

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

JUNE 30, 2010

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Fairfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Gail Miller	President	2011
Margaret Dwyer	Vice President	2011
Sheila Clements	Board Member	2009
Doug Flournoy	Board Member	2011
Jeri Kunkle	Board Member	2009
Ralph Messerli	Board Member	2011
Robert Waugh	Board Member	2009
Board of Education (After September 2009 Election)		
Gail Miller	President	2011
Margaret Dwyer	Vice President	2011
Jennifer Anderson	Board Member	2013
Doug Flournoy	Board Member	2011
Jeri Kunkle	Board Member	2013
Ralph Messerli	Board Member	2011
Robert Waugh	Board Member	2013
School Officials		
Donald E. Achelpohl	Superintendent	2010
Kimberly Sheets	District Secretary/Treasurer and Business Manager	2010
Craig Foss	Attorney	2010
Ron Peeler	Attorney	2010

Fairfield Community School District

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

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, 2010, 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, 2010, 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 4, 2011 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, Budgetary Comparison Information, Schedule of Funding Progress for the Retiree Health Plan and Component Unit Financial Statements on pages 7 through 15 and 42 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, 2009 (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, P.C.

March 4, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$17,032,487 in fiscal 2009 to \$16,986,920 in fiscal 2009, while General Fund expenditures decreased from \$18,056,727 in fiscal 2009 to \$17,819,269 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$42,450 in fiscal 2009 to a deficit \$789,899 in fiscal 2010, a 1,960.78% decrease from the prior year. The District's solvency ratio decreased from a deficit .37% to a deficit 5.87%.
- The increase in General Fund revenues was attributable to an increase in local tax and federal grant revenue in fiscal 2010. 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.

