

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

JUNE 30, 2009

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Fairfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Margaret Dwyer	President	2010
Gail Miller	Vice President	2008
Doug Flournoy	Board Member	2008
Sheila Clements	Board Member	2009
Robert Waugh	Board Member	2009
Jeri Kunkle	Board Member	2010
Ralph Messerli	Board Member	2010
Board of Education (After September 2008 Election)		
Gail Miller	President	2011
Margaret Dwyer	Vice President	2011*
Doug Flournoy	Board Member	2011
Sheila Clements	Board Member	2009
Robert Waugh	Board Member	2009
Jeri Kunkle	Board Member	2009*
Ralph Messerli	Board Member	2011*
School Officials		
Don Archelpohl	Superintendent	2009
Kim Sheets	District Secretary/Treasurer and Business Manager	2009
Craig Foss	Attorney	2009
Ahlers & Cooney, P.C.	Attorney	2009

* Board term changed per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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(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, 2009, 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, 2009, 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 report dated March 10, 2010 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 14 and 44 through 46 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 nine years ended June 30, 2008 (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.

March 10, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$16,802,540 in fiscal 2008 to \$17,032,487 in fiscal 2009, while General Fund expenditures increased from \$17,140,386 in fiscal 2008 to \$18,056,727 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$1,066,690 in fiscal 2008 to \$42,450 in fiscal 2009, a 96.02% decrease from the prior year. The District's solvency ratio decreased from 6.09% to a deficit .37%.
- The increase in General Fund revenues was attributable to an increase in local tax and federal grant revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

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, as well as presenting the schedule of funding progress for the retiree health plan.

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.

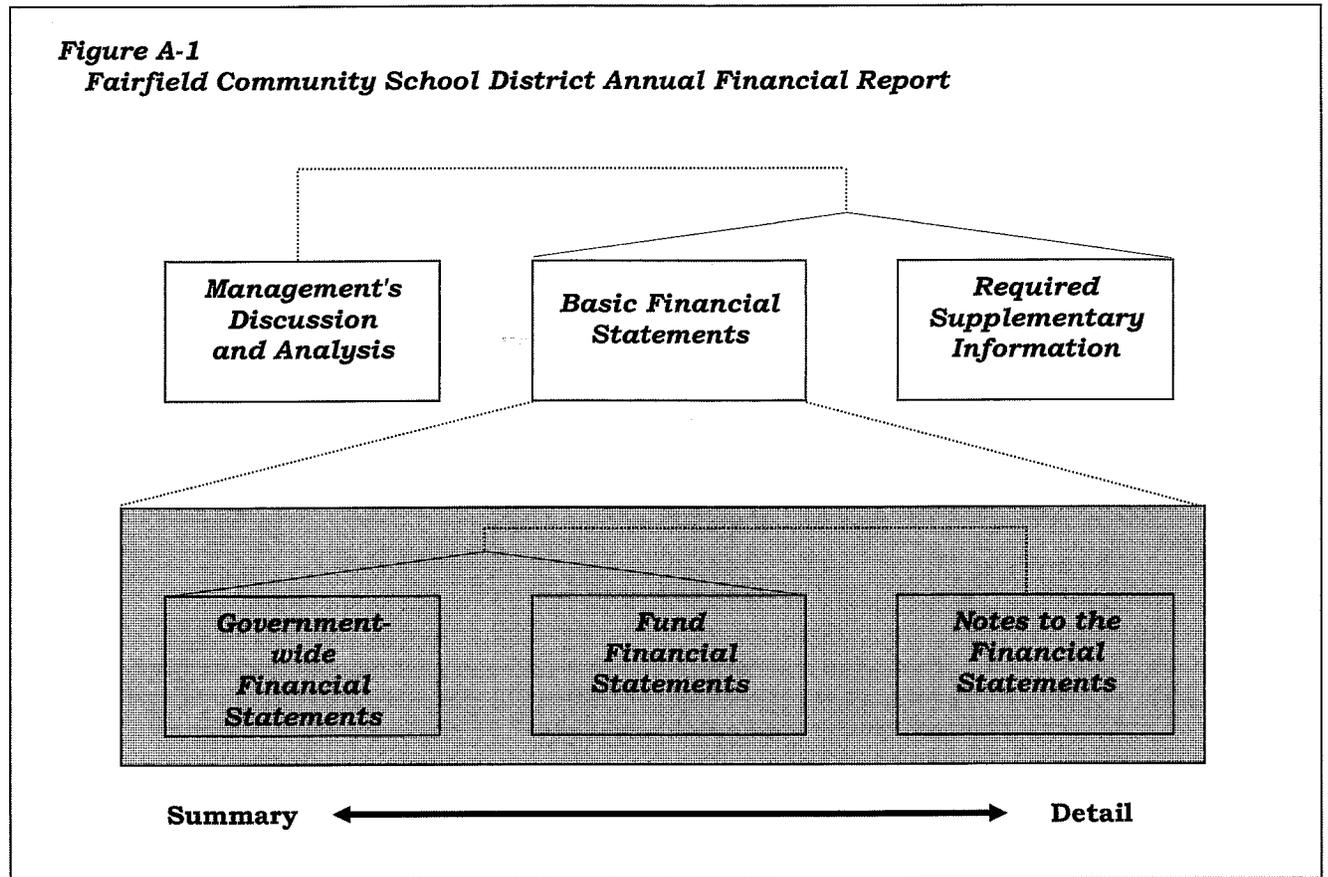


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund account accounting for self-funded insurance.

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.
- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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 total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 13,109,854	12,835,773	108,029	118,865	13,217,883	12,954,638	2.03%
Capital assets	8,598,837	8,026,513	107,621	129,664	8,706,458	8,156,177	6.75%
Total assets	21,708,691	20,862,286	215,650	248,529	21,924,341	21,110,815	3.85%
Long-term obligations	2,234,629	2,262,894	-	-	2,234,629	2,262,894	-1.25%
Other liabilities	9,980,654	10,010,141	19,623	25,779	10,000,277	10,035,920	-0.36%
Total liabilities	12,215,283	12,273,035	19,623	25,779	12,234,906	12,298,814	-0.52%
Net assets:							
Invested in capital assets, net of related debt	8,491,218	8,026,513	107,621	129,664	8,598,839	8,156,177	5.43%
Restricted	664,917	255,250	-	-	664,917	255,250	160.50%
Unrestricted	337,273	307,488	88,406	93,086	425,679	400,574	6.27%
Total net assets	\$ 9,493,408	8,589,251	196,027	222,750	9,689,435	8,812,001	9.96%

The District’s combined net assets increased by 9.96%, or \$877,434, 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 increased \$409,667 or 160.50% over the prior year. The increase was

primarily a result of the increase in grant carryovers and the increase in the Capital Projects fund balance.

