

FAIRFIELD COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

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Fairfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Terry Cochran	President	2004
Doug Flournoy	Vice President	2005
Gerry Garles	Board Member	2006
Sandy Worley	Board Member	2006
Gail Miller	Board Member	2005
Margaret Dwyer	Board Member	2004
Merlin Miller	Board Member	2004
Board of Education (After September 2004 Election)		
Terry Cochran	President	2007
Doug Flournoy	Vice President	2005
Gail Miller	Board Member	2005
Gerry Garles	Board Member	2006
Sandy Worley	Board Member	2006
Margaret Dwyer	Board Member	2007
Joe Stever	Board Member	2007
School Officials		
Steve Triplett	Superintendent	2005
Janne Hunsaker	District Secretary/Treasurer and Business Manager	2005
Gary Cameron	Attorney	2005

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Fairfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fairfield Community School District, Fairfield, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fairfield Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated August 3, 2005 on our consideration of the Fairfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Fairfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

August 3, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fairfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,980,727 in fiscal 2004 to \$15,501,444 in fiscal 2005, while General Fund expenditures increased from \$13,851,545 in fiscal 2004 to \$14,789,107 in fiscal 2005. This resulted in an increase in the District's General Fund balance from a deficit of \$90,329 in fiscal 2004 to \$538,444 in fiscal 2005, a 696% increase from the prior year. The District's solvency ratio improved from (.64%) to 3.47%.
- The increase in General Fund revenues was attributable to an increase in property tax and state grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.
- An increase in interest rates, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$13,018 in fiscal year 2004 to \$33,009 in fiscal year 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Fairfield Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fairfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Fairfield Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