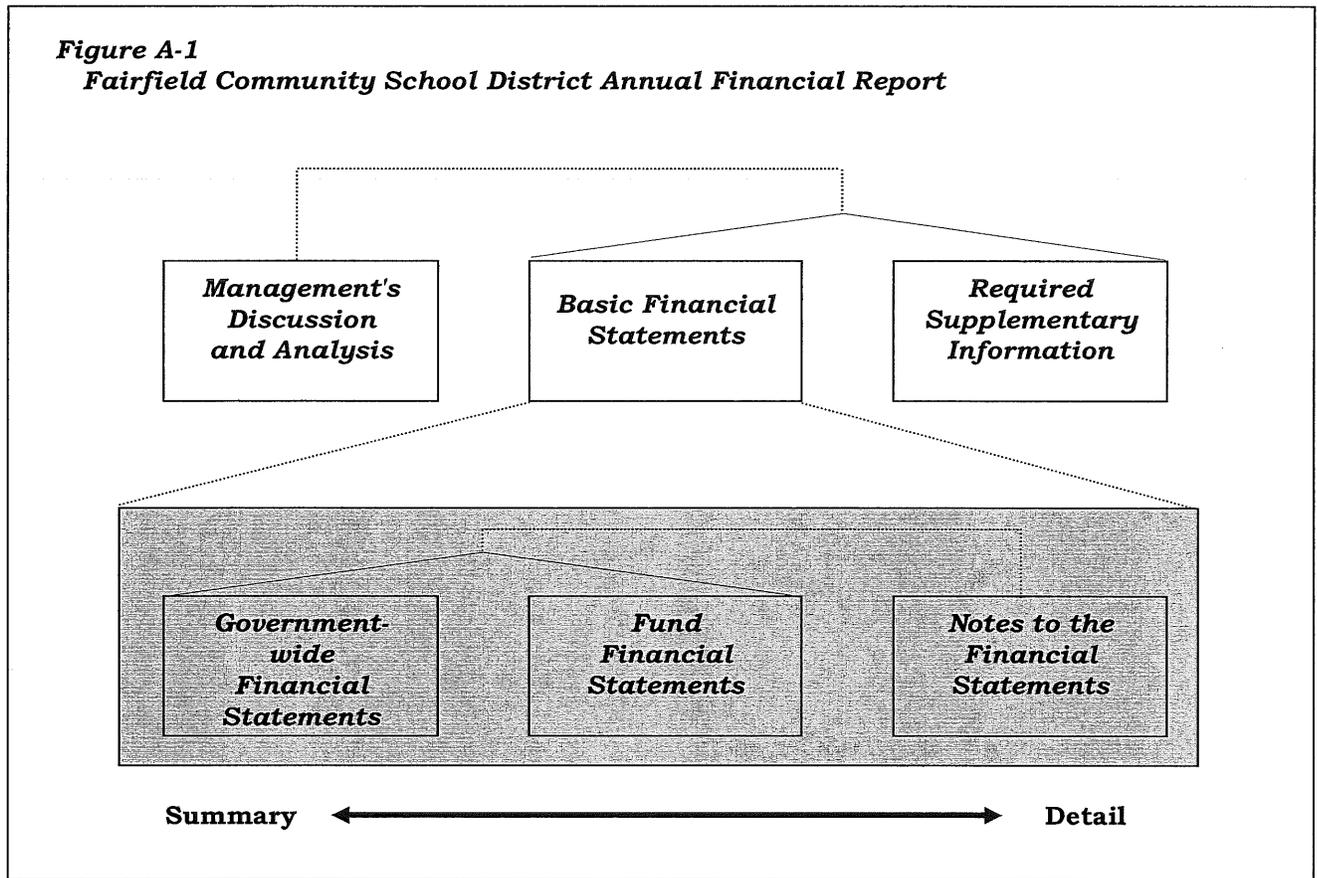


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 14,663,450	13,109,854	131,077	108,029	14,794,527	13,217,883	11.93%
Capital assets	8,427,678	8,598,837	114,621	107,621	8,542,299	8,706,458	-1.89%
Total assets	23,091,128	21,708,691	245,698	215,650	23,336,826	21,924,341	6.44%
Long-term obligations	2,889,180	2,234,629	-	-	2,889,180	2,234,629	29.29%
Other liabilities	10,689,377	9,980,654	19,332	19,623	10,708,709	10,000,277	7.08%
Total liabilities	13,578,557	12,215,283	19,332	19,623	13,597,889	12,234,906	11.14%
Net assets:							
Invested in capital assets, net of related debt	8,372,616	8,491,218	114,621	107,621	8,487,237	8,598,839	-1.30%
Restricted	2,435,466	664,917	-	-	2,435,466	664,917	266.28%
Unrestricted	(1,295,511)	337,273	111,745	88,406	(1,183,766)	425,679	-378.09%
Total net assets	\$ 9,512,571	9,493,408	226,366	196,027	9,738,937	9,689,435	0.51%

The District's combined net assets increased by .51%, or \$49,502, 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 \$1,770,549 or 266.28% 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 – decreased \$1,609,445 or 378.09%. This decrease in unrestricted net assets was a result of the decrease in the General Fund fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2009-10
	2010	2009	2010	2009	2010	2009	
Revenues:							
Program revenues:							
Charges for services	\$ 891,330	1,008,943	365,263	367,370	1,256,593	1,376,313	-8.70%
Operating grants and contributions and restricted interest	3,934,940	2,685,373	396,925	368,678	4,331,865	3,054,051	41.84%
Capital grants and contributions and restricted interest	-	55,349	-	-	-	55,349	100.00%
General revenues:							
Property tax	7,543,312	7,368,968	-	-	7,543,312	7,368,968	2.37%
Income surtax	527,844	545,464	-	-	527,844	545,464	-3.23%
Statewide sales, services and use tax	1,239,245	1,392,456	-	-	1,239,245	1,392,456	-11.00%
Unrestricted state grants	5,672,745	7,025,260	-	-	5,672,745	7,025,260	-19.25%
Other	189,324	248,295	6,268	374	195,592	248,669	-21.34%
Transfers	(2,399)	-	2,399	-	-	-	0.00%
Total revenues	19,996,341	20,330,108	770,855	736,422	20,767,196	21,066,530	-1.42%
Program expenses:							
Governmental activities:							
Instruction	12,368,135	11,917,362	-	-	12,368,135	11,917,362	3.78%
Support services	6,504,813	6,468,518	4,685	4,861	6,509,498	6,473,379	0.56%
Non-instructional programs	1,971	2,412	735,831	758,284	737,802	760,696	-3.01%
Other expenses	1,102,259	1,037,659	-	-	1,102,259	1,037,659	6.23%
Total expenses	19,977,178	19,425,951	740,516	763,145	20,717,694	20,189,096	2.62%
Changes in net assets	19,163	904,157	30,339	(26,723)	49,502	877,434	-94.36%
Beginning net assets	9,493,408	8,589,251	196,027	222,750	9,689,435	8,812,001	9.96%
Ending net assets	\$ 9,512,571	9,493,408	226,366	196,027	9,738,937	9,689,435	0.51%

In fiscal 2010, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 74.93% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.88% of the revenue from business type activities.

