,550
Executive Administration	246,006	224,876
Total General Administration	<u>344,854</u>	<u>307,426</u>
School Administration		
Office of the Principal	1,088,814	1,069,221
Alternative Education	77,538	69,974
Copy Center	(508)	44
Total School Administration	<u>\$ 1,165,844</u>	<u>\$ 1,139,239</u>

Statement of Expenditures - General Fund (continued)

Business		
Fiscal Services	\$ 212,659	\$ 223,294
Other Business	96,531	59,915
Total Business	<u>309,190</u>	<u>283,209</u>
Operations & Maintenance		
Operations and Maintenance	1,498,740	1,430,760
Energy Management	-	392
Total Operations & Maintenance	<u>1,498,740</u>	<u>1,431,152</u>
Transportation	1,063,499	808,145
Central		
Informational Services	25,375	21,872
Professional Development	185	1,893
Technology	333,941	248,956
Computer Information Management	17,794	17,913
Data Collection	57,760	54,165
Total Central	<u>435,055</u>	<u>344,799</u>
Athletics	<u>405,524</u>	<u>426,843</u>
Total Supporting Services	5,901,184	5,612,491
<b>Community Services</b>		
Community School Program	534	45,708
Community Recreation and Enrichment	-	44,900
Multi-Agency Consortium	1,440	-
Day Care	166,840	140,693
Capturing Kids Hearts	25,290	863
Pals & Dads	2,086	-
After School Enrichment	121,420	131,992
Total Community Services	<u>317,610</u>	<u>364,156</u>
Principal Retired	<u>50,964</u>	<u>-</u>
Total Debt Service	<u>50,964</u>	<u>-</u>
Total Expenditures	<u>\$ 19,565,207</u>	<u>\$ 19,861,047</u>

## FREMONT PUBLIC SCHOOLS

### Comparative Balance Sheet - Debt Service Fund June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash/Investments	\$ 149,133	\$ 215,874
Due From Other Funds	<u>7,759</u>	<u>2,879</u>
Total Assets	<u>\$ 156,892</u>	<u>\$ 218,753</u>
<b>Fund Equity</b>		
Assigned	<u>156,892</u>	<u>218,753</u>
Total Liabilities and Fund Equity	<u>\$ 156,892</u>	<u>\$ 218,753</u>

## FREMONT PUBLIC SCHOOLS

### Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances - Debt Service Fund For the Years Ended June 30, 2014 and 2013

	2014	2013
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 3,153,819	\$ 2,994,277
Interest on Investments	1,098	1,118
Total Local Sources	3,154,917	2,995,395
State Sources		
State Aid	-	14,515
Federal Sources		
Qualified Bonds Credit Payment	865,872	951,829
Total Revenues	4,020,789	3,961,739
<b>Expenditures</b>		
Taxes Abated	-	5
Principal Retired	1,760,000	3,818,855
Interest	2,976,350	3,095,546
Paying Agent	1,300	1,440
Bond Issuance Costs	-	29,038
Total Debt Service	4,737,650	6,944,884
Excess Revenues Over(Under)Expenditures	(716,861)	(2,983,145)
<b>Other Financing Sources(Uses)</b>		
Proceeds from Issuance of Long-Term Debt	655,000	2,995,155
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(61,861)	12,010
Fund Equity - July 1	218,753	206,743
Fund Equity - June 30	\$ 156,892	\$ 218,753

## FREMONT PUBLIC SCHOOLS

### Comparative Balance Sheet - Building & Site Fund June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash/Investments	\$ 730,748	\$ 1,496,041
Due From Other Funds	<u>-</u>	<u>39,343</u>
Total Assets	<u>\$ 730,748</u>	<u>\$ 1,535,384</u>
<b>Liabilities and Fund Equity</b>		
Liabilities		
Accounts Payable	<u>\$ 48,356</u>	<u>\$ -</u>
Total Liabilities	48,356	-
Fund Equity		
Assigned	<u>682,392</u>	<u>1,535,384</u>
Total Fund Equity	<u>682,392</u>	<u>1,535,384</u>
Total Liabilities and Fund Equity	<u>\$ 730,748</u>	<u>\$ 1,535,384</u>

**FREMONT PUBLIC SCHOOLS**

Comparative Statement of Revenues - Building & Site Fund  
For the Years Ended June 30, 2014 and 2013

	2014	2013
<b>Revenues</b>		
Local Sources		
Interest on Investments	\$ 249	\$ 2,636
Total Revenues	249	2,636
<b>Expenditures</b>		
Capital Outlay	689,130	6,956,843
Land	-	175
Professional Services	23,630	136,433
Miscellaneous Expenses	140,481	338,809
Total Expenditures	853,241	7,432,260
Excess Revenues Over (Under) Expenditures	(852,992)	(7,429,624)
Fund Equity - July 1	1,535,384	8,965,008
Fund Equity - June 30	\$ 682,392	\$ 1,535,384

**FREMONT PUBLIC SCHOOLS**

Combining Balance Sheet  
All Non-Major Governmental Funds - By Fund Type  
June 30, 2014