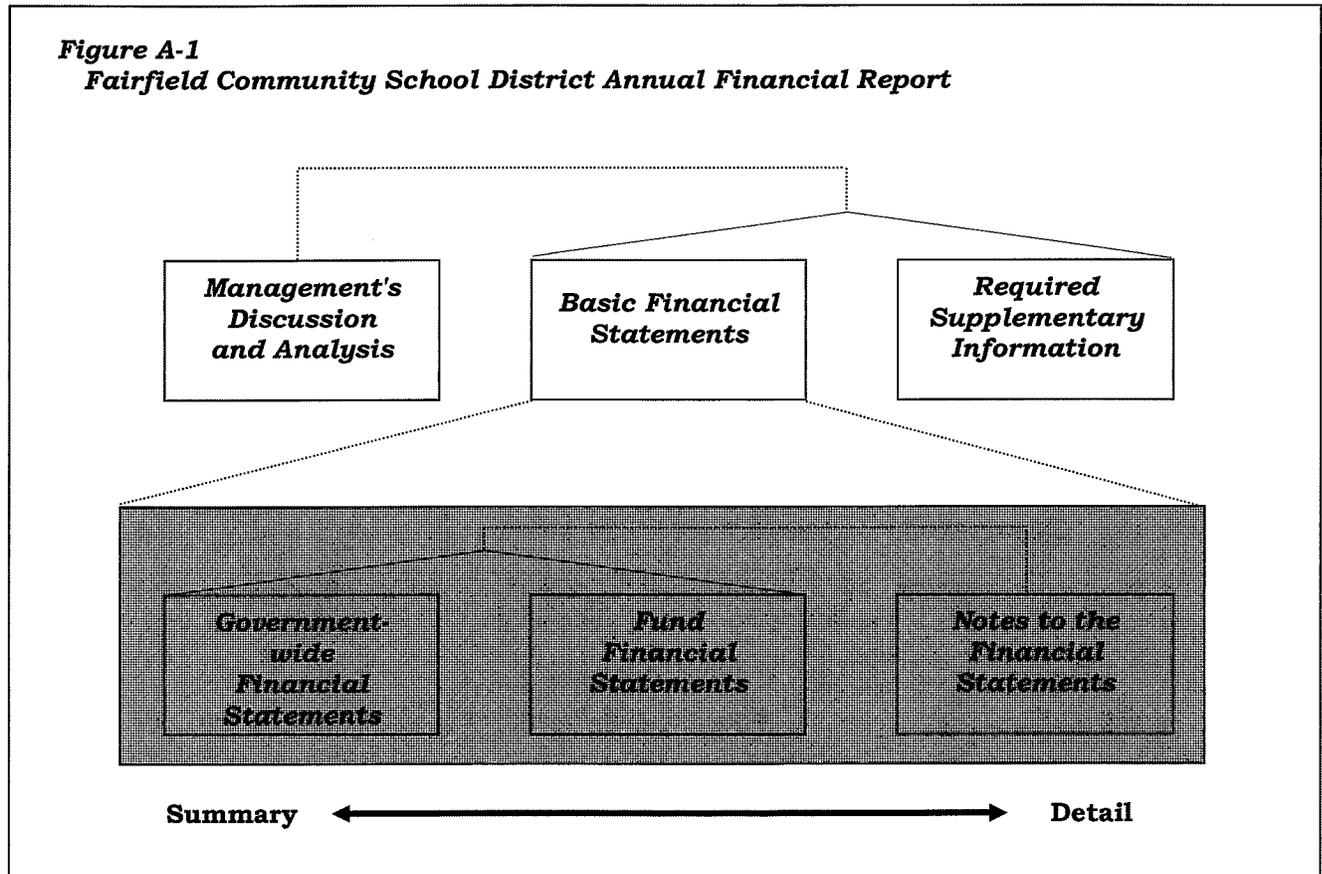


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 9,816,166	9,081,721	110,675	57,258	9,926,841	9,138,979	8.62%
Capital assets	6,185,739	6,436,767	60,180	41,603	6,245,919	6,478,370	-3.59%
Total assets	16,001,905	15,518,488	170,855	98,861	16,172,760	15,617,349	3.56%
Long-term obligations	1,230,117	1,323,997	0	0	1,230,117	1,323,997	-7.09%
Other liabilities	7,914,507	7,768,837	6,529	516	7,921,036	7,769,353	1.95%
Total liabilities	9,144,624	9,092,834	6,529	516	9,151,153	9,093,350	0.64%
Net assets:							
Invested in capital assets, net of related debt	6,104,530	5,970,844	60,180	41,603	6,164,710	6,012,447	2.53%
Restricted	160,662	176,797	0	0	160,662	176,797	-9.13%
Unrestricted	592,089	278,013	104,146	56,742	696,235	334,755	107.98%
Total net assets	\$ 6,857,281	6,425,654	164,326	98,345	7,021,607	6,523,999	7.63%

The District's combined net assets increased by 7.63%, or \$497,608, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$16,135 or 9.13% over the prior year. The decrease was primarily a result of increased expenditures in the restricted state grants.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other

legal requirements – increased \$361,480 or 107.98%. This increase in unrestricted net assets was a result of the District increased revenues in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2004-05
	2005	2004	2005	2004	2005	2004	
Revenues:							
Program revenues:							
Charges for services	\$ 913,781	861,043	296,762	280,447	1,210,543	1,141,490	6.05%
Operating grants and contributions and restricted interest	1,867,266	1,822,702	307,418	260,739	2,174,684	2,083,441	4.38%
General revenues:							
Property tax	6,366,892	6,187,584	0	0	6,366,892	6,187,584	2.90%
Local option sales and services tax	415	0	0	0	415	0	100.00%
Unrestricted state grants	7,441,998	6,819,715	0	0	7,441,998	6,819,715	9.12%
Other	56,486	23,383	619	317	57,105	23,700	140.95%
Total revenues	<u>16,646,838</u>	<u>15,714,427</u>	<u>604,799</u>	<u>541,503</u>	<u>17,251,637</u>	<u>16,255,930</u>	<u>6.13%</u>
Program expenses:							
Governmental activities:							
Instructional	9,961,051	9,560,097	0	0	9,961,051	9,560,097	4.19%
Support services	5,283,612	4,683,371	0	0	5,283,612	4,683,371	12.82%
Non-instructional programs	106,179	84,429	557,589	535,209	663,768	619,638	7.12%
Other expenses	864,369	870,771	0	0	864,369	870,771	-0.74%
Total expenses	<u>16,215,211</u>	<u>15,198,668</u>	<u>557,589</u>	<u>535,209</u>	<u>16,772,800</u>	<u>15,733,877</u>	<u>6.60%</u>
Changes in net assets before capital contributions	431,627	515,759	47,210	6,294	478,837	522,053	-8.28%
Capital contributions	0	0	18,771	0	18,771	0	100.00%
Changes in net assets	431,627	515,759	65,981	6,294	497,608	522,053	-4.68%
Beginning net assets	<u>6,425,654</u>	<u>5,909,895</u>	<u>98,345</u>	<u>92,051</u>	<u>6,523,999</u>	<u>6,001,946</u>	<u>8.70%</u>
Ending net assets	<u>\$ 6,857,281</u>	<u>6,425,654</u>	<u>164,326</u>	<u>98,345</u>	<u>7,021,607</u>	<u>6,523,999</u>	<u>7.63%</u>

Property tax, local option sales and services tax and unrestricted state grants account for 80% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$16,646,838 and expenses were \$16,215,211.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 9,961,051	7,772,333
Support services	5,283,612	5,281,514
Non-instructional programs	106,179	106,179
Other expenses	864,369	274,138
Totals	\$ 16,215,211	13,434,164

- The cost financed by users of the District’s programs was \$913,781.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,867,266.
- The net cost of governmental activities was financed with \$6,366,892 in property tax, \$415 in local option sales and services tax, \$7,441,998 in state foundation aid and \$56,486 in interest income.

Business-Type Activities

Revenues of the District’s business-type activities were \$604,799 and expenses were \$557,589. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The business-type activities also received \$18,771 in contributed capital.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Fairfield Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,574,022, well above last year’s ending fund balances of a \$976,044. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to controlled spending in the PPEL fund enabling repayment of anticipatory warrants owed to the bank, as well as the improved financial position of the General Fund.

Governmental Fund Highlights

- The District’s improving General Fund financial position is the product of many factors. Increase in tax levy during the year in tax and grants resulted in an increase in revenues. The increase in General Fund expenditures was less than the increase in General Fund revenues ensuring the financial position of the District increase.
- The General Fund balance improved from a deficit \$90,329 to \$538,444, due in part to the increase in property tax collections and state aid revenue.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a deficit \$180,010 in fiscal 2004 to a deficit \$32,643 in fiscal 2005. While revenues remained approximately the same, the District controlled spending from the PPEL Fund and repaid anticipatory warrants due to the bank.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$98,345 at June 30, 2004 to \$164,326 at June 30, 2005, representing an increase of 67.09%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Fairfield Community School District amended its annual budget one time to reflect additional expenditures associated with all functional areas.