The District's total revenues were approximately \$20.77 million of which \$20.00 million was for governmental activities and \$0.77 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.42% decrease in revenues and a 2.62% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$19,996,341 and expenses were \$19,977,179.

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		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 12,368,135	11,917,362	3.78%	8,276,463	8,906,308	-7.07%
Support services	6,504,813	6,468,518	0.56%	6,502,592	6,412,258	1.41%
Non-instructional	1,971	2,412	-18.28%	1,971	2,412	-18.28%
Other expenses	1,102,259	1,037,659	6.23%	369,882	355,308	4.10%
Totals	<u>\$ 19,977,178</u>	<u>19,425,951</u>	<u>2.84%</u>	<u>15,150,908</u>	<u>15,676,286</u>	<u>-3.35%</u>

- The cost financed by users of the District’s programs was \$891,330.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,934,940.
- The net cost of governmental activities was financed with \$7,543,312 in property tax, \$527,844 in income surtax, \$1,239,245 in statewide sales and services tax, \$5,672,745 in unrestricted state grants, \$27,937 in interest income and \$158,988 in other general revenues net of transfers.

Business Type Activities

Revenues net of transfers for the District’s business type activities were \$770,855 and expenses were \$740,516. 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 \$3,199,906, above last year’s ending fund balances of \$2,593,222. The primary reason for the increase in combined fund balances in fiscal 2010 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 \$1,990,784 to \$2,231,436. This was the result of an increase in local tax revenues during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$196,027 at June 30, 2009 to \$226,366 at June 30, 2010, representing an increase of 15.48%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$990,886 less than budgeted revenues, a variance of 4.56%. The most significant variance resulted from the District receiving less in state sources than originally anticipated due to the 10% across the board cut.

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.

Despite the District's practice, during the year ended June 30, 2010, the District exceeded its General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$8,542,299, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.89% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$611,127.

The original cost of the District's capital assets was \$18.25 million. Governmental funds account for \$17.92 million with the remainder of \$0.33 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$184,589 at June 30, 2009, compared to \$25,235 reported at June 30, 2010. This decrease resulted primarily from the completion of several building improvement projects that were completed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 149,402	149,402	-	-	149,402	149,402	0.00%
Construction in progress	25,235	184,589	-	-	25,235	184,589	-86.33%
Buildings	6,898,808	6,815,739	-	-	6,898,808	6,815,739	1.22%
Land improvements	656,619	671,430	-	-	656,619	671,430	-2.21%
Machinery and equipment	697,614	777,677	114,621	107,621	812,235	885,298	-8.25%
Total	\$ 8,427,678	8,598,837	114,621	107,621	8,542,299	8,706,458	-1.89%

Long-Term Debt

At June 30, 2010, the District had \$2,889,180 in other long-term debt outstanding. This represents a decrease of 8.89% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Computer Lease payable from the General Fund of \$55,062 at June 30, 2010.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$2,834,118 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Total
	Activities		
	June 30,	June 30,	
	2010	2009	2009-10
Computer lease	\$ 55,062	107,619	-95.45%
Early retirement	2,834,118	2,127,010	24.95%
Total	\$ 2,889,180	2,234,629	-8.89%