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 \$25,105 or 6.27%. This increase in unrestricted net assets was a result of the increase in the Special Revenue, Management Levy fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 1,008,943	1,033,605	367,370	333,547	1,376,313	1,367,152	0.67%
Operating grants and contributions and restricted interest	2,685,373	2,318,781	368,678	342,741	3,054,051	2,661,522	14.75%
Capital grants and contributions and restricted interest	55,349	-	-	-	55,349	-	100.00%
General revenues:							
Property tax	7,368,968	6,558,314	-	-	7,368,968	6,558,314	12.36%
Income surtax	545,464	447,054	-	-	545,464	447,054	22.01%
Statewide sales and services tax	1,392,456	1,134,714	-	-	1,392,456	1,134,714	22.71%
Unrestricted state grants	7,025,260	7,858,429	-	-	7,025,260	7,858,429	-10.60%
Other	248,295	378,512	374	2,000	248,669	380,512	-34.65%
Transfers	-	(59,977)	-	59,977	-	-	0.00%
Total revenues	20,330,108	19,669,432	736,422	738,265	21,066,530	20,407,697	3.23%
Program expenses:							
Governmental activities:							
Instruction	11,917,362	11,540,870	-	-	11,917,362	11,540,870	3.26%
Support services	6,468,518	6,472,561	4,861	3,808	6,473,379	6,476,369	-0.05%
Non-instructional programs	2,412	66,937	758,284	756,833	760,696	823,770	-7.66%
Other expenses	1,037,659	1,402,384	-	-	1,037,659	1,402,384	-26.01%
Total expenses	19,425,951	19,482,752	763,145	760,641	20,189,096	20,243,393	-0.27%
Changes in net assets	904,157	186,680	(26,723)	(22,376)	877,434	164,304	434.03%
Beginning net assets	8,589,251	8,402,571	222,750	245,126	8,812,001	8,647,697	1.90%
Ending net assets	\$ 9,493,408	8,589,251	196,027	222,750	9,689,435	8,812,001	9.96%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 80.33% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.95% of the revenue from business type activities.

The District's total revenues were approximately \$21.07 million of which \$20.33 million was for governmental activities and \$0.74 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.23% increase in revenues and a .27% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$20,330,108 and expenses were \$19,425,951.

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		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 11,917,362	11,540,870	3.26%	8,906,308	8,862,534	0.49%
Support services	6,468,518	6,472,561	-0.06%	6,412,258	6,471,571	-0.92%
Non-instructional	2,412	66,937	-96.40%	2,412	66,937	-96.40%
Other expenses	1,037,659	1,402,384	-26.01%	355,308	729,324	-51.28%
Totals	\$ 19,425,951	19,482,752	-0.29%	15,676,286	16,130,366	-2.82%

- The cost financed by users of the District's programs was \$1,008,943.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,740,722.
- The net cost of governmental activities was financed with \$7,368,968 in property tax, \$545,464 in income surtax, \$1,392,456 in statewide sales and services tax, \$7,025,260 in unrestricted state grants, \$61,667 in interest income and \$186,628 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$736,422 and expenses were \$763,145. 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.

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 \$2,593,222, above last year's ending fund balances of \$2,417,859. The primary reason for the increase in combined fund balances in fiscal 2009 is due to the increase in the Capital Projects Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Increases in local tax and federal grants during the year resulted in an increase in revenues. The increase in General Fund expenditures was more than the increase in General Fund revenues ensuring the decrease in financial position of the District.
- The Management Levy fund balance increased during the year from \$1,578,744 to \$1,990,784. This was the result of an increase in local tax revenues during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$222,750 at June 30, 2008 to \$196,027 at June 30, 2009, representing a decrease of 12.00%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$485,696 more than budgeted revenues, a variance of 2.37%. The most significant variance resulted from the District receiving more in local 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 instruction and support services functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget. In addition, the total budgeted expenditures were exceeded as well as the General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$8,706,458, 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 increase of 6.75% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$581,268.

The original cost of the District's capital assets was \$17.97 million. Governmental funds account for \$17.65 million with the remainder of \$0.32 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 \$6,472,637 at June 30, 2008, compared to \$6,815,739 reported at June 30, 2009. This increase resulted primarily from the completion of several building improvements and repairs that were completed during the year, including an elevator at Pence Elementary.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 149,402	149,402	-	-	149,402	149,402	0.00%
Construction in progress	184,589	38,886	-	-	184,589	38,886	374.69%
Buildings	6,815,739	6,472,637	-	-	6,815,739	6,472,637	5.30%
Land improvements	671,430	690,758	-	-	671,430	690,758	-2.80%
Machinery and equipment	777,677	674,830	107,621	129,664	885,298	804,494	10.04%
Total	\$ 8,598,837	8,026,513	107,621	129,664	8,706,458	8,156,177	6.75%

Long-Term Debt

At June 30, 2009, the District had \$2,234,629 in other long-term debt outstanding. This represents a decrease of 1.25% 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 Computer Lease payable from the General Fund of \$107,619 at June 30, 2009.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$2,127,010 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
Computer Lease	\$ 107,619	-	100.00%
Early Retirement	2,127,010	2,262,894	-6.00%
Totals	<u>\$ 2,234,629</u>	<u>2,262,894</u>	<u>-1.25%</u>

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:

- The District has experienced declining enrollment for several years. This trend is expected for a few more years, however predictions show that enrollment should stabilize sometime in the intermediate future.
- The District continues to utilize At-Risk funding and the alternative high school to provide opportunities of support for students.
- Continued budget concerns at state and federal levels will affect future projections. The District has been forced to shift funding to property taxes and possible use of federal stimulus money along with using expenditure reductions in personnel as a cost-containment tool.
- All bargaining unit contracts are one-year contracts and open for renegotiations next year.