	<u>Special Revenue Food Service</u>	<u>Capital Improvement Fund</u>	<u>Capital Projects Sinking Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>Assets and Other Debits</b>				
Cash/Investments	\$ 360,228	\$ 24,997	\$ 815,720	\$ 1,200,945
Accounts Receivable	4,191	-	-	4,191
Due From Other Governmental Units	21,068	-	-	21,068
Due From Other Funds	1,799	-	38	1,837
Inventory	42,313	-	-	42,313
Total Assets and Other Debits	<u>\$ 429,599</u>	<u>\$ 24,997</u>	<u>\$ 815,758</u>	<u>\$ 1,270,354</u>
<b>Liabilities</b>				
Accounts Payable	\$ 5,191	\$ -	\$ -	\$ 5,191
Due to Other Funds	1,431	-	-	1,431
Total Liabilities	6,622	-	-	6,622
<b>Fund Equity and Other Credits</b>				
Fund Balances				
Non-Spendable	42,313	-	-	42,313
Assigned	380,664	24,997	815,758	1,221,419
Total Fund Equity and Other Credits	<u>422,977</u>	<u>24,997</u>	<u>815,758</u>	<u>1,263,732</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$ 429,599</u>	<u>\$ 24,997</u>	<u>\$ 815,758</u>	<u>\$ 1,270,354</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, 2014

	<u>Special Revenue Food Service</u>	<u>Capital Improvement Fund</u>	<u>Capital Projects Sinking Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues</b>				
Local Sources	\$ 379,480	\$ -	\$ 875	\$ 380,355
State Sources	40,451	-	-	40,451
Federal Sources	635,922	-	-	635,922
Total Revenues	<u>1,055,853</u>	<u>-</u>	<u>875</u>	<u>1,056,728</u>
<b>Expenditures</b>				
Supporting Services				
Miscellaneous	-	3	-	3
Capital Outlay	-	-	122,928	122,928
Food Service	988,013	-	-	988,013
Total Expenditures	<u>988,013</u>	<u>3</u>	<u>122,928</u>	<u>1,110,944</u>
Excess Revenues Over (Under) Expenditures	67,840	(3)	(122,053)	(54,216)
<b>Other Financing Sources</b>				
Operating Transfers In	-	25,000	-	25,000
Sale of Fixed Assets	15	-	-	15
Total Other Financing Sources	15	25,000	-	25,015
Excess Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing (Uses)	67,855	24,997	(122,053)	(29,201)
Fund Equity - July 1	349,538	-	937,811	1,287,349
Prior Period Adjustments	5,584	-	-	5,584
Fund Equity - June 30	<u>\$ 422,977</u>	<u>\$ 24,997</u>	<u>\$ 815,758</u>	<u>\$ 1,263,732</u>



## FREMONT PUBLIC SCHOOLS

### Comparative Balance Sheet Non-Major Food Service Special Revenue Fund June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash/Investments	\$ 360,228	\$ 305,679
Accounts Receivable	4,191	-
Due From Other Governmental Units	21,068	9,505
Due From Other Funds	1,799	-
Inventory	<u>42,313</u>	<u>34,641</u>
Total Assets	<u>\$ 429,599</u>	<u>\$ 349,825</u>
<b>Liabilities</b>		
Due to Other Funds	<u>\$ 1,431</u>	<u>\$ 287</u>
Total Liabilities	6,622	287
<b>Fund Equity</b>		
Non-Spendable	42,313	34,641
Assigned	<u>380,664</u>	<u>314,897</u>
Total Fund Equity	<u>422,977</u>	<u>349,538</u>
Total Liabilities and Fund Equity	<u>\$ 429,599</u>	<u>\$ 349,825</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, 2014

	Food Service		
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues</b>			
Local Sources	\$ 378,465	\$ 379,480	\$ 1,015
State Sources	40,451	40,451	-
Federal Sources	585,000	635,922	50,922
Total Revenues	1,003,916	1,055,853	51,937
<b>Expenditures</b>			
Food Service	1,009,530	988,013	21,517
Total Expenditures	1,009,530	988,013	21,517
Excess Revenues Over (Under) Expenditures	(5,614)	67,840	73,454
<b>Other Financing Sources (Uses)</b>			
Sale of Fixed Assets	-	15	15
Total Other Financing Sources (Uses)	-	15	15
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(5,614)	67,855	73,469
Fund Equity - July 1	349,538	349,538	-
Prior Period Adjustment	-	5,584	5,584
Fund Equity - June 30	\$ 343,924	\$ 422,977	\$ 79,053