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

Fairfield Community School District

BASIC FINANCIAL STATEMENTS

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit + Education Foundation of Fairfield Public Schools, Inc.
	Governmental Activities	Business Type Activities	Total	
Assets				
Cash and pooled investments	\$ 4,449,460	42,842	4,492,302	758,042
Receivables:				
Property tax:				
Delinquent	143,894	-	143,894	-
Succeeding year	8,604,432	-	8,604,432	-
Income surtax	509,646	-	509,646	-
Accounts	20,551	-	20,551	-
Accrued interest	2,318	-	2,318	-
Due from other governments	697,731	14,329	712,060	-
Inventories	-	62,471	62,471	-
Capital assets, net of accumulated depreciation	8,427,678	114,621	8,542,299	-
Net OPEB asset	235,418	11,435	246,853	-
Total Assets	23,091,128	245,698	23,336,826	758,042
Liabilities				
Accounts payable	295,847	12,884	308,731	-
Salaries and benefits payable	1,471,002	1,862	1,472,864	-
Accrued interest payable	2,625	-	2,625	-
Deferred revenue:				
Succeeding year property tax	8,604,432	-	8,604,432	-
Other	315,471	-	315,471	-
Unearned revenues	-	4,586	4,586	-
Long-term liabilities:				
Portion due within one year:				
Computer lease payable	55,062	-	55,062	-
Early retirement payable	838,513	-	838,513	-
Portion due after one year:				
Early retirement payable	1,995,605	-	1,995,605	-
Total Liabilities	13,578,557	19,332	13,597,889	-
Net Assets				
Invested in capital assets, net of related debt	8,372,616	114,621	8,487,237	-
Restricted for:				
Categorical funding	206,260	-	206,260	-
Capital projects	1,302,430	-	1,302,430	-
Physical plant and equipment levy	234,712	-	234,712	-
Other special revenue purposes	221,227	-	221,227	-
Unrestricted	(824,674)	111,745	(712,929)	758,042
Total Net Assets	\$ 9,512,571	226,366	9,738,937	758,042

+ The component unit year end is February 28, 2010.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	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	Primary Government		Total	
				Governmental Activities	Business Type Activities		
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 7,628,705	498,232	2,511,875	(4,618,598)	-	(4,618,598)	-
Special	2,782,437	130,695	271,980	(2,379,762)	-	(2,379,762)	-
Other	1,956,993	260,182	418,708	(1,278,103)	-	(1,278,103)	-
	<u>12,368,135</u>	<u>889,109</u>	<u>3,202,563</u>	<u>(8,276,463)</u>	<u>-</u>	<u>(8,276,463)</u>	<u>-</u>
Support services:							
Student	487,132	-	-	(487,132)	-	(487,132)	-
Instructional staff	862,165	-	-	(862,165)	-	(862,165)	-
Administration	2,353,504	-	-	(2,353,504)	-	(2,353,504)	-
Operation and maintenance of plant	1,739,190	-	-	(1,739,190)	-	(1,739,190)	-
Transportation	1,062,822	2,221	-	(1,060,601)	-	(1,060,601)	-
	<u>6,504,813</u>	<u>2,221</u>	<u>-</u>	<u>(6,502,592)</u>	<u>-</u>	<u>(6,502,592)</u>	<u>-</u>
Non-instructional programs:							
Food service operations	1,971	-	-	(1,971)	-	(1,971)	-
Other expenditures:							
Facilities acquisitions	19,120	-	-	(19,120)	-	(19,120)	-
Long-term debt interest	2,725	-	-	(2,725)	-	(2,725)	-
AEA flowthrough	732,377	-	732,377	-	-	-	-
Depreciation(unallocated)*	348,037	-	-	(348,037)	-	(348,037)	-
	<u>1,102,259</u>	<u>-</u>	<u>732,377</u>	<u>(369,882)</u>	<u>-</u>	<u>(369,882)</u>	<u>-</u>
Total governmental activities	<u>19,977,178</u>	<u>891,330</u>	<u>3,934,940</u>	<u>(15,150,908)</u>	<u>-</u>	<u>(15,150,908)</u>	<u>-</u>
Business Type activities:							
Support services							
Administration	4,685	-	-	-	(4,685)	(4,685)	-
Non-instructional programs:							
Nutrition services	735,831	365,263	396,925	-	26,357	26,357	-
	<u>740,516</u>	<u>365,263</u>	<u>396,925</u>	<u>-</u>	<u>21,672</u>	<u>21,672</u>	<u>-</u>
Total primary government	<u>\$ 20,717,694</u>	<u>1,256,593</u>	<u>4,331,865</u>	<u>(15,150,908)</u>	<u>21,672</u>	<u>(15,129,236)</u>	<u>-</u>
Total component unit	<u>\$ 36,841</u>	<u>-</u>	<u>31,042</u>				<u>(5,799)</u>
General Revenues:							
Property tax levied for:							
General purposes			\$ 7,186,526	-		7,186,526	-
Capital outlay			356,786	-		356,786	-
Income surtax			527,844	-		527,844	-
Statewide sales and services tax			1,239,245	-		1,239,245	-
Unrestricted state grants			5,672,745	-		5,672,745	-
Unrestricted investment earnings			27,937	170		28,107	21,904
Unrealized gain or loss on investments			-	-		-	205,476
Realized gain or loss on sale of assets			-	-		-	150
Other general revenues			161,387	6,098		167,485	-
Transfers			(2,399)	2,399		-	-
Total general revenues			<u>15,170,071</u>	<u>8,667</u>		<u>15,178,738</u>	<u>227,530</u>
Changes in net assets			19,163	30,339		49,502	221,731
Net assets beginning of year			9,493,408	196,027		9,689,435	536,311
Net assets end of year			<u>\$ 9,512,571</u>	<u>226,366</u>		<u>9,738,937</u>	<u>758,042</u>