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 Kim Sheets, District Secretary/Treasurer and Business Manager, Fairfield Community School District, 403 South 20th Street, Fairfield, Iowa, 52556-2996.

BASIC FINANCIAL STATEMENTS

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Unit + Education Foundation of Fairfield Public Schools, Inc.
	Governmental Activities	Business Type Activities	Total	
Assets				
Cash and pooled investments	\$ 4,252,939	55,412	4,308,351	536,311
Receivables:				
Property tax:				
Delinquent	124,063	-	124,063	-
Succeeding year	7,542,224	-	7,542,224	-
Income surtax	432,875	-	432,875	-
Accounts	5,026	-	5,026	-
Accrued interest	1,541	-	1,541	-
Due from other governments	672,031	117	672,148	-
Inventories	-	48,655	48,655	-
Capital assets, net of accumulated depreciation	8,598,837	107,621	8,706,458	-
Net OPEB asset	79,155	3,845	83,000	-
Total Assets	21,708,691	215,650	21,924,341	536,311
Liabilities				
Accounts payable	536,870	11,672	548,542	-
Salaries and benefits payable	1,597,943	2,001	1,599,944	-
Accrued interest payable	5,030	-	5,030	-
Deferred revenue:				
Succeeding year property tax	7,542,224	-	7,542,224	-
Other	298,587	-	298,587	-
Unearned revenues	-	5,950	5,950	-
Long-term liabilities:				
Portion due within one year:				
Computer lease payable	52,557	-	52,557	-
Early retirement payable	563,892	-	563,892	-
Portion due after one year:				
Computer lease payable	55,062	-	55,062	-
Early retirement payable	1,563,118	-	1,563,118	-
Total Liabilities	12,215,283	19,623	12,234,906	-
Net Assets				
Invested in capital assets, net of related debt	8,491,218	107,621	8,598,839	-
Restricted for:				
Categorical funding	104,929	-	104,929	-
Capital projects	334,038	-	334,038	-
Physical plant and equipment levy	43,556	-	43,556	-
Other special revenue purposes	182,394	-	182,394	-
Unrestricted	337,273	88,406	425,679	536,311
Total Net Assets	\$ 9,493,408	196,027	9,689,435	536,311

+ The component unit year end is February 28, 2009.
SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit + Education Foundation of Fairfield Public Schools, Inc.
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Total	
					Governmental Activities	Business Type Activities		
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 7,419,495	505,281	1,370,818	-	(5,543,396)	-	(5,543,396)	-
Special	2,554,576	116,690	265,165	-	(2,172,721)	-	(2,172,721)	-
Other	1,943,291	386,061	367,039	-	(1,190,191)	-	(1,190,191)	-
	<u>11,917,362</u>	<u>1,008,032</u>	<u>2,003,022</u>	<u>-</u>	<u>(8,906,308)</u>	<u>-</u>	<u>(8,906,308)</u>	<u>-</u>
Support services:								
Student	493,511	-	-	-	(493,511)	-	(493,511)	-
Instructional staff	1,000,589	-	-	-	(1,000,589)	-	(1,000,589)	-
Administration	2,272,690	-	-	-	(2,272,690)	-	(2,272,690)	-
Operation and maintenance of plant	1,710,553	-	-	55,349	(1,655,204)	-	(1,655,204)	-
Transportation	991,175	911	-	-	(990,264)	-	(990,264)	-
	<u>6,468,518</u>	<u>911</u>	<u>-</u>	<u>55,349</u>	<u>(6,412,258)</u>	<u>-</u>	<u>(6,412,258)</u>	<u>-</u>
Non-instructional programs:								
Food service operations	2,412	-	-	-	(2,412)	-	(2,412)	-
Other expenditures:								
Long-term debt interest	5,030	-	-	-	(5,030)	-	(5,030)	-
AEA flowthrough	682,351	-	682,351	-	-	-	-	-
Depreciation(unallocated)*	350,278	-	-	-	(350,278)	-	(350,278)	-
	<u>1,037,659</u>	<u>-</u>	<u>682,351</u>	<u>-</u>	<u>(355,308)</u>	<u>-</u>	<u>(355,308)</u>	<u>-</u>
Total governmental activities	<u>19,425,951</u>	<u>1,008,943</u>	<u>2,685,373</u>	<u>55,349</u>	<u>(15,676,286)</u>	<u>-</u>	<u>(15,676,286)</u>	<u>-</u>
Business Type activities:								
Support services								
Administration	4,861	-	-	-	-	(4,861)	(4,861)	-
Non-instructional programs:								
Nutrition services	758,284	367,370	368,678	-	-	(22,236)	(22,236)	-
	<u>763,145</u>	<u>367,370</u>	<u>368,678</u>	<u>-</u>	<u>-</u>	<u>(27,097)</u>	<u>(27,097)</u>	<u>-</u>
Total primary government	<u>\$ 20,189,096</u>	<u>1,376,313</u>	<u>3,054,051</u>	<u>55,349</u>	<u>(15,676,286)</u>	<u>(27,097)</u>	<u>(15,703,383)</u>	<u>-</u>
Total component unit	<u>\$ 48,095</u>	<u>-</u>	<u>64,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,885</u>	<u>-</u>
General Revenues:								
Property tax levied for:								
General purposes					\$ 7,026,166	-	7,026,166	-
Capital outlay					342,802	-	342,802	-
Income surtax:					545,464	-	545,464	-
Statewide sales and services tax:					1,392,456	-	1,392,456	-
Unrestricted state grants					7,025,260	-	7,025,260	-
Unrestricted investment earnings					61,667	374	62,041	25,528
Unrealized gain or loss on investments					-	-	-	(305,595)
Realized gain or loss on investments					-	-	-	(3,001)
Other general revenues					186,628	-	186,628	-
Total general revenues					<u>16,580,443</u>	<u>374</u>	<u>16,580,817</u>	<u>(283,068)</u>
Changes in net assets					<u>904,157</u>	<u>(26,723)</u>	<u>877,434</u>	<u>(266,183)</u>
Net assets beginning of year					<u>8,589,251</u>	<u>222,750</u>	<u>8,812,001</u>	<u>802,494</u>
Net assets end of year					<u>\$ 9,493,408</u>	<u>196,027</u>	<u>9,689,435</u>	<u>536,311</u>