## 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, 2014 and 2013

	2014	2013
<b>Revenues</b>		
Local Sources		
Children's Lunches and Breakfasts	\$ 155,096	\$ 167,121
Ala Carte	164,876	169,243
Adult Lunches and Breakfasts	8,068	10,052
Interest	241	203
Other	51,199	32,824
Total Local Sources	379,480	379,443
State Sources	40,451	36,580
Federal Sources	635,922	584,864
Total Revenues	1,055,853	1,000,887
<b>Expenditures</b>		
Salaries:		
Coordinator	47,063	46,355
Manager	23,445	23,841
Cooks	28,123	29,642
Servers and Others	226,624	212,714
Payroll Taxes and Other Fringe Benefits	133,319	112,248
Local Travel	1,755	1,603
Equipment Repairs and Maintenance	6,566	1,208
Other Purchased Services	8,890	9,109
Food	426,215	445,002
Vehicle Expense	3,283	3,689
Non-food Supplies and Miscellaneous	32,148	31,509
Indirect Costs	45,212	51,309
Sales Tax	247	699
Dues and Subscriptions	1,530	220
Capital Outlay	3,593	17,029
Total Expenditures	988,013	986,177
Excess Revenues Over (Under) Expenditures	67,840	14,710
<b>Other Financing Sources</b>		
Sale of Fixed Assets	15	440
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	67,855	15,150
Fund Equity - July 1	349,538	334,388
Prior Period Adjustment	5,584	-
Fund Equity - June 30	\$ 422,977	\$ 349,538

**FREMONT PUBLIC SCHOOLS**

Comparative Balance Sheet  
Non-Major Capital Improvement Capital Projects Fund  
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash/Investments	<u>\$ 24,997</u>	<u>\$ -</u>
Total Assets	<u><u>\$ 24,997</u></u>	<u><u>\$ -</u></u>
<b>Fund Equity</b>		
Assigned	<u>\$ 24,997</u>	<u>\$ -</u>
Total Fund Equity	<u>24,997</u>	<u>-</u>
Total Liabilities and Fund Equity	<u><u>\$ 24,997</u></u>	<u><u>\$ -</u></u>

## FREMONT PUBLIC SCHOOLS

Comparative Statement of Revenues, Expenditures and Changes  
in Fund Balances - Non-Major Capital Improvement Capital Projects Fund  
For the Years Ended June 30, 2014 and 2013

	2014	2013
<b>Revenues</b>		
Local Sources		
Interest	\$ -	\$ -
Total Revenues	-	-
<b>Expenditures</b>		
Miscellaneous	3	-
Total Expenditures	3	-
Excess Revenues Over (Under) Expenditures	(3)	-
<b>Other Financing Sources</b>		
Operating Transfers In	25,000	-
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	24,997	-
Fund Equity - July 1	-	-
Fund Equity - June 30	\$ 24,997	\$ -

**FREMONT PUBLIC SCHOOLS**

Comparative Balance Sheet - Non-Major Capital Projects Fund - Sinking Fund  
For the Years Ended June 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, and 2004

	Sinking Fund										
	June 30 2014	June 30 2013	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
<b>Assets</b>											
Cash	\$ 815,720	\$ 937,773	\$ 981,814	\$ 732,384	\$ 357,419	\$ 126,937	\$ 44,754	\$ 4,220	\$ 184,961	\$ 3,345	\$ 234,462
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	1,092
Due from Other Governmental Units	-	-	-	-	-	-	-	4,322	-	-	-
Due from Other Funds	38	38	-	-	50	-	19,179	19,196	-	115	246
<b>Total Assets</b>	<b>\$ 815,758</b>	<b>\$ 937,811</b>	<b>\$ 981,814</b>	<b>\$ 732,384</b>	<b>\$ 357,469</b>	<b>\$ 126,937</b>	<b>\$ 63,933</b>	<b>\$ 27,738</b>	<b>\$ 184,961</b>	<b>\$ 3,460</b>	<b>\$ 235,800</b>
<b>Liabilities</b>											
Accounts Payable	\$ -	\$ -	\$ -	\$ 91,668	\$ -	\$ 5,340	\$ 35,806	\$ -	\$ -	\$ -	\$ 8,500
Due to Other Governmental Units	-	-	-	-	-	-	-	175	-	-	-
Due to Other Funds	-	-	-	42	29	-	100,000	128,531	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,710</b>	<b>29</b>	<b>5,340</b>	<b>135,806</b>	<b>128,706</b>	<b>-</b>	<b>-</b>	<b>8,500</b>
<b>Fund Equity</b>											
Assigned	815,758	937,811	981,814	640,674	357,440	121,597	(71,873)	(100,968)	184,961	3,460	227,300
<b>Total Liabilities and Fund Equity</b>	<b>\$ 815,758</b>	<b>\$ 937,811</b>	<b>\$ 981,814</b>	<b>\$ 732,384</b>	<b>\$ 357,469</b>	<b>\$ 126,937</b>	<b>\$ 63,933</b>	<b>\$ 27,738</b>	<b>\$ 184,961</b>	<b>\$ 3,460</b>	<b>\$ 235,800</b>