The District's revenues were \$97,314 more than budgeted revenues, a variance of .5%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional functional program areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2005, the District had invested \$6.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.72% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$485,161.

The original cost of the District's capital assets was \$14.0 million. Governmental funds account for \$13.8 million with the remainder of \$0.2 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$5,279,199 at June 30, 2005, compared to \$5,489,444 reported at June 30, 2004. This significant decrease resulted from depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 117,882	117,882	0	0	117,882	117,882	0.00%
Buildings	5,279,199	5,489,444	0	0	5,279,199	5,489,444	-3.98%
Improvements other than buildings	155,559	168,966	0	0	155,559	168,966	-8.62%
Machinery and equipment	633,099	660,475	60,180	41,603	693,279	702,078	-1.27%
Total	\$ 6,185,739	6,436,767	60,180	41,603	6,245,919	6,478,370	-3.72%

Long-Term Debt

At June 30, 2005, the District had \$1,230,117 in other long-term debt outstanding. This represents a decrease of 7.1% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding Tractor Loan indebtedness at June 30, 2005 of \$18,307.

The District had total outstanding National School Fitness Loan indebtedness at June 30, 2005 of \$62,902.

The District also had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$1,148,908 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
Tractor Loan	\$ 18,307	23,910	-23.4%
National School Fitness Loan	62,902	136,630	-54.0%
Early Retirement	1,148,908	1,163,457	-1.3%
Totals	\$ 1,230,117	1,323,997	-7.1%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced declining enrollment for a few years, the District is hopeful for steady enrollment or small decline.
- The District is seeking At-Risk funding.
- The SILO tax failed in the fall of 2004-05. We currently have hired a consultant to work with a committee to review the infrastructure needs and funding options.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- All bargaining unit contracts are one-year contracts and open for renegotiations next year. Total 2004-05 salaries and benefits paid from the General Fund represented 78.48% of the total 2004-05 General Fund expenditures.
- The National School Fitness Foundation has declared bankruptcy and is no longer reimbursing districts for their participation in the "Health and Wellness Physical Education Program". This program was designed to equip schools with faculty training and support, education curriculum, and exercise machines. Settlement is unknown at this time.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janne Hunsaker, District Secretary/Treasurer and Business Manager, Fairfield Community School District, 605-607 E Broadway, Fairfield, Iowa, 52556-2996.

BASIC FINANCIAL STATEMENTS

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,996,661	73,584	3,070,245
Receivables:			
Property tax:			
Delinquent	111,929	0	111,929
Succeeding year	6,297,445	0	6,297,445
Income surtax	327,637	0	327,637
Accounts	841	0	841
Accrued interest	3,105	0	3,105
Due from other governments	78,548	0	78,548
Inventories	0	37,091	37,091
Capital assets, net of accumulated depreciation(Note 4)	6,185,739	60,180	6,245,919
TOTAL ASSETS	16,001,905	170,855	16,172,760
LIABILITIES			
Accounts payable	175,675	432	176,107
Salaries and benefits payable	1,441,090	0	1,441,090
Anticipatory warrants(Note 5)	297	0	297
Deferred revenue:			
Succeeding year property tax	6,297,445	0	6,297,445
Other	0	6,097	6,097
Long-term liabilities(Note 6):			
Portion due within one year:			
Tractor Loan payable	5,845	0	5,845
National School Fitness Loan payable	62,902	0	62,902
Early retirement payable	301,601	0	301,601
Portion due after one year:			
Tractor Loan payable	12,462	0	12,462
Early retirement payable	847,307	0	847,307
TOTAL LIABILITIES	9,144,624	6,529	9,151,153
NET ASSETS			
Investment in capital assets, net of related debt	6,104,530	60,180	6,164,710
Restricted for:			
Salary improvement program	4,070	0	4,070
Capital projects	415	0	415
Other special revenue purposes	156,177	0	156,177
Unrestricted	592,089	104,146	696,235
TOTAL NET ASSETS	\$ 6,857,281	164,326	7,021,607

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 6,219,204	261,300	1,160,404
Special instruction	2,122,636	64,194	116,631
Other instruction	1,619,211	586,189	0
	<u>9,961,051</u>	<u>911,683</u>	<u>1,277,035</u>
Support services:			
Student services	293,207	0	0
Instructional staff services	867,001	0	0
Administration services	1,741,514	0	0
Operation and maintenance of plant services	1,551,154	0	0
Transportation services	830,736	2,098	0
	<u>5,283,612</u>	<u>2,098</u>	<u>0</u>
Non-instructional programs:			
Food service operations	106,179	0	0
Other expenditures:			
Facilities acquisitions	16,993	0	0
Long-term debt interest	4,233	0	0
AEA flowthrough	590,231	0	590,231
Depreciation(unallocated)*	252,912	0	0
	<u>864,369</u>	<u>0</u>	<u>590,231</u>
Total governmental activities	16,215,211	913,781	1,867,266
Business-Type activities:			
Non-instructional programs:			
Nutrition services	557,589	296,762	307,418
Total	<u>\$ 16,772,800</u>	<u>1,210,543</u>	<u>2,174,684</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
 Local option sales and services tax
 Unrestricted state grants
 Unrestricted investment earnings