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

+ The component unit year end is February 28, 2009.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Special	Other	Total
		Revenue Fund Management Levy	Nonmajor Governmental Funds	
Assets				
Cash and pooled investments	\$ 1,746,047	1,971,392	506,522	4,223,961
Receivables:				
Property tax:				
Delinquent	99,147	19,242	5,674	124,063
Succeeding year	6,217,827	967,660	356,737	7,542,224
Income surtax	432,875	-	-	432,875
Accounts	5,026	-	-	5,026
Accrued interest	1,041	150	350	1,541
Due from other governments	432,269	-	239,762	672,031
Total Assets	\$ 8,934,232	2,958,444	1,109,045	13,001,721
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 344,550	-	192,320	536,870
Salaries and benefits payable	1,597,943	-	-	1,597,943
Deferred revenue:				
Succeeding year property tax	6,217,827	967,660	356,737	7,542,224
Income surtax	432,875	-	-	432,875
Other	298,587	-	-	298,587
Total liabilities	8,891,782	967,660	549,057	10,408,499
Fund balances:				
Reserved for:				
Categorical funding	104,929	-	-	104,929
Unreserved fund balances	(62,479)	1,990,784	559,988	2,488,293
Total fund balances	42,450	1,990,784	559,988	2,593,222
Total Liabilities and Fund Balances	\$ 8,934,232	2,958,444	1,109,045	13,001,721

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, 2009

Total fund balances of governmental funds (page 18)	\$ 2,593,222
 <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 reported as assets in in the governmental funds.	8,598,837
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	28,978
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.	79,155
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	432,875
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,030)
Long-term liabilities, including computer lease 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>(2,234,629)</u>
Net assets of governmental activities (page 16)	<u>\$ 9,493,408</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, 2009

	General	Special	Other	Total
		Revenue Fund Management Levy	Nonmajor Governmental Funds	
REVENUES:				
Local sources:				
Local tax	\$ 6,378,037	1,141,948	1,735,258	9,255,243
Tuition	581,512	-	-	581,512
Other	236,338	58,651	449,976	744,965
State sources	8,928,366	-	-	8,928,366
Federal sources	728,721	-	25,449	754,170
Total revenues	16,852,974	1,200,599	2,210,683	20,264,256
EXPENDITURES:				
Current:				
Instruction:				
Regular	7,052,023	414,965	-	7,466,988
Special	2,573,731	-	-	2,573,731
Other	1,517,764	16,913	446,687	1,981,364
	11,143,518	431,878	446,687	12,022,083
Support services:				
Student	490,710	5,307	-	496,017
Instructional staff	951,336	31,688	4,883	987,907
Administration	2,226,819	106,059	31,977	2,364,855
Operation and maintenance of plant	1,602,677	161,409	-	1,764,086
Transportation	901,629	36,956	151,146	1,089,731
	6,173,171	341,419	188,006	6,702,596
Non-instructional programs:				
Food service operations	-	15,262	-	15,262
Other expenditures:				
Facilities acquisitions	-	-	788,427	788,427
Long-term debt:				
Principal	-	-	57,687	57,687
AEA flowthrough	682,351	-	-	682,351
	682,351	-	846,114	1,528,465
Total expenditures	17,999,040	788,559	1,480,807	20,268,406
Excess(deficiency) of revenues over(under) expenditures	(1,146,066)	412,040	729,876	(4,150)
Other financing sources(uses):				
Transfers in	-	-	57,687	57,687
Transfers out	(57,687)	-	-	(57,687)
Proceeds from computer lease	165,306	-	-	165,306
Compensation for loss of capital assets	8,929	-	-	8,929
Proceeds from sale of equipment	5,278	-	-	5,278
Total other financing sources(uses)	121,826	-	57,687	179,513
Net change in fund balances	(1,024,240)	412,040	787,563	175,363
Fund balances beginning of year	1,066,690	1,578,744	(227,575)	2,417,859
Fund balances end of year	\$ 42,450	1,990,784	559,988	2,593,222

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, 2009

Net change in fund balances - total governmental funds (page 20) \$ 175,363

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

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:

Capital outlays	\$ 1,136,089	
Depreciation expense	(559,225)	
Loss on disposal of capital assets	<u>(4,540)</u>	572,324

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. (165,306)

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. 57,687

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (5,030)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 2,435

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 51,645

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	\$ 135,884	
Other postemployment benefits	<u>79,155</u>	<u>215,039</u>

Changes in net assets of governmental activities (page 17) \$ 904,157

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
Assets		
Cash and pooled investments	\$ 55,412	28,978
Due from other governments	117	-
Inventories	48,655	-
Capital assets, net of accumulated depreciation	107,621	-
Net OPEB asset	3,845	-
Total Assets	215,650	28,978
Liabilities		
Accounts payable	11,672	-
Salaries and benefits payable	2,001	-
Unearned revenues	5,950	-
Total Liabilities	19,623	-
Net Assets		
Invested in capital assets	107,621	-
Unrestricted	88,406	28,978
Total Net Assets	\$ 196,027	28,978