## 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, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, and 2004

	June 30 2014	June 30 2013	June 30 2012	June 30 2011	June 30 2010	June 30 2009
<b>Revenues</b>						
Local Sources						
Property Taxes	\$ -	\$ 814	\$ 734,402	\$ 743,737	\$ 763,974	\$ 722,848
Interest on Investments	875	983	1,114	1,124	579	294
Miscellaneous Income	-	-	27,216	-	150	-
Total Local Sources	875	1,797	762,732	744,861	764,703	723,142
<b>Expenditures</b>						
Supporting Services						
Taxes Abated	-	9	733	3,512	20	4,502
Capital Outlay	101,336	35,598	407,464	453,398	516,338	491,303
Professional Services	-	290	995	2,442	6,096	33,274
Miscellaneous Expense	21,592	9,903	12,400	2,275	6,406	593
Total Supporting Services	122,928	45,800	421,592	461,627	528,860	529,672
Debt Service						
Principal Retired	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-
Total Debt Service	-	-	-	-	-	-
Total Expenditures	122,928	45,800	421,592	461,627	528,860	529,672
Excess Revenues Over (Under) Expenditures	(122,053)	(44,003)	341,140	283,234	235,843	193,470
<b>Other Financing Sources(Uses)</b>						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Excess Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing (Uses)	(122,053)	(44,003)	341,140	283,234	235,843	193,470
Fund Equity - July 1	937,811	981,814	640,674	357,440	121,597	(71,873)
Fund Equity - June 30	\$ 815,758	\$ 937,811	\$ 981,814	\$ 640,674	\$ 357,440	\$ 121,597

<u>June 30 2008</u>	<u>June 30 2007</u>	<u>June 30 2006</u>	<u>June 30 2005</u>	<u>June 30 2004</u>	<u>Totals</u>
\$ 699,881	\$ 667,257	\$ 628,340	\$ 597,747	\$ 563,973	\$ 6,122,973
1,401	2,536	3,068	1,120	365	12,584
-	-	-	-	-	27,366
<u>701,282</u>	<u>669,793</u>	<u>631,408</u>	<u>598,867</u>	<u>564,338</u>	<u>6,162,923</u>
-	-	-	-	-	8,776
645,044	842,844	321,013	699,030	283,441	4,695,473
-	-	-	-	-	43,097
<u>27,143</u>	<u>5,156</u>	<u>14,124</u>	<u>1,860</u>	<u>14,599</u>	<u>94,459</u>
<u>672,187</u>	<u>848,000</u>	<u>335,137</u>	<u>700,890</u>	<u>298,040</u>	<u>4,841,805</u>
-	100,675	100,675	100,675	100,675	402,700
-	7,047	14,095	21,142	28,189	70,473
-	107,722	114,770	121,817	128,864	473,173
<u>672,187</u>	<u>955,722</u>	<u>449,907</u>	<u>822,707</u>	<u>426,904</u>	<u>5,314,978</u>
29,095	(285,929)	181,501	(223,840)	137,434	847,945
-	-	-	-	-	-
29,095	(285,929)	181,501	(223,840)	137,434	847,945
<u>(100,968)</u>	<u>184,961</u>	<u>3,460</u>	<u>227,300</u>	<u>89,866</u>	<u>-</u>
<u>\$ (71,873)</u>	<u>\$ (100,968)</u>	<u>\$ 184,961</u>	<u>\$ 3,460</u>	<u>\$ 227,300</u>	<u>\$ 847,945</u>



**FREMONT PUBLIC SCHOOLS**

Balance Sheet  
Fiduciary Fund  
Student Activities Agency Fund  
June 30, 2014

**Assets**

Cash and Investments	<u>\$ 470,804</u>
Total Assets	<u><u>\$ 470,804</u></u>

**Liabilities**

Due to Student Groups	<u>\$ 470,804</u>
Total Liabilities	<u><u>\$ 470,804</u></u>

**FREMONT PUBLIC SCHOOLS**

Statement of Changes in Assets and Liabilities  
Fiduciary Fund  
Student Activities Agency Fund  
For the Year Ended June 30, 2014

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2014</u>
<b>Assets</b>				
Cash and Investments	<u>\$ 420,270</u>	<u>\$ 704,739</u>	<u>\$ 654,205</u>	<u>\$ 470,804</u>
<b>Liabilities</b>				
Due to Student Groups	<u>\$ 420,270</u>	<u>\$ 704,739</u>	<u>\$ 654,205</u>	<u>\$ 470,804</u>

**FREMONT PUBLIC SCHOOLS**

Statement of Cash Receipts and Disbursements  
 Fiduciary Fund  
 Student Activities Agency Fund  
 For the Year Ended June 30, 2014