Total general revenues

Changes in net assets before capital contributions

Capital contributions

Changes in net assets

Net assets beginning of year

Net assets end of year

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(4,797,500)	0	(4,797,500)
(1,941,811)	0	(1,941,811)
(1,033,022)	0	(1,033,022)
<u>(7,772,333)</u>	<u>0</u>	<u>(7,772,333)</u>
(293,207)	0	(293,207)
(867,001)	0	(867,001)
(1,741,514)	0	(1,741,514)
(1,551,154)	0	(1,551,154)
(828,638)	0	(828,638)
<u>(5,281,514)</u>	<u>0</u>	<u>(5,281,514)</u>
(106,179)	0	(106,179)
(16,993)	0	(16,993)
(4,233)	0	(4,233)
0	0	0
(252,912)	0	(252,912)
<u>(274,138)</u>	<u>0</u>	<u>(274,138)</u>
(13,434,164)	0	(13,434,164)
0	46,591	46,591
<u>(13,434,164)</u>	<u>46,591</u>	<u>(13,387,573)</u>
\$ 5,937,654	0	5,937,654
429,238	0	429,238
415	0	415
7,441,998	0	7,441,998
56,486	619	57,105
<u>13,865,791</u>	<u>619</u>	<u>13,866,410</u>
431,627	47,210	478,837
0	18,771	18,771
431,627	65,981	497,608
6,425,654	98,345	6,523,999
<u>\$ 6,857,281</u>	<u>164,326</u>	<u>7,021,607</u>

FAIRFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Special Revenue - Management Fund	Special Revenue - PPEL Fund	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 1,963,798	904,781	(28,353)	156,435	2,996,661
Receivables:					
Property tax					
Delinquent	97,405	6,848	7,676	0	111,929
Succeeding year	5,333,561	533,000	430,884	0	6,297,445
Income surtax	327,637	0	0	0	327,637
Accounts	841	0	0	0	841
Accrued interest	3,105	0	0	0	3,105
Due from other governments	78,391	0	0	157	78,548
TOTAL ASSETS	\$ 7,804,738	1,444,629	410,207	156,592	9,816,166
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 164,006	0	11,669	0	175,675
Salaries and benefits payable	1,441,090	0	0	0	1,441,090
Anticipatory warrants (Note 5)	0	0	297	0	297
Deferred revenue:					
Succeeding year property tax	5,333,561	533,000	430,884	0	6,297,445
Income surtax	327,637	0	0	0	327,637
Total liabilities	7,266,294	533,000	442,850	0	8,242,144
Fund balances:					
Reserved for:					
Salary improvement program	4,070	0	0	0	4,070
Unreserved:					
Undesignated	534,374	911,629	(32,643)	156,592	1,569,952
Total fund balances	538,444	911,629	(32,643)	156,592	1,574,022
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,804,738	1,444,629	410,207	156,592	9,816,166

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds (page 17)	\$ 1,574,022
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	6,185,739
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	327,637
Long-term liabilities, including tractor loan payable, national school fitness loan payable, and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,230,117)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 6,857,281</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Special Revenue - Management Fund	Special Revenue - PEEL Fund	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 5,640,136	306,721	429,238	415	6,376,510
Tuition	325,494	0	0	0	325,494
Other	248,101	19,730	106	397,879	665,816
State sources	8,536,702	216	292	0	8,537,210
Federal sources	751,011	0	0	0	751,011
Total revenues	15,501,444	326,667	429,636	398,294	16,656,041
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	5,865,378	212,649	0	0	6,078,027
Special instruction	2,073,310	0	0	0	2,073,310
Other instruction	1,230,378	0	0	403,417	1,633,795
	9,169,066	212,649	0	403,417	9,785,132
Support services:					
Student services	290,264	24,129	0	0	314,393
Instructional staff services	854,106	4,351	31,296	0	889,753
Administration services	1,613,822	71,604	82,044	0	1,767,470
Operation and maintenance of plant services	1,440,529	138,249	0	0	1,578,778
Transportation services	745,971	41,417	114,417	0	901,805
	4,944,692	279,750	227,757	0	5,452,199
Non-instructional programs:					
Food service operations	85,118	7,307	18,771	0	111,196
Other expenditures:					
Facilities acquisitions	0	0	35,741	0	35,741
Long-term debt:					
Principal	0	0	0	79,331	79,331
Interest and fiscal charges	0	0	0	4,233	4,233
AEA flowthrough	590,231	0	0	0	590,231
	590,231	0	35,741	83,564	709,536
Total expenditures	14,789,107	499,706	282,269	486,981	16,058,063
Excess (deficiency) of revenues over (under) expenditures	712,337	(173,039)	147,367	(88,687)	597,978
Other financing sources (uses):					
Transfers in	0	0	0	83,564	83,564
Transfers out	(83,564)	0	0	0	(83,564)
Total other financing sources (uses)	(83,564)	0	0	83,564	0
Net change in fund balances	628,773	(173,039)	147,367	(5,123)	597,978
Fund balance beginning of year	(90,329)	1,084,668	(180,010)	161,715	976,044
Fund balance end of year	\$ 538,444	911,629	(32,643)	156,592	1,574,022