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, 2009

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 367,370	85,386
TOTAL OPERATING REVENUES	<u>367,370</u>	<u>85,386</u>
OPERATING EXPENSES:		
Support services:		
Administration		
Benefits	-	82,936
Services	4,695	15
Supplies	166	-
	<u>4,861</u>	<u>82,951</u>
Non-instructional programs:		
Food service programs:		
Salaries	270,326	-
Benefits	101,579	-
Services	1,497	-
Supplies	362,839	-
Depreciation	22,043	-
	<u>758,284</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>763,145</u>	<u>82,951</u>
OPERATING INCOME (LOSS)	<u>(395,775)</u>	<u>2,435</u>
NON-OPERATING REVENUES:		
State sources	8,437	-
Federal sources	360,241	-
Interest income	374	-
TOTAL NON-OPERATING REVENUES	<u>369,052</u>	<u>-</u>
Change in net assets	(26,723)	2,435
Net assets beginning of year	<u>222,750</u>	<u>26,543</u>
Net assets end of year	<u>\$ 196,027</u>	<u>28,978</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	Business Type	
	Enterprise Fund	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 364,049	-
Cash received from miscellaneous operating activities	2,530	85,386
Cash payments to employees for services	(374,529)	(82,936)
Cash payments to suppliers for goods or services	(327,207)	(15)
Net cash provided by(used in) operating activities	<u>(335,157)</u>	<u>2,435</u>
Cash flows from non-capital financing activities:		
State grants received	8,437	-
Federal grants received	303,330	-
Net cash provided by non-capital financing activities	<u>311,767</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investment	374	-
Net increase(decrease) in cash and cash equivalents	(23,016)	2,435
Cash and cash equivalents at beginning of year	78,428	26,543
Cash and cash equivalents at end of year	<u>\$ 55,412</u>	<u>28,978</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (395,775)	2,435
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	57,544	-
Depreciation	22,043	-
Increase in inventories	(8,984)	-
Decrease in accounts receivable	16	-
Increase in other postemployment benefits	(3,845)	-
Decrease in accounts payable	(6,570)	-
Increase in salaries and benefits payable	1,221	-
Decrease in unearned revenue	(807)	-
Net cash provided by(used in) operating activities	<u>\$ (335,157)</u>	<u>2,435</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2009, the District received \$57,544 of federal commodities.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009

	Private Purpose Trust	
	Scholarships	Agency
Assets		
Cash and pooled investments	\$ 1,984	5,307
Total Assets	1,984	5,307
Liabilities		
Due to other groups	-	5,307
Net Assets		
Restricted for scholarships	\$ 1,984	-

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions	\$ -
Deductions	-
Change in net assets	-
Net assets beginning of year	<u>1,984</u>
Net assets end of year	<u>\$ 1,984</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
COMPONENT UNIT
FEBRUARY 28, 2009

	<u>Education Foundation of Fairfield Public Schools, Inc.</u>
ASSETS	
Cash, savings, and investments	\$ 536,311
TOTAL ASSETS	<u>536,311</u>
LIABILITIES	<u>-</u>
NET ASSETS	<u>\$ 536,311</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 COMPONENT UNIT
 YEAR ENDED FEBRUARY 28, 2009

		Education Foundation of Fairfield Public Schools, Inc.
Revenue:		
Contributions, gifts, grants and similar amounts	\$	64,980
Interest		25,528
Unrealized gain or loss on investments		(305,595)
Realized gain or loss on investments		(3,001)
Total revenue		(218,088)
Expenses:		
Grants and similar amounts paid:		
Grants		28,007
Scholarships		20,000
Other:		
Advertising and promotion		87
Interest		1
Total expenses		48,095
Deficiency of revenue under expenses		(266,183)
Net assets beginning of year		802,494
Net assets end of year	\$	536,311

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(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, 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.

These financial statements present the Fairfield Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit - The Education Foundation of Fairfield Public Schools, Inc. was created to enhance and strengthen the educational programs of the Fairfield Community School District. The Foundation is a separate legal entity with its own accounting records and board of trustees. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a component unit in these financial statements.

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 Levy Fund is utilized to account for the payment of property insurance and early retirement benefits.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's self-funded health insurance plan.

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 Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held 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 Balances

The following accounting policies are followed in preparing the financial statements:

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
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.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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 Balance - 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.

Net assets restricted through enabling legislation consists of \$104,929 for categorical funding, \$334,038 for capital projects, \$43,556 for physical plant and equipment levy and \$182,394 for other special revenue purposes (student activity fund).

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instruction and support services functional areas exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Iowa Schools Joint Investment Trust	\$ 271,799

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service

(3) **Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 57,687

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, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 149,402	-	-	149,402
Construction in progress	38,886	184,589	38,886	184,589
Total capital assets not being depreciated	188,288	184,589	38,886	333,991
Capital assets being depreciated:				
Buildings	12,409,882	613,501	-	13,023,383
Land improvements	944,338	27,378	-	971,716
Machinery and equipment	3,167,954	349,507	196,116	3,321,345
Total capital assets being depreciated	16,522,174	990,386	196,116	17,316,444
Less accumulated depreciation for:				
Buildings	5,937,245	270,399	-	6,207,644
Land improvements	253,580	46,706	-	300,286
Machinery and equipment	2,493,124	242,120	191,576	2,543,668
Total accumulated depreciation	8,683,949	559,225	191,576	9,051,598
Total capital assets being depreciated, net	7,838,225	431,161	4,540	8,264,846
Governmental activities capital assets, net	\$ 8,026,513	615,750	43,426	8,598,837
Business Type activities:				
Machinery and equipment	\$ 341,897	-	24,003	317,894
Less accumulated depreciation	212,233	17,220	19,180	210,273
Business Type activities capital assets, net	\$ 129,664	(17,220)	4,823	107,621

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 42,029
Support services:		
Instructional staff		18,062
Operation and maintenance		19,317
Transportation		129,539
		<u>208,947</u>
Unallocated depreciation		<u>350,278</u>
		<u>\$ 559,225</u>
Business Type activities:		
Food services		<u>\$ 22,043*</u>

* includes loss on disposal of assets of \$4,823.

(5) Anticipatory Warrants

Anticipatory warrant activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year
Special Revenue, Physical Plant and Equipment Levy	\$ 135,235	151,146	286,381	-
Capital Projects	393,878	190,000	583,878	-
Total	<u>\$ 529,113</u>	<u>341,146</u>	<u>870,259</u>	<u>-</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Computer lease	\$ -	165,306	57,687	107,619	52,557
Early retirement	2,262,894	353,768	489,652	2,127,010	563,892
Total	<u>\$ 2,262,894</u>	<u>519,074</u>	<u>547,339</u>	<u>2,234,629</u>	<u>616,449</u>

Computer Lease

During the year ended June 30, 2009, the District entered into a lease-purchase agreement with Apple, Inc. for twenty eight computers. The computer lease will be repaid using property taxes collected in the General Fund. Details of the District's June 30, 2009 computer lease indebtedness are as follows:

Year Ending June 30,	Computer lease of July 7, 2008				
	Interest Rate		Principal	Interest	Total
2010	4.80	% \$	52,557	5,130	57,687
2011	4.80		55,062	2,625	57,687
Total		\$	107,619	7,755	115,374

Early Retirement

The District offers a voluntary early retirement plan to its 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 within a seven-year window of eligibility. This application 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 for a maximum of 84 months. 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, 2009, totaled \$489,652.