	Balance 6/30/2013	Receipts	Disbursements	Balance 6/30/2014
Interest on Investment	\$ 376	\$ 708	\$ -	\$ 1,084
Administration - Miscellaneous	27,456	3,818	4,314	26,960
Daisy Brook - Book Fair	981	17,734	16,741	1,974
Daisy Brook - Cash for Education	8,953	8,982	5,399	12,536
Daisy Brook - Grade Funds	4,680	424	525	4,579
Daisy Brook - Activities Fund	5,085	2,639	7,619	105
Daisy Brook - Student Council	4,694	1,340	1,543	4,491
High School - Alumni Band	35	-	-	35
High School - Art/Pekel	5,915	4,853	8,633	2,135
High School - Athletic Uniforms	50,632	96,247	108,725	38,154
High School - Athletic Endowment	7,762	4,703	-	12,465
High School - Brad Blamer Pay to Play	-	590	-	590
High School - Candy Machine Sales	3,734	583	364	3,953
High School - Chad Paulsen Memorial	300	-	-	300
High School - Dakota Scholarship	-	450	-	450
High School - Industrial Arts	10,708	9,048	10,851	8,905
High School - Cheerleaders	469	-	-	469
High School - Class of 2013	796	-	400	396
High School - Class of 2014	360	3,260	2,527	1,093
High School - Class of 2016	-	250	-	250
High School - Conservation Club	611	610	1,216	5
High School - Germany Trip	937	-	-	937
High School - FACF Girls BB Grant	-	-	480	(480)
High School - Escape	9,754	13,756	14,567	8,943
High School - Embroidery	104	-	-	104
High School - Equestrian Team	6	-	-	6
High School - FACF Baseball Grant	48	-	-	48
High School - FACF Boys BB Grant	-	2,725	-	2,725
High School - FACF Softball	10	-	-	10
High School - Poker Fundraising	7,909	906	8,213	602
High School - F.F.A. Project	8,755	38,256	40,860	6,151
High School - John Kingsnorth Memorial	6,935	-	-	6,935
High School - Lakes 8	1,169	7,962	7,590	1,541
High School - Media	156	-	28	128

Statement of Cash Receipts and Disbursements (continued)

	<u>6/30/2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/2014</u>
High School - Miscellaneous	2,085	1,336	-	3,421
High School - Mogul	9,138	17,839	20,339	6,638
High School - Music Boosters	38,597	40,562	39,754	39,405
High School - National Honor Society	1,532	4,565	20	6,077
High School - Orchestra	-	441	381	60
High School - Parking Permits	3,848	952	-	4,800
High School - Photography	2,896	5,500	7,132	1,264
High School - Pop	3,138	10,357	13,737	(242)
High School - Quiz bowl	270	96	-	366
High School - Community Connection	5,542	-	-	5,542
High School - Scholarship Fund	24,191	(1,000)	-	23,191
High School - Science Exploration	491	-	-	491
High School - Scoreboard Advertising	100	-	-	100
High School - Store	315	16,379	16,884	(190)
High School - String Quartet	1,102	437	-	1,539
High School - Student Council	4,163	5,769	5,894	4,038
High School - Theatre	290	6,831	5,957	1,164
High School - Theatre Endowment	16,078	-	2,500	13,578
High School - Trip Fund	482	-	-	482
High School - Chess Club	36	-	-	36
High School - Varsity Club	(104)	508	113	291
High School - Vocal Music	-	-	1,539	(1,539)
High School - Video Productions	53	600	747	(94)
High School - Spanish Club	97	-	-	97
High School - Prom	8,207	8,733	4,597	12,343
High School - YANA	266	-	-	266
High School - 44th Street Project	20,660	135,072	43,070	112,662
Middle School - Art Club	110	115	210	15
Middle School - Band Fund	710	1,171	2,328	(447)
Middle School - Beaver Island Group	5,594	1,755	13,799	(6,450)
Middle School - Circle of Friends	446	-	129	317
Middle School - Cash for Education	2,556	-	(3,621)	6,177
Middle School - Candy and Pop	838	1,708	24	2,522
Middle School - Cheerleaders	1,460	-	583	877
Middle School - Ebay	1,014	1,568	1,954	628
Middle School - Instrument Repair/Rental	115	180	237	58
Middle School - Japan Friendship City	3,501	30,879	30,273	4,107
Middle School - Juice Fund	138	29	167	-
Middle School - Linda Bergklint Memorial	910	-	-	910

Statement of Cash Receipts and Disbursements (continued)

	<u>6/30/2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/2014</u>
Middle School - Outdoor Fitness	162	-	-	162
Middle School - Parent Group	33	-	-	33
Middle School - Pride Club	583	-	-	583
Middle School - Rain Forest Fund	6,413	84,441	83,263	7,591
Middle School - Sixth Grade Camp	8,260	10,340	13,390	5,210
Middle School - Teacher Lounge Pop	223	286	-	509
Middle School - Student Council	177	(750)	-	(573)
Middle School - Yearbook	1,119	-	-	1,119
Pathfinder - Activity Fund	16,902	19,779	21,770	14,911
Pathfinder - Book Fair	1,523	5,359	3,646	3,236
Pathfinder - Office Activity	9,857	-	623	9,234
Pathfinder - Cash for Education	5,475	2,494	1,736	6,233
Pathfinder - Parent Group	17,755	62,319	69,307	10,767
Pathfinder - Pop Fund	3,392	806	1,544	2,654
Pathfinder - Families Together	157	750	357	550
Pine Street - Book Fair	426	-	-	426
Pine Street - Activity Fund	10,801	-	2,399	8,402
Pine Street - Cash for Education	1,531	-	244	1,287
Quest - CE Scrip Program	33	5,313	4,634	712
Quest - Daycare Program	1,980	350	886	1,444
Quest - Student Activity	2,279	1,025	700	2,604
Quest - CE Rec Scholarship	185	-	185	-
Quest - Pop Fund	330	1	179	152
Soccer Fields	479	-	-	479
Total	<u>\$ 420,270</u>	<u>\$ 704,739</u>	<u>\$ 654,205</u>	<u>\$ 470,804</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, 2014