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

+ The component unit year end is February 28, 2010.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Special	Other	Total
		Revenue Fund Management Levy	Nonmajor Governmental Funds	
Assets				
Cash and pooled investments	\$ 664,343	2,211,837	1,541,552	4,417,732
Receivables:				
Property tax:				
Delinquent	118,749	18,481	6,664	143,894
Succeeding year	7,559,137	663,252	382,043	8,604,432
Income surtax	509,646	-	-	509,646
Accounts	9,670	-	10,881	20,551
Accrued interest	200	1,018	1,100	2,318
Due from other governments	474,288	100	223,343	697,731
Total Assets	\$ 9,336,033	2,894,688	2,165,583	14,396,304
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 270,676	-	25,171	295,847
Salaries and benefits payable	1,471,002	-	-	1,471,002
Deferred revenue:				
Succeeding year property tax	7,559,137	663,252	382,043	8,604,432
Income surtax	509,646	-	-	509,646
Other	315,471	-	-	315,471
Total liabilities	10,125,932	663,252	407,214	11,196,398
Fund balances:				
Reserved for:				
Categorical funding	206,260	-	-	206,260
Unreserved fund balances	(996,159)	2,231,436	1,758,369	2,993,646
Total fund balances	(789,899)	2,231,436	1,758,369	3,199,906
Total Liabilities and Fund Balances	\$ 9,336,033	2,894,688	2,165,583	14,396,304

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, 2010

Total fund balances of governmental funds(page 20)		\$ 3,199,906
 <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.		8,427,678
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		31,728
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.		235,418
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		509,646
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.		(2,625)
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.		(2,889,180)
		(2,889,180)
Net assets of governmental activities(page 18)		\$ 9,512,571

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, 2010

	General	Special	Other	Total
		Revenue Fund Management Levy	Nonmajor Governmental Funds	
REVENUES:				
Local sources:				
Local tax	\$ 6,669,799	967,800	1,596,031	9,233,630
Tuition	589,988	-	-	589,988
Other	182,430	57,777	307,542	547,749
State sources	7,567,574	-	-	7,567,574
Federal sources	1,974,552	-	-	1,974,552
Total revenues	<u>16,984,343</u>	<u>1,025,577</u>	<u>1,903,573</u>	<u>19,913,493</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,635,597	475,210	-	7,110,807
Special	2,820,252	-	-	2,820,252
Other	1,691,823	16,913	263,054	1,971,790
	<u>11,147,672</u>	<u>492,123</u>	<u>263,054</u>	<u>11,902,849</u>
Support services:				
Student	487,746	4,332	-	492,078
Instructional staff	839,545	41,434	8,958	889,937
Administration	2,043,849	102,059	788	2,146,696
Operation and maintenance of plant	1,632,990	93,616	-	1,726,606
Transportation	877,403	36,541	159,832	1,073,776
	<u>5,881,533</u>	<u>277,982</u>	<u>169,578</u>	<u>6,329,093</u>
Non-instructional programs:				
Food service operations	-	14,820	-	14,820
Other expenditures:				
Facilities acquisitions	-	-	276,060	276,060
Long-term debt:				
Principal	-	-	52,557	52,557
Interest and fiscal charges	-	-	5,130	5,130
AEA flowthrough	732,377	-	-	732,377
	<u>732,377</u>	<u>-</u>	<u>333,747</u>	<u>1,066,124</u>
Total expenditures	<u>17,761,582</u>	<u>784,925</u>	<u>766,379</u>	<u>19,312,886</u>
Excess(deficiency) of revenues over(under) expenditures	(777,239)	240,652	1,137,194	600,607
Other financing sources(uses):				
Transfers in	-	-	57,687	57,687
Transfers out	(57,687)	-	-	(57,687)
Proceeds from sale of property	2,577	-	3,500	6,077
Total other financing sources(uses)	<u>(55,110)</u>	<u>-</u>	<u>61,187</u>	<u>6,077</u>
Net change in fund balances	(832,349)	240,652	1,198,381	606,684
Fund balances beginning of year	42,450	1,990,784	559,988	2,593,222
Fund balances end of year	\$ (789,899)	2,231,436	1,758,369	3,199,906