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds (page 19)	\$	597,978
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:</p>		
Capital outlays	\$	224,705
Depreciation expense	(475,733)	(251,028)
	<hr style="width: 100%;"/>	
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		79,331
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		(9,203)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early retirement	\$	14,549
	<hr style="width: 100%;"/>	14,549
Changes in net assets of governmental activities (page 16)	\$	<u>431,627</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	School Nutrition
ASSETS	
Cash and pooled investments	\$ 73,584
Inventories	37,091
Capital assets, net of accumulated depreciation (Note 4)	60,180
TOTAL ASSETS	170,855
 LIABILITIES	
Accounts payable	432
Deferred revenues:	
Other	6,097
TOTAL LIABILITIES	6,529
 NET ASSETS	
Investment in capital assets	60,180
Unrestricted	104,146
TOTAL NET ASSETS	\$ 164,326

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 296,762
TOTAL OPERATING REVENUES	296,762
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	236,101
Services	1,222
Supplies	310,838
Depreciation	9,428
TOTAL OPERATING EXPENSES	557,589
OPERATING LOSS	(260,827)
NON-OPERATING REVENUES:	
State sources	8,554
Federal sources	298,864
Interest income	619
TOTAL NON-OPERATING REVENUES	308,037
Change in net assets before capital contributions	47,210
Capital contributions	18,771
Change in net assets	65,981
Net assets beginning of year	98,345
Net assets end of year	\$ 164,326

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 296,903
Cash received from miscellaneous operating activities	5,956
Cash payments to employees for services	(236,101)
Cash payments to suppliers for goods or services	(295,633)
Net cash used in operating activities	(228,875)
Cash flows from non-capital financing activities:	
State grants received	8,554
Federal grants received	253,343
Net cash provided by non-capital financing activities	261,897
Cash flows from capital financing activities:	
Acquisition of capital assets	(9,234)
Net cash used in capital financing activities	(9,234)
Cash flows from investing activities:	
Interest on investment	619
Net cash provided by investing activities	619
Net increase in cash and cash equivalents	24,407
Cash and cash equivalents at beginning of year	49,177
Cash and cash equivalents at end of year	\$ 73,584
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (260,827)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	45,521
Depreciation	9,428
Increase in inventories	(29,010)
Decrease in accounts payable	(84)
Increase in deferred revenue	6,097
Net cash used in operating activities	\$ (228,875)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and investments	\$ 73,584

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued of \$45,521.

During the year ended June 30, 2005, the District received capital contributions from the Capital Projects Fund of \$18,711 during the year.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 25,502
	<u> </u>
LIABILITIES	
Due to other groups	\$ 25,502
	<u> </u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(1) **Summary of Significant Accounting Policies**

The Fairfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Fairfield, Iowa, and the predominate agricultural territory in Van Buren, Washington, Henry, Wapello, and Jefferson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Fairfield Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Fairfield Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Van Buren, Washington, Henry, Wapello, and Jefferson Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue - Management Fund is utilized to account for the payment of property insurance and early retirement benefits.

The Special Revenue - Physical Plant and Equipment Levy(PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account

for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,200
Buildings	1,200
Land improvements	1,200
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

(3) Transfers

The detail of transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	<u>\$ 83,564</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 117,882	0	0	117,882
Total capital assets not being depreciated	<u>117,882</u>	<u>0</u>	<u>0</u>	<u>117,882</u>
Capital assets being depreciated:				
Buildings	10,458,869	18,748	0	10,477,617
Land improvements	327,738	0	0	327,738
Machinery and equipment	2,776,382	205,957	122,857	2,859,482
Total capital assets being depreciated	<u>13,562,989</u>	<u>224,705</u>	<u>122,857</u>	<u>13,664,837</u>
Less accumulated depreciation for:				
Buildings	4,969,425	228,993	0	5,198,418
Land improvements	158,772	13,407	0	172,179
Machinery and equipment	2,115,907	233,333	122,857	2,226,383
Total accumulated depreciation	<u>7,244,104</u>	<u>475,733</u>	<u>122,857</u>	<u>7,596,980</u>
Total capital assets being depreciated, net	<u>6,318,885</u>	<u>(251,028)</u>	<u>0</u>	<u>6,067,857</u>
Governmental activities capital assets, net	<u>\$ 6,436,767</u>	<u>(251,028)</u>	<u>0</u>	<u>6,185,739</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Machinery and equipment	\$ 208,032	28,005	5,477	230,560
Less accumulated depreciation	166,429	9,428	5,477	170,380
Business-type activities capital assets, net	<u>\$ 41,603</u>	<u>18,577</u>	<u>0</u>	<u>60,180</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 118,283
Support services:		
Instructional staff		548
Administration		2,117
Operation and maintenance		15,663
Transportation		86,210
		<u>222,821</u>
Unallocated depreciation		<u>252,912</u>
		<u>\$ 475,733</u>
Business-type activities:		
Food services		<u>\$ 9,428</u>

(5) Anticipatory Warrants

Anticipatory warrant activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of of Year
Special Revenue - Physical Plant and Equipment Levy	\$ 175,302	143,576	318,581	297

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Tractor Loan	\$ 23,910	0	5,603	18,307	5,845
National School Fitness Loan	136,630	0	73,728	62,902	62,902
Early Retirement	1,163,457	259,625	274,174	1,148,908	301,601
Total	<u>\$ 1,323,997</u>	<u>259,625</u>	<u>353,505</u>	<u>1,230,117</u>	<u>370,348</u>

Tractor Loan

Details of the District's June 30, 2005 Tractor Loan indebtedness is as follows:

Year Ending June 30,	Interest Rate		Principal	Interest	Total
2006	4.33	% \$	5,845	666	6,511
2007	4.33		6,099	412	6,511
2008	4.33		6,363	148	6,511
Total			\$ 18,307	1,226	19,533

National School Fitness Loan

Details of the District's June 30, 2005 National School Fitness Loan indebtedness is as follows:

Year Ending June 30,	Interest Rate		Principal	Interest	Total
2006	3.50	% \$	62,902	1,009	63,911

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The district will pay the retiree a monthly payment beginning the first month of retirement and continuing through the month when the retiree attains Social Security Retirement Age, or to a maximum of 84 months, whichever comes first. The early retirement incentive for each eligible employee is equal to .020 times the annual salary received by the retiree during the fiscal year immediately preceding retirement. "Annual salary" refers to compensation which the retiree received under Schedule A of the Master Contract, between the Fairfield Community School District and the Fairfield Community Education Association, the annual salary for administrators, and the annual salary for non-certified staff. It excludes all supplemental pay, extra-duty pay and extended contract pay. Early retirement benefits paid during the year ended June 30, 2005, totaled \$274,174.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The

District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$582,893, \$516,503 and \$518,051 respectively, equal to the required contributions for each year.

(8) Risk Management

Fairfield Community School District is a member in the Iowa School Employees Benefits Association, and Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: dental, life and long-term disability.

Each member's contributions to ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$134,491.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the District's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Fairfield Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational

services provided through the area education agency. The District's actual amount for this purpose totaled \$590,231 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Fund Balance

The Special Revenue - Physical Plant and Equipment Levy (PPEL) fund had a deficit undesignated fund balance of \$32,643 at June 30, 2005.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, disbursements in the support services and non-instructional functional program areas exceeded the amount budgeted.

(12) Contingencies

As of June 30, 2005, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 7,363,196	303,478
State sources	8,518,813	8,554
Federal sources	846,310	298,864
Total receipts	<u>16,728,319</u>	<u>610,896</u>
Disbursements:		
Instruction	9,726,913	0
Support services	5,447,322	0
Non-instructional programs	109,940	586,489
Other expenditures	705,738	0
Total disbursements	<u>15,989,913</u>	<u>586,489</u>
Excess(deficiency) of receipts over(under) disbursements	738,406	24,407
Balance beginning of year	<u>2,257,958</u>	<u>49,177</u>
Balance end of year	<u>\$ 2,996,364</u>	<u>73,584</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
7,666,674	7,711,972	7,711,972	(45,298)
8,527,367	8,671,020	8,671,020	(143,653)
1,145,174	858,909	858,909	286,265
<u>17,339,215</u>	<u>17,241,901</u>	<u>17,241,901</u>	<u>97,314</u>
9,726,913	9,525,790	10,305,457	578,544
5,447,322	5,743,163	5,298,929	(148,393)
696,429	613,989	690,903	(5,526)
705,738	928,368	1,012,121	306,383
<u>16,576,402</u>	<u>16,811,310</u>	<u>17,307,410</u>	<u>731,008</u>
762,813	430,591	(65,509)	828,322
<u>2,307,135</u>	<u>1,504,511</u>	<u>1,504,511</u>	<u>802,624</u>
<u>3,069,948</u>	<u>1,935,102</u>	<u>1,439,002</u>	<u>1,630,946</u>

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 16,728,319	(72,278)	16,656,041
Expenses	15,989,913	68,150	16,058,063
Net	738,406	(140,428)	597,978
Beginning fund balances	2,257,958	(1,281,914)	976,044
Ending fund balances	\$ 2,996,364	(1,422,342)	1,574,022

	Proprietary Fund Type		
	Enterprise		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 610,896	(6,097)	604,799
Expenses	586,489	(28,900)	557,589
Net	24,407	22,803	47,210
Other financing sources, net	0	18,771	18,771
Beginning retained earnings	49,177	49,168	98,345
Ending retained earnings	\$ 73,584	90,742	164,326

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$412,836.

During the year ended June 30, 2005, disbursements in the support services and non-instructional functional program areas exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Student Activity	Expendable Trust	Total Special Revenue Funds	Capital Projects	
ASSETS					
Cash and pooled investments	\$ 154,193	1,984	156,177	258	156,435
Due from other governments	0	0	0	157	157
TOTAL ASSETS	\$ 154,193	1,984	156,177	415	156,592
FUND EQUITY					
Fund equity:					
Fund balances:					
Unreserved, undesignated	\$ 154,193	1,984	156,177	415	156,592
TOTAL FUND EQUITY	\$ 154,193	1,984	156,177	415	156,592

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds					Total
	Student Activity	Expendable Trust	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 0	0	0	415	0	415
Other	397,879	0	397,879	0	0	397,879
TOTAL REVENUES	397,879	0	397,879	415	0	398,294
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	403,417	0	403,417	0	0	403,417
Other expenditures:						
Long-term debt:						
Principal	0	0	0	0	79,331	79,331
Interest	0	0	0	0	4,233	4,233
Total other expenditures	0	0	0	0	83,564	83,564
TOTAL EXPENDITURES	403,417	0	403,417	0	83,564	486,981
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,538)	0	(5,538)	415	(83,564)	(88,687)
Other financing sources:						
Transfers in	0	0	0	0	83,564	83,564
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(5,538)	0	(5,538)	415	0	(5,123)
Fund balance beginning of year	159,731	1,984	161,715	0	0	161,715
Fund balance end of year	\$ 154,193	1,984	156,177	415	0	156,592