Function and Activity	Balance 6/30/2013	Additions	Adjustments/ Deletions	Balance 6/30/2014
Instruction	\$67,083,060	\$ 935,575	\$ 1,270,954	\$66,747,681
Support Service				
Students & Staff	445,762	-	140,350	305,412
Administration	250,489	-	142,273	108,216
Operation & Maintenance	179,778	-	-	179,778
Student Transportation Services	1,720,299	252,397	17,663	1,955,033
Food Services	182,794	-	43,611	139,183
Athletics	756,147	-	-	756,147
Total	\$70,618,329	\$ 1,187,972	\$ 1,614,851	\$70,191,450

**FREMONT PUBLIC SCHOOLS**

Schedule of Changes in Long-Term Debt Obligations  
June 30, 2014

	Refunding Bond 2013	Building America Bond 2009	Refunding Bond 2008	School Bus Capital Lease	School Bond Loan Fund Loan	Compensated Absence/Early Retirement	Total
Long-Term Debt Outstanding June 30, 2013	\$ 2,210,000	\$ 41,725,000	\$ 6,245,000	\$ -	\$ 2,168,800	\$ 151,206	\$ 52,500,006
Debt Added During Year	-	-	-	243,897	736,020	83,036	1,062,953
Debt Retired During Year	<u>(235,000.00)</u>	<u>(800,000)</u>	<u>(725,000)</u>	<u>(50,964)</u>	<u>-</u>	<u>(199,687)</u>	<u>(2,010,651)</u>
Long-Term Debt Outstanding June 30, 2014	<u>\$ 1,975,000</u>	<u>\$ 40,925,000</u>	<u>\$ 5,520,000</u>	<u>\$ 192,933</u>	<u>\$ 2,904,820</u>	<u>\$ 34,555</u>	<u>\$ 51,552,308</u>

## FREMONT PUBLIC SCHOOLS

### Schedule of Principal and Interest Payments \$43,875,000 of School Building & Site Bonds Dated June 2009 June 30, 2014

Estimated Payment Date	Rate	Principal	Interest	Total	Treasury Credit
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)



<u>Estimated Payment Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Treasury Credit</u>
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	74,066	2,224,066	(25,923)
		<u>\$40,925,000</u>	<u>\$41,099,808</u>	<u>\$82,024,808</u>	<u>\$(14,384,933)</u>

**FREMONT PUBLIC SCHOOLS**

Schedule of Principal and Interest Payments  
 \$8,210,000 of General Obligation Bonds Dated February 2008  
 June 30, 2014

<u>Estimated Payment Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3.38	750,000	101,631	851,631
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>\$ 5,520,000</u>	<u>\$ 954,925</u>	<u>\$ 6,474,925</u>

## FREMONT PUBLIC SCHOOLS

Schedule of Principal and Interest Payments  
\$2,210,000 of Refunding Bonds Dated February 2013  
June 30, 2014

<u>Estimated Payment Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2014		-	12,804	12,804
May 1, 2015	0.80	280,000	12,804	292,804
November 1, 2015		-	11,684	11,684
May 1, 2016	1.00	275,000	11,684	286,684
November 1, 2016		-	10,309	10,309
May 1, 2017	1.15	300,000	10,309	310,309
November 1, 2017		-	8,584	8,584
May 1, 2018	1.25	280,000	8,584	288,584
November 1, 2018		-	6,834	6,834
May 1, 2019	1.45	295,000	6,834	301,834
November 1, 2019		-	4,695	4,695
May 1, 2020	1.65	280,000	4,695	284,695
November 1, 2020		-	2,385	2,385
May 1, 2021	1.80	265,000	2,385	267,385
		<u>\$ 1,975,000</u>	<u>\$ 114,590</u>	<u>\$ 2,089,590</u>

**FREMONT PUBLIC SCHOOLS**

Schedule of Principal and Interest Payments  
School Bus Capital Lease Dated August 2013  
June 30, 2014

<u>Estimated Payment Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
August 12, 2014	2.20	46,642	4,322	50,964
August 12, 2015	2.20	47,687	3,277	50,964
August 12, 2016	2.20	48,755	2,209	50,964
August 12, 2017	2.20	49,849	1,116	50,965
		<u>\$ 192,933</u>	<u>\$ 10,924</u>	<u>\$ 203,857</u>