(7) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 300 active and 46 retired members in the plan. Participants must be age 55 or older at retirement. Employees must be at least age 55 with 10 or more years of service to be eligible for the District's cash benefit. Once they are first eligible, there is a 7 year window for the employee to take this cash benefit.

The District pays a cash benefit based on the retiree's final salary. For employees with 20 years of service, the total benefit provided by the District equals 2% of the employee's final salary multiplied by 84. The benefit is paid in annual installments over a five year period. This amount is reduced by 50% if the employee retires with more than 10 years for service but less than 15 and by 25% if the employee retires with more than 15 years of service but less than 20. The cash benefit is shown as an explicit subsidy and an OPEB liability.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 503,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>503,000</u>
Contributions made	<u>(586,000)</u>
Increase in net OPEB obligation	(83,000)
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ (83,000)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$775,000 to the medical and explicit plans. Plan members eligible for benefits contributed \$189,000, or 19.6% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 503,000	116.5%	(\$ 83,000)

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$4,642,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,642,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,686,702, and the ratio of the UAAL to covered payroll was 47.9%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts

and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are for the \$598 per month for retirees who have attained age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) 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 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30,

2009, 2008 and 2007 were \$717,222, \$638,236 and \$589,195 respectively, equal to the required contributions for each year.

(9) Risk Management

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.

(10) 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 \$682,351 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

The District has entered into various contracts totaling \$193,129. As of June 30, 2009, costs of \$184,589 had been incurred against the contracts. The balance of \$8,540 remaining at June 30, 2009 will be paid as work on the projects progresses.

(12) Deficit Undesignated Fund Balance

The General Fund had a deficit undesignated fund balance of \$62,479 at June 30, 2009.

(13) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Project	Amount
Limited english proficient weighting	\$ 1,401
Gifted and talented	36,350
Beginning teacher mentoring and induction program	12
Educator quality, salary improvement program	7,415
Educator quality, model core curriculum	24,402
Educator quality, market factor incentives	9,678
Additional home school assistance program	11,448
Nonpublic textbook services	184
Educator quality, market factor	14,039
	<hr/>
Total reserved for categorical funding	<u>\$ 104,929</u>

(14) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year

ended June 30, 2009, expenditures in the instruction and support services functional areas exceeded the amounts budgeted. The District also exceeded its General Fund unspent authorized budget.

REQUIRED SUPPLEMENTARY INFORMATION

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amount		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 10,581,720	367,744	10,949,464	10,501,343	10,501,343	448,121
State sources	8,928,366	8,437	8,936,803	9,164,517	9,164,517	(227,714)
Federal sources	754,170	360,241	1,114,411	849,122	849,122	265,289
Total revenues	<u>20,264,256</u>	<u>736,422</u>	<u>21,000,678</u>	<u>20,514,982</u>	<u>20,514,982</u>	<u>485,696</u>
Expenditures/expenses:						
Instruction	12,022,083	-	12,022,083	11,913,608	11,913,608	(108,475)
Support services	6,702,596	4,861	6,707,457	6,411,678	6,411,678	(295,779)
Non-instructional programs	15,262	758,284	773,546	885,677	885,677	112,131
Other expenditures	1,528,465	-	1,528,465	1,642,626	1,642,626	114,161
Total expenditures/expenses	<u>20,268,406</u>	<u>763,145</u>	<u>21,031,551</u>	<u>20,853,589</u>	<u>20,853,589</u>	<u>(177,962)</u>
Deficiency of revenues under expenditures/expenses	(4,150)	(26,723)	(30,873)	(338,607)	(338,607)	307,734
Other financing sources, net	<u>179,513</u>	<u>-</u>	<u>179,513</u>	<u>-</u>	<u>-</u>	<u>179,513</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	175,363	(26,723)	148,640	(338,607)	(338,607)	487,247
Balance beginning of year	<u>2,417,859</u>	<u>222,750</u>	<u>2,640,609</u>	<u>1,734,831</u>	<u>1,734,831</u>	<u>905,778</u>
Balance end of year	<u>\$ 2,593,222</u>	<u>196,027</u>	<u>2,789,249</u>	<u>1,396,224</u>	<u>1,396,224</u>	<u>1,393,025</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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 GAAP basis. Encumbrances are not recognized on the GAAP 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 ended June 30, 2009, expenditures in the instruction and support services funds exceeded the amounts budgeted. The total budgeted expenditures were exceeded and the District exceeded its General Fund unspent authorized budget.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
July 1, 2008	\$ -	\$ 4,642,000	\$ 4,642,000	0.0%	\$ 9,686,702	47.9%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds			Total
	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds
Assets				
Cash and pooled investments	\$ 184,786	37,882	283,854	506,522
Receivables:				
Property tax:				
Delinquent	-	5,674	-	5,674
Succeeding year	-	356,737	-	356,737
Accrued interest	-	-	350	350
Due from other governments	-	-	239,762	239,762
Total Assets	\$ 184,786	400,293	523,966	1,109,045
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,392	-	189,928	192,320
Deferred revenue:				
Succeeding year property tax	-	356,737	-	356,737
Total liabilities	2,392	356,737	189,928	549,057
Unreserved fund balances	182,394	43,556	334,038	559,988
Total Liabilities and Fund Balances	\$ 184,786	400,293	523,966	1,109,045