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, 2010

Net change in fund balances - total governmental funds (page 22) \$ 606,684

**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	\$ 420,153	
Depreciation expense	<u>(591,312)</u>	(171,159)

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. 52,557

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. 2,405

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 2,750

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 76,771

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	\$ (707,108)	
Other postemployment benefits	<u>156,263</u>	(550,845)

Changes in net assets of governmental activities (page 19) \$ 19,163

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010

	Business Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
Assets		
Cash and pooled investments	\$ 42,842	31,728
Due from other governments	14,329	-
Inventories	62,471	-
Capital assets, net of accumulated depreciation	114,621	-
Net OPEB asset	11,435	-
Total Assets	245,698	31,728
Liabilities		
Accounts payable	12,884	-
Salaries and benefits payable	1,862	-
Unearned revenues	4,586	-
Total Liabilities	19,332	-
Net Assets		
Invested in capital assets	114,621	-
Unrestricted	111,745	31,728
Total Net Assets	\$ 226,366	31,728

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, 2010

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 365,263	-
Miscellaneous	6,098	71,165
TOTAL OPERATING REVENUES	<u>371,361</u>	<u>71,165</u>
OPERATING EXPENSES:		
Support services:		
Administration		
Benefits	-	68,395
Services	4,541	20
Supplies	144	-
	<u>4,685</u>	<u>68,415</u>
Non-instructional programs:		
Food service programs:		
Salaries	270,682	-
Benefits	91,063	-
Services	3,778	-
Supplies	351,493	-
Depreciation	18,815	-
	<u>735,831</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>740,516</u>	<u>68,415</u>
OPERATING INCOME (LOSS)	<u>(369,155)</u>	<u>2,750</u>
NON-OPERATING REVENUES:		
State sources	7,148	-
Federal sources	389,777	-
Contributed capital	2,399	-
Interest income	170	-
TOTAL NON-OPERATING REVENUES	<u>399,494</u>	<u>-</u>
Change in net assets	30,339	2,750
Net assets beginning of year	<u>196,027</u>	<u>28,978</u>
Net assets end of year	<u>\$ 226,366</u>	<u>31,728</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	Business Type	
	Enterprise Fund	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 364,016	-
Cash received from miscellaneous operating activities	6,098	71,165
Cash payments to employees for services	(369,474)	(68,395)
Cash payments to suppliers for goods or services	(304,240)	(20)
Net cash provided by(used in) operating activities	<u>(303,600)</u>	<u>2,750</u>
Cash flows from non-capital financing activities:		
State grants received	7,148	-
Federal grants received	307,128	-
Net cash provided by non-capital financing activities	<u>314,276</u>	<u>-</u>
Cash flows from capital financing activities:		
Acquisition of capital assets	(23,416)	-
Cash flows from investing activities:		
Interest on investment	170	-
Net increase(decrease) in cash and cash equivalents	(12,570)	2,750
Cash and cash equivalents at beginning of year	55,412	28,978
Cash and cash equivalents at end of year	<u>\$ 42,842</u>	<u>31,728</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (369,155)	2,750
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	68,320	-
Depreciation	18,815	-
Increase in inventories	(13,816)	-
Decrease in accounts receivable	117	-
Increase in other postemployment benefits asset	(7,590)	-
Increase in accounts payable	1,212	-
Decrease in salaries and benefits payable	(139)	-
Decrease in unearned revenue	(1,364)	-
Net cash provided by(used in) operating activities	<u>\$ (303,600)</u>	<u>2,750</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received \$68,320 of federal commodities.

During the year ended June 30, 2010, the District received \$2,399 in capital contributions from the PPEL Fund.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 5,283
Total Assets	<u>5,283</u>
Liabilities	
Due to other groups	<u>5,283</u>
Net Assets	
Unrestricted	-
Net Assets	<u>\$ -</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 STATEMENT CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions	\$ -
Deductions	
Scholarships	1,984
Change in net assets	(1,984)
Net assets beginning of year	1,984
Net assets end of year	\$ -

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles, 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
Intangibles	100,000
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:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more
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.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, the District exceeded its General Fund unspent authorized budget by \$503,714.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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; 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$297,089 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There is no material difference from fair value.