## FREMONT PUBLIC SCHOOLS

### Schedule of Cash and Investments

June 30, 2014

General Fund		
Petty Cash	\$ 820	
Checking Accounts - Chemical Bank	232,432	
Athletic Funds - Chemical Bank	22,852	
Athletic Funds - Huntington Bank	4,850	
Michigan Liquid Asset Fund	1,086,768	\$ 1,347,722
Special Revenue Funds		
Food Service Fund		
Petty Cash	\$ 1,266	
Checking Account - Newaygo County SECU	121,302	
Savings - Newaygo County SECU	33,904	
Savings - Newaygo County SECU	203,756	360,228
Debt Service Fund		
Money Market Account - Huntington Bank		149,133
Capital Project/Improvement Funds		
Sinking Fund -Checking Account - Chemical Bank		815,720
Improvement fund - Checking Account - Chemical Bank		24,997
Building & Site Fund - Checking Account - Chemical Bank	730,748	
Building & Site Fund - Investments - Fifth Third Bank	-	730,748
Total Capital Projects Funds		1,571,465
Student Activity Agency Fund		
Checking - Newaygo County SECU	121,178	
Savings - Newaygo County SECU	5	
Certificate of Deposit - Chemical Bank	153,406	
MIA Asset Management	196,215	470,804
		\$ 3,899,352
Governmental Funds		
Major Funds		2,227,603
Non-Major Funds		1,200,945
		3,428,548
Fiduciary Funds		
		470,804
		\$ 3,899,352

## FREMONT PUBLIC SCHOOLS

### Supplementary Information Schedules of Pension Funding Progress and Other Postemployment Benefits Funding Progress

#### Pension Benefits (Dollar Amounts in Millions)

Valuation Date September 30	Actuarial Valuation Assets	Actuarial Accrued Liabilities	Funded Ratio	(Overfunded) Unfunded Accrued Liabilities	Annual Active Member Payroll	UAL as a % of Active Payroll
2002	38,382	41,957	91.48%	3,575	9,707	36.83%
2003	38,726	44,769	86.50%	6,043	10,044	60.17%
2004	38,784	46,317	83.74%	7,533	10,407	72.38%
2005	38,211	48,206	79.27%	9,995	10,206	97.93%
2006	42,995	49,136	87.50%	6,141	9,806	62.62%
2007	45,335	51,107	88.71%	5,772	9,851	58.59%
2008	45,677	54,608	83.65%	8,931	9,958	89.69%
2009	44,703	56,685	78.86%	11,982	9,884	121.23%
2010	43,294	60,927	71.06%	17,633	8,845	199.36%
2011	41,038	63,427	64.70%	22,389	9,156	244.53%
2012	38,450	62,716	61.31%	24,266	8,649	280.56%

#### Other Postemployment Benefits (Dollar Amounts in Millions)

Valuation Date September 30	Actuarial Valuation Assets	Actuarial Accrued Liabilities	Funded Ratio	(Overfunded) Unfunded Accrued Liabilities	Annual Active Member Payroll	UAL as a % of Active Payroll
2006	630	25,387	2.48%	24,757	9,806	252.47%
2007	776	25,733	3.02%	24,957	9,851	253.34%
2008	832	26,811	3.10%	25,979	9,958	260.89%
2009	713	28,295	2.52%	27,582	9,884	279.06%
2010	999	28,627	3.49%	27,628	8,845	312.36%
2011	1,156	27,046	4.27%	25,890	9,156	282.77%
2012	1,348	14,788	9.12%	13,440	8,649	155.39%

**FREMONT PUBLIC SCHOOLS**

Schedule of Expenditures of Federal Awards  
June 30, 2014

Federal Grantor Pass-Through Grantor <u>Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Grant Award Amount</u>	<u>Accrued (Unearned) Revenue 6/30/2013</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Cash Receipts</u>	<u>Accrued or (Unearned) Revenue at 6/30/2014</u>
<u>U.S. Department of Education</u>							
Passed Through Michigan Department of Education							
Federal Adult Education-English							
141190-141998	84.002A	\$ 30,000	\$ -	\$ -	\$ 30,000	\$ 19,583	\$ 10,417
141130-141998	84.002A	20,000	-	-	20,000	10,277	9,723
131120-135307	84.002A	14,000	8,517	14,000	-	8,517	-
131130-131998	84.002A	25,000	3,000	25,000	-	3,000	-
131190-131198	84.002A	40,000	15,076	40,000	-	15,076	-
Total		<u>129,000</u>	<u>26,593</u>	<u>79,000</u>	<u>50,000</u>	<u>56,453</u>	<u>20,140</u>
Title I Part A Improving Basic Programs Cluster							
141530-1314	84.010	589,243	-	-	589,243	552,638	36,605
131530-1213	84.010	728,263	65,580	628,795	-	65,580	-
Total		<u>1,317,506</u>	<u>65,580</u>	<u>628,795</u>	<u>589,243</u>	<u>618,218</u>	<u>36,605</u>
Title II Part A Regular-Improving Teacher Quality							
140520-1314	84.367	127,277	-	-	110,855	78,512	32,343
130520-1213	84.367	183,767	15,310	144,208	-	15,310	-
Total		<u>311,044</u>	<u>15,310</u>	<u>144,208</u>	<u>110,855</u>	<u>93,822</u>	<u>32,343</u>
Total Passed Through Michigan Department of Education		1,757,550	107,483	852,003	750,098	768,493	89,088