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, 2009

	Special Revenue Funds				Total
	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ -	342,802	1,392,456	-	1,735,258
Other	419,594	28	30,354	-	449,976
Federal sources	-	-	25,449	-	25,449
TOTAL REVENUES	419,594	342,830	1,448,259	-	2,210,683
EXPENDITURES:					
Current:					
Instruction:					
Other	446,687	-	-	-	446,687
Support services:					
Instructional staff	-	4,883	-	-	4,883
Administration	-	8,940	23,037	-	31,977
Transportation	-	151,146	-	-	151,146
	-	164,969	23,037	-	188,006
Other expenditures:					
Facilities acquisitions	-	-	788,427	-	788,427
Long-term debt:					
Principal	-	-	-	57,687	57,687
	-	-	788,427	57,687	846,114
TOTAL EXPENDITURES	446,687	164,969	811,464	57,687	1,480,807
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(27,093)	177,861	636,795	(57,687)	729,876
Other financing sources:					
Transfers in	-	-	-	57,687	57,687
Net change in fund balance	(27,093)	177,861	636,795	-	787,563
Fund balance beginning of year	209,487	(134,305)	(302,757)	-	(227,575)
Fund balance end of year	\$ 182,394	43,556	334,038	-	559,988

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
HS Drama	\$ 2,359	8,189	12,747	6,872	4,673
MS Drama	2,872	343	439	100	2,876
HS Vocal Music	10,263	9,280	14,027	6,246	11,762
MS Vocal Music	3,749	363	-	(20)	4,092
HS Band 1000	14,769	128,926	144,670	6,114	5,139
MS Band	84	9,013	8,915	200	382
HS Musical	10,106	3,741	677	(6,572)	6,598
HS Athletics	28,332	128,305	130,228	13,907	40,316
MS Athletics	343	4,156	3,627	920	1,792
Libertyville	1,934	416	2,609	284	25
Lincoln	1,701	251	1,927	-	25
Pence	3,466	617	3,327	-	756
Washington	2,483	-	2,881	398	-
MS Library	200	3,546	3,746	-	-
MS Student Council	1,959	1,782	953	-	2,788
MS Pop/Juice	1,806	736	2,737	195	-
MS Activity Ticket	-	1,440	-	-	1,440
MS Ice Cream	1,138	555	1,709	16	-
MS Cheerleader Org.	2,188	-	-	-	2,188
MS Yearbook	3,839	5,641	4,749	(930)	3,801
MS Interest	-	4,935	-	(4,877)	58
HS FBLA Club	2,166	5,942	6,323	2,112	3,897
HS FCA Club	6,787	124	999	-	5,912
HS Ice Cream	1,430	-	-	-	1,430
HS Concessions	2,330	16,217	12,048	(6,499)	-
HS Cheerleaders	-	1,570	1,570	500	500
HS Los Gringos	2,733	3,316	4,028	-	2,021
HS FFA	3,593	33,225	38,195	2,120	743
HS FHA	3,044	-	-	(3,044)	-
HS Dance-Drill	-	4,909	5,397	720	232
HS Quill	14,948	2,876	7,995	928	10,757
HS Science Club	1,309	-	-	(1,309)	-
HS Student Council	22,344	6,098	8,680	232	19,994
HS Resource	5,471	3	423	(1,026)	4,025
HS Torch Club	1,375	-	109	1,205	2,471
HS Troy Banner Org.	1,381	-	-	500	1,881
HS SADD Club	2,113	625	-	-	2,738
HS Young Farmers Org.	-	470	263	-	207
HS Vica Club	392	-	25	-	367
HS Student Assembly	5,560	-	-	-	5,560
HS Class 2012 Org.	-	1,351	808	2,000	2,543
HS Class 2011 Org.	2,238	14	-	290	2,542
HS Class 2010 Org.	2,941	2,118	1,146	-	3,913
HS Class 2009 Org.	2,922	-	631	(2,291)	-
Wall of Honor	2,997	456	1,296	900	3,057
HS Pep Club	578	254	816	1,785	1,801
HS Career Club	500	-	-	(500)	-
HS French Club	4,310	-	-	-	4,310
HS Stud. Welfare	5,667	1,085	5,909	-	843
HS Speech/Forensics	5,994	2,748	3,551	232	5,423
HS Thespians	-	288	222	-	66
HS Act. Ticket	-	21,080	-	(21,080)	-
HS Renaissance	9,845	2,590	6,285	300	6,450
HS Art Club	928	-	-	(928)	-
Total	\$ 209,487	419,594	446,687	-	182,394

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>ADMINISTRATOR</u>				
ASSETS				
Cash and pooled investments	\$ 221	-	-	221
LIABILITIES				
Due to other groups	\$ 221	-	-	221
<u>ALUMNI</u>				
ASSETS				
Cash and pooled investments	\$ 636	140	-	776
LIABILITIES				
Due to other groups	\$ 636	140	-	776
<u>HIGH SCHOOL FACULTY</u>				
ASSETS				
Cash and pooled investments	\$ 318	50	50	318
LIABILITIES				
Due to other groups	\$ 318	50	50	318
<u>ATHLETIC TOURNAMENT</u>				
ASSETS				
Cash and pooled investments	\$ 805	-	-	805
LIABILITIES				
Due to other groups	\$ 805	-	-	805
<u>STUDENT INSURANCE</u>				
ASSETS				
Cash and pooled investments	\$ (360)	360	-	-
Due from other groups	360	-	360	-
NET ASSETS	\$ -	360	360	-
LIABILITIES				
Due to other groups	\$ -	360	360	-
<u>HS MEMORIAL</u>				
ASSETS				
Cash and pooled investments	\$ 3,187	-	-	3,187
LIABILITIES				
Due to other groups	\$ 3,187	-	-	3,187
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 4,807	550	50	5,307
Due from other groups	360	-	360	-
NET ASSETS	\$ 5,167	550	410	5,307
LIABILITIES				
Due to other groups	\$ 5,167	550	410	5,307