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Drama	\$ 2,064	6,742	5,360	3,446
MS Drama	2,936	1,702	675	3,963
HS Vocal Music	9,133	10,514	12,039	7,608
MS Vocal Music	2,183	297	444	2,036
HS Band 1000	11,687	78,209	81,631	8,265
MS Band	2,869	4,904	6,244	1,529
HS Band Inst Rent	522	0	0	522
HS Musical	2,455	4,093	684	5,864
HS Athletics	3,777	93,686	107,446	(9,983)
MS Athletics	355	8,334	7,844	845
Libertyville	779	1,704	2,367	116
Lincoln	1,509	1,556	2,318	747
Pence	7,121	9,907	10,461	6,567
Washington	7,256	11,766	14,769	4,253
MS Library	23	3,428	1,647	1,804
MS Student Council	653	506	439	720
MS Pop/Juice	4,566	9,656	11,983	2,239
MS Activity Ticket	3,645	225	0	3,870
MS Ice Cream	1,671	3,801	3,835	1,637
MS Cheerleader Org.	1,898	2,460	3,758	600
MS Yearbook	1,843	4,731	3,890	2,684
MS Interest	3,086	0	(755)	3,841
HS CD/Interest	2,393	5,226	1,005	6,614
MS Environment	238	0	0	238
HS FBLA Club	974	20	333	661
HS FCA Club	8,837	0	500	8,337
HS Ice Cream	667	0	0	667
HS Concessions	1,968	19,035	18,519	2,484
HS Cheerleaders	961	2,274	870	2,365
HS Los Gringos	3,591	341	537	3,395
HS FFA	5,067	39,661	41,923	2,805
HS FHA	2,852	120	1	2,971
HS Dance-Drill	664	2,651	3,312	3
HS Quill	2,689	8,732	4,199	7,222
HS Science Club	1,221	88	0	1,309
HS Student Council	7,887	8,576	8,208	8,255
HS Resource	2,317	5,006	1,103	6,220
HS Torch Club	1,089	92	(86)	1,267
HS Troy Banner Org.	2,077	37	1,281	833
HS SADD Club	1,159	0	(500)	1,659
HS Young Farmers Org.	2,040	0	2,040	0
HS Vica Club	0	147	190	(43)
HS Student Assembly	5,995	0	435	5,560
HS Student Act/Ath	2,923	11,060	6,283	7,700
HS Class 2006 Org.	5,207	0	2,036	3,171

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Class 2008 Org.	0	9,383	5,419	3,964
HS Class 2007 Org.	3,413	0	24	3,389
HS Class 2002 Org.	0	1,523	1,523	0
Wall of Honor	2,566	2,279	3,327	1,518
HS Pep Club	420	0	(380)	800
HS Career Club	682	0	0	682
HS French Club	13,023	1,815	2,672	12,166
HS Stud. Welfare	1,202	462	497	1,167
HS Sp/Forensics	1,785	2,871	2,594	2,062
HS Act. Ticket	0	17,354	17,314	40
HS Class 2004 Org.	461	0	17	444
HS Class 2005 Org.	479	320	507	292
Home School Assist.	1	369	370	0
HS Art Club	852	216	265	803
Total	\$ 159,731	397,879	403,417	154,193

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>ADMINISTRATOR</u>				
ASSETS				
Cash and pooled investments	\$ 290	120	120	290
LIABILITIES				
Due to other groups	\$ 290	120	120	290
<u>ALUMNI</u>				
ASSETS				
Cash and pooled investments	\$ 636	0	0	636
LIABILITIES				
Due to other groups	\$ 636	0	0	636
<u>HIGH SCHOOL FACULTY</u>				
ASSETS				
Cash and pooled investments	\$ 41	335	198	178
LIABILITIES				
Due to other groups	\$ 41	335	198	178
<u>ATHLETIC TOURNAMENT</u>				
ASSETS				
Cash and pooled investments	\$ 0	27,965	27,965	0
LIABILITIES				
Due to other groups	\$ 0	27,965	27,965	0
<u>STUDENT INSURANCE</u>				
ASSETS				
Cash and pooled investments	\$ 0	2,787	2,705	82
LIABILITIES				
Due to other groups	\$ 0	2,787	2,705	82

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>RETIREE</u>				
ASSETS				
Cash and pooled investments	\$ 3,740	101,148	104,130	758
LIABILITIES				
Due to other groups	\$ 3,740	101,148	104,130	758
<u>FLEX</u>				
ASSETS				
Cash and pooled investments	\$ 22,952	95,017	94,411	23,558
LIABILITIES				
Due to other groups	\$ 22,952	95,017	94,411	23,558
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 27,659	227,372	229,529	25,502
LIABILITIES				
Due to other groups	\$ 27,659	227,372	229,529	25,502