Passed Through Newaygo Regional Educational Service Agency							
Special Education							
030450-Flow Through	84.027	<u>275,000</u>	<u>50,642</u>	<u>-</u>	<u>275,000</u>	<u>279,374</u>	<u>46,268</u>
Total U.S. Department of Education		<u>2,032,550</u>	<u>158,125</u>	<u>852,003</u>	<u>1,025,098</u>	<u>1,047,867</u>	<u>135,356</u>
<u>U.S. Department of Agriculture</u>							
Passed Through Newaygo County	10.665	<u>2,612</u>	<u>-</u>	<u>-</u>	<u>2,612</u>	<u>2,612</u>	<u>-</u>
<u>U.S. Department of Agriculture</u> (See next page)		<u>1,125,602</u>	<u>9,655</u>	<u>475,707</u>	<u>635,922</u>	<u>624,509</u>	<u>21,068</u>
Total U.S. Department of Agriculture		<u>1,128,214</u>	<u>9,655</u>	<u>475,707</u>	<u>638,534</u>	<u>627,121</u>	<u>21,068</u>
Total Federal Financial Assistance		<u>\$ 3,160,764</u>	<u>\$ 167,780</u>	<u>\$ 1,327,710</u>	<u>\$ 1,663,632</u>	<u>\$ 1,674,988</u>	<u>\$ 156,424</u>

**NOTES:**

1. The significant accounting policies used in preparing this schedule are the same as those utilized in preparing the general purpose financial statements and are explained on pages 20 through 26.
2. Management has utilized the MDE Cash Management System (CMS) Grant Auditor Report (GAR) in preparing the schedule of expenditures of federal awards.
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, 2014

Federal Grantor Pass-Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Grant Award <u>Amount</u>	Accrued (Unearned) Revenue <u>6/30/2013</u>	(Memo Only) Prior Year <u>Expenditures</u>	Current Year <u>Expenditures</u>	Current Year <u>Cash Receipts</u>	Accrued or (Unearned) Revenue at <u>6/30/2014</u>
<u>U.S. Department of Agriculture</u>							
Passed Through Michigan Department of Education							
Nutrition Cluster							
131980 Snacks	10.555	\$ 17,469	\$ 527	\$ 15,745	\$ 1,574	\$ 2,101	\$ -
141980 Snacks	10.555	15,804	-	-	15,804	15,118	686
131960 Sec II Free & Reduced	10.555	447,362	6,859	384,624	62,738	69,597	-
141960 Sec II Free & Reduced	10.555	416,589	-	-	416,589	399,782	16,807
Total		897,224	7,386	400,369	496,705	486,598	17,493
131970 Breakfast	10.553	84,711	2,269	75,338	9,373	11,642	-
141970 Breakfast	10.553	84,735	-	-	84,735	81,160	3,575
Total		169,446	2,269	75,338	94,108	92,802	3,575
Total Passed Through Michigan Department of Education		1,066,670	9,655	475,707	590,813	579,400	21,068
Direct U.S.D.A.							
Entitlement Commodities	10.550	58,932	-	-	45,109	45,109	-
Total Direct U.S.D.A.		58,932	-	-	45,109	45,109	-
Total Federal		\$ 1,125,602	\$ 9,655	\$ 475,707	\$ 635,922	\$ 624,509	\$ 21,068

**FREMONT PUBLIC SCHOOLS**

Schedule of Reconciliation of Revenues  
With Expenditures for Federal Awards  
For the Year Ended June 30, 2014

Revenue from Federal Sources - Per Financial Statement (Includes all Funds)	\$ 2,529,504
Less: Federal Qualified Bonds Credit Payment	<u>(865,872)</u>
	<u>\$ 1,663,632</u>
Federal Expenditures Per the Schedule of Federal Financial Assistance (Excludes Local or State Matching Funds, Prior Year Expenditures, etc.)	<u>\$ 1,663,632</u>



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

Board of Education  
Fremont Public School District  
Fremont, Michigan 49412

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fremont Public Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Fremont Public School's basic financial statements, and have issued our report thereon dated November 11, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fremont Public School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fremont Public School's internal control. Accordingly, we do not express an opinion on the effectiveness of Fremont Public School's internal control.

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 prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies - 2014-001



**Compliance and Other Matters**

As a part of obtaining reasonable assurance about whether 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*H & S Companies, P.C.*

H & S Companies, P.C.

Certified Public Accountants

November 11, 2014



Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Education  
Fremont Public School District  
Fremont, Michigan 49412

**Report on Compliance for Each Major Federal Program**

We have audited Fremont Public School's 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 Fremont Public School's major federal programs for the year ended June 30, 2014. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Fremont Public School's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Fremont Public School's compliance.



**Opinion on Each Major Federal Program**

In our opinion, Fremont Public School's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

Management of Fremont Public School's, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fremont Public School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Fremont Public School'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*H & S Companies, P.C.*

H & S Companies, P.C.  
Certified Public Accountants  
November 11, 2014

## FREMONT PUBLIC SCHOOLS

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

#### Section I - Summary of Auditor's Results

##### Financial Statements

1. Type of auditor's report issued is unmodified.
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 unmodified.
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:

Child Nutrition Cluster	CFDA #:	10.553 & 10.555
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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

##### 2014-001

***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, 2014

Audit Period: For the Year Ended June 30, 2013

The finding from the June 30, 2013 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

#### **2013-001**

***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.*