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 TEN YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 9,255,243	8,235,389	7,954,199	7,248,837	6,376,510
Tuition	581,512	519,525	450,666	378,510	325,494
Other	744,965	848,043	865,867	635,419	665,816
Intermediate sources	-	-	-	-	-
State sources	8,928,366	9,503,815	9,335,591	8,974,692	8,537,210
Federal sources	754,170	673,395	994,655	827,013	751,011
Total	\$ 20,264,256	19,780,167	19,600,978	18,064,471	16,656,041
Expenditures:					
Instruction:					
Regular	\$ 7,466,988	7,363,475	6,774,222	6,519,414	6,078,027
Special	2,573,731	2,336,230	2,341,124	2,234,394	2,073,310
Other	1,981,364	1,833,020	1,773,791	1,480,291	1,633,795
Support services:					
Student	496,017	521,181	496,424	517,807	314,393
Instructional staff	987,907	828,221	921,414	990,180	889,753
Administration	2,364,855	1,967,257	1,866,971	1,796,049	1,767,470
Operation and maintenance of plant	1,764,086	1,837,942	1,638,688	1,664,539	1,578,778
Transportation	1,089,731	1,083,803	985,203	908,404	901,805
Other	-	-	-	-	-
Non-instructional programs	15,262	6,747	4,427	7,161	111,196
Other expenditures:					
Facilities acquisitions	788,427	777,547	2,492,954	493,932	35,741
Long-term debt:					
Principal	57,687	6,363	6,099	68,747	79,331
Interest and other charges	-	148	411	1,769	4,233
AEA flow-through	682,351	673,060	640,646	614,109	590,231
Total	\$ 20,268,406	19,234,994	19,942,374	17,296,796	16,058,063

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis				
Years Ended June 30,				
2004	2003	2002	2001	2000
6,252,144	6,074,356	6,032,665	5,397,882	5,120,089
365,228	373,888	426,370	598,698	468,577
539,195	640,917	431,176	714,392	859,667
-	-	-	500	500
7,883,952	7,777,229	7,309,172	8,155,668	7,741,654
738,468	453,708	661,979	280,643	232,213
<u>15,778,987</u>	<u>15,320,098</u>	<u>14,861,362</u>	<u>15,147,783</u>	<u>14,422,700</u>
6,212,554	6,278,271	6,376,567	6,094,535	6,431,972
2,216,619	2,135,047	2,034,610	1,868,058	1,522,607
942,069	1,065,196	937,191	1,045,719	1,065,105
493,244	497,905	494,489	410,295	354,648
654,740	591,107	567,562	759,191	813,159
1,562,814	1,529,050	1,387,234	1,394,418	1,375,284
1,483,756	1,437,818	1,494,397	1,023,767	1,080,520
770,661	721,612	771,352	927,035	432,000
3,279	2,832	3,015	63,981	112,321
98,757	84,677	81,974	9,696	9,913
54,606	898	145,450	643,356	492,661
76,273	36,802	22,872	562,631	567,807
7,291	3,513	4,602	687,609	549,403
579,419	613,713	584,597	621,353	589,283
<u>15,156,082</u>	<u>14,998,441</u>	<u>14,905,912</u>	<u>16,111,644</u>	<u>15,396,683</u>

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	41,419
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	317,148
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 09	1,674
			<u>360,241</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2169-G	266,527
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2169-GC	39,831
			<u>306,358</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>27,711</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>7,597</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (FIRE SAFETY GRANT)	84.215	FY 09	<u>25,449</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 09	<u>109,983</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 09	<u>10,908</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 09	<u>106,735</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 09	<u>1,000</u>
TOTAL			<u>\$ 955,982</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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Fairfield Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fairfield Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fairfield Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Fairfield Community School District's financial statements that is more than inconsequential will not be prevented or detected by Fairfield Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

Compliance and Other Matters

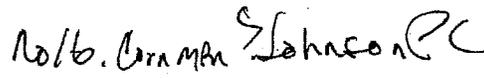
As part of obtaining reasonable assurance about whether Fairfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have 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, 2009 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.

Fairfield Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Fairfield Community School District's responses and, accordingly, we express no opinion on them.

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.

March 10, 2010

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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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, 2009. 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 grant 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, 2009.

Internal Control Over Compliance

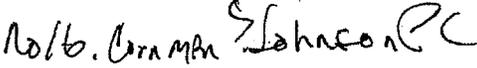
The management of Fairfield Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Fairfield 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fairfield Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2010

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies 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 material weaknesses in internal control over the major programs were noted.
- (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:
 - CDFR 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.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 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 practical.

Conclusion - Response accepted.

II-B-09 Student Activity Fund - Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund. All fundraisers are not being approved by the board and do not always have a specific purpose.

Recommendation - The District should review the procedures in place. The board should approve fundraisers and all fundraisers should have a specific purpose. The District should cease the practice of fundraising without specific purposes.

Response - The District is currently reviewing policies and procedures related to fundraising. Updated policies will be put into practice and sponsors will be directed as to their implementation.

Conclusion - Response accepted.

II-C-09 Student Activity Fund - Gate Admissions - The gate admissions were not always reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - The high school currently uses pre-numbered tickets and reconciles the receipts at each event. The middle school administration will work with the Activities Director to implement those procedures in that building as well.

Conclusion - Response accepted.

II-D-09 Student Activity Fund - Old and Inactive Accounts - During our audit we noted inactive accounts within the Student Activity Fund.

Recommendation - The District should review the inactive accounts. Determination should be made as to whether the accounts should be closed or reallocated to other student accounts.

Response - Student Activity Fund accounts will be reviewed and closed or reallocated if deemed appropriate.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 exceeded the amount budgeted in the instruction and support services functions. The District also exceeded its unspent authorized budget for the year ended June 30, 2009 by approximately \$260,589.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget issue.

Response - The District will amend the budget in the future to avoid exceeding the certified budget. We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion - Response accepted.

IV-B-09 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-C-09 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-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Amy Megrath, Teacher Spouse owns Megrath Enterprises	Purchased Services	\$532

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with spouse of the District's employee does not appear to represent a conflict of interest.

IV-E-09 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-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on Line 1 was overstated by 15 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District has contacted the Iowa Department of Education and the Department of Management

Conclusion - Response accepted.

IV-H-09 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-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Revenues:			
Statewide sales and services tax	\$	1,392,456	
Interest on investments		454	
Contributions and donations		29,900	
Fire safety grant		25,449	1,448,259
			<hr/>
Expenditures/transfers out:			
School infrastructure:			
Other improvements recorded in the prior year	\$	302,757	
Other improvements		788,427	
Debt service for school infrastructure:			
Stamped warrant interest		23,037	1,114,221
			<hr/>
Ending balance		\$	<u>334,038</u>

IV-L-09 Financial Condition - The District had a deficit undesignated fund balance in the General Fund of \$62,479.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The District will monitor expenditures in the General Fund and work towards a solvent position.

Conclusion - Response accepted.