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 6,376,510	6,252,144	6,074,356	6,032,665
Tuition	325,494	365,228	373,888	426,370
Other	665,816	539,195	640,917	431,176
State sources	8,537,210	7,883,952	7,777,229	7,309,172
Federal sources	751,011	738,468	453,708	661,979
Total	<u>\$ 16,656,041</u>	<u>15,778,987</u>	<u>15,320,098</u>	<u>14,861,362</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 6,078,027	6,212,554	6,278,271	6,376,567
Special instruction	2,073,310	2,216,619	2,135,047	2,034,610
Other instruction	1,633,795	942,069	1,065,196	937,191
Support services:				
Student services	314,393	493,244	497,905	494,489
Instructional staff services	889,753	654,740	591,107	567,562
Administration services	1,767,470	1,562,814	1,529,050	1,387,234
Operation and maintenance of plant services	1,578,778	1,483,756	1,437,818	1,494,397
Transportation services	901,805	770,661	721,612	771,352
Central support services	0	3,279	2,832	3,015
Non-instructional programs	111,196	98,757	84,677	81,974
Other expenditures:				
Facilities acquisitions	35,741	54,606	898	145,450
Long-term debt:				
Principal	79,331	76,273	36,802	22,872
Interest and other charges	4,233	7,291	3,513	4,602
AEA flow-through	590,231	579,419	613,713	584,597
Total	<u>\$ 16,058,063</u>	<u>15,156,082</u>	<u>14,998,441</u>	<u>14,905,912</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	\$ 45,521
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	36,039
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	217,304
			<u>253,343</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2169-G	248,560
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2169-G-04	1,510
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2169-GC	44,897
			<u>294,967</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 05	<u>9,542</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 05	<u>8,223</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 04	8,283
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 05	8,490
			<u>16,773</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 05	<u>116,995</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 05	<u>8,684</u>

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048A	FY 05	<u>40,137</u>
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 05	<u>2,722</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 05	<u>113,909</u>
DATA DRIVEN LEADERSHIP	84.348	FY 05	<u>900</u>
DEPARTMENT OF HUMAN SERVICES:			
MEDICAL ASSISTANCE PROGRAM	93.778	FY 05	<u>162,555</u>
TOTAL			<u>\$ 1,074,271</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fairfield Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the
Fairfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fairfield Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 3, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fairfield Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Fairfield Community School District and other parties to whom Fairfield Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fairfield Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

August 3, 2005

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Fairfield Community School District:

Compliance

We have audited the compliance of Fairfield Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Fairfield Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Fairfield Community School District's management. Our responsibility is to express an opinion on Fairfield Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 non-compliance 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 Fairfield Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fairfield Community School District's compliance with those requirements.

In our opinion, Fairfield Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Fairfield Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Fairfield Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fairfield Community School District and other parties to whom Fairfield Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be use by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

August 3, 2005

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 84.010 - Title I grants to Local Educational agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Fairfield Community School District qualified as a low-risk auditee.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that in the Student Activity Fund the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-05 Authorized Check Signatures - Checks written from the Student Activity Fund have two signatures; however, the Board President and Board Secretary are not signing these checks.

Recommendation - The Board President and Board Secretary are to sign all checks written by the District to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa. The Board President can designate an authorized signer other than himself; however, the Board Secretary may not delegate this duty.

Response - The District requires the expenditures be pre-approved by the Board and each check issued requires two signatures (high school secretary who processes the check and the high school principal). The District feels segregation of duties are being implemented. The District will look at available options.

Conclusion - Response accepted.

II-C-05 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements of the Activity fund to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis. Any reconciling items should be resolved and necessary adjustments made timely.

Response - The District will reconcile bank statement balances to financial statement bank balances on a monthly basis in the Activity fund. In addition, the reconciling items and necessary adjustments will be resolved timely.

Conclusion - Response accepted.

II-D-05 Student Activity Fund - We noted during our audit that the Student Activity fund purchased library books. We also noted during our audit two interest accounts and a Class of 2004 account.

Recommendation - The expenditures made for the purchase of library books appear to be more appropriately accounted for in the General fund. The District should review procedures in place to ensure all Student Activity Fund accounts are legitimate student activities. The interest earned in the Student Activity Fund needs to be allocated to the student activity accounts that earned the interest. The Class of 2004 account should be closed in the following year upon graduation.

Response - We will make the necessary changes in the Student Activity Fund.

Conclusion - Response accepted.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No reportable conditions were reported.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 exceeded the amount budgeted in the support services functional program area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Geades, Board Member Part owner of The Landscaper	Purchased Services	\$44
Jon Hesseltine, Custodian Owner of Jon's Janitorial	Carpet Cleaning	\$727
Joe Stever, Board Member Affiliated with Waste Management	Purchased Services	\$8,342
Dr. Terry Cochran, Board President Affiliated with Medical Arts Clinic		
Sandy Worley, Board Member Works at First National Bank		
Steve Triplett, Superintendent Board Member of Iowa State Bank		

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with the board members do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the custodian and superintendent do not appear to represent a conflict of interest.

IV-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

IV-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. The Certified Annual Report differs from the audit report in the long-term debt section and the Physical Plant and Equipment Levy(PPEL) fund. The audit reflects the anticipatory warrants to the bank as a fund liability while the state reclassified this to long-term debt. Based on the characteristics of the borrowings in the PPEL fund, we feel that the liability is most appropriately included at the fund level for financial reporting purposes.

IV-K-05 Financial Condition - The District had a deficit undesignated fund balance of \$32,643 in the Special Revenue - Physical Plant Equipment Levy fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District should consider a workout plan to bring the PPEL to a solvent position.

Response - We are monitoring the expenditures in the PPEL fund and are monitoring required repayment amounts to keep our borrowings within the remainder of Voted-PPEL which serves as our source for repayment.

Conclusion - Response accepted.