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, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	<u>\$ 57,687</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Business Type activities:				
Machinery and equipment	\$ 317,894	25,815	16,328	327,381
Less accumulated depreciation	210,273	18,815	16,328	212,760
Business Type activities capital assets, net	<u>\$ 107,621</u>	<u>7,000</u>	<u>-</u>	<u>114,621</u>

	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	184,589	21,542	180,896	25,235
Total capital assets not being depreciated	333,991	21,542	180,896	174,637
Capital assets being depreciated:				
Buildings	13,023,383	384,654	-	13,408,037
Land improvements	971,716	31,641	-	1,003,357
Machinery and equipment	3,321,345	163,212	150,084	3,334,473
Total capital assets being depreciated	17,316,444	579,507	150,084	17,745,867
Less accumulated depreciation for:				
Buildings	6,207,644	301,585	-	6,509,229
Land improvements	300,286	46,452	-	346,738
Machinery and equipment	2,543,668	243,275	150,084	2,636,859
Total accumulated depreciation	9,051,598	591,312	150,084	9,492,826
Total capital assets being depreciated, net	8,264,846	(11,805)	-	8,253,041
Governmental activities capital assets, net	\$ 8,598,837	9,737	180,896	8,427,678

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 38,250
Support services:		
Instructional staff		13,700
Operation and maintenance		30,599
Transportation		161,726
		<u>244,275</u>
Unallocated depreciation		<u>348,037</u>
Total governmental activities depreciation expense		<u>\$ 592,312</u>
Business Type activities:		
Food services		<u>\$ 18,815</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Computer lease	\$ 107,619	-	52,557	55,062	55,062
Early retirement	2,127,010	1,271,001	563,893	2,834,118	838,513
Total	\$ 2,234,629	1,271,001	616,450	2,889,180	893,575

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, 2010 computer lease indebtedness are as follows:

Year Ending June 30,	Computer lease of July 7, 2008			
	Interest Rate	Principal	Interest	Total
2011	4.80	% \$ 55,062	2,625	57,687

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, 2010, totaled \$563,893.

(6) 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, 2010, 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	(3,735)
Adjustment to annual required contribution	4,882
Annual OPEB cost	<u>504,147</u>
Contributions made	<u>668,000</u>
Increase in net OPEB obligation	(163,853)
Net OPEB obligation beginning of year	(83,000)
Net OPEB obligation end of year	<u><u>\$ (246,853)</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, 2010.

For the year ended June 30, 2010, the District contributed \$668,000 to the medical and explicit plans. Plan members eligible for benefits contributed \$221,000, or 24.9% 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, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 504,147	132.50%	\$ (246,853)

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, 2010, 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 \$10,390,478, and the ratio of the UAAL to covered payroll was 44.7%. As of June 30, 2010, 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.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$763,177, \$717,222 and \$638,236 respectively, equal to the required contributions for each year.

(8) 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$732,377 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Undesignated Fund Balance

The District had a deficit undesignated fund balance in the General Fund of \$996,159 and a deficit fund balance in the General Fund of \$789,899. The District also had a deficit unrestricted net assets in the Governmental Activities of \$824,674.

(11) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Limited english proficient weighting	\$ 20,595
Gifted and talented	23,930
Educator quality, professional development	1,622
Educator quality, salary improvement program	77,118
Educator quality, model core curriculum	45,731
Educator quality, market factor incentives	8,363
Additional home school assistance program	13,524
Nonpublic textbook services	1,338
Educator quality, market factor	14,039
Total reserved for categorical funding	\$ 206,260

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amount		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 10,371,367	371,531	10,742,898	11,003,478	11,003,478	(260,580)
State sources	7,567,574	7,148	7,574,722	9,608,857	9,608,857	(2,034,135)
Federal sources	1,974,552	389,777	2,364,329	1,060,500	1,060,500	1,303,829
Total revenues	19,913,493	768,456	20,681,949	21,672,835	21,672,835	(990,886)
Expenditures/expenses:						
Instruction	11,902,849	-	11,902,849	13,214,196	13,214,196	1,311,347
Support services	6,329,093	4,685	6,333,778	8,709,437	8,709,437	2,375,659
Non-instructional programs	14,820	735,831	750,651	896,934	896,934	146,283
Other expenditures	1,066,124	-	1,066,124	1,350,294	1,350,294	284,170
Total expenditures/expenses	19,312,886	740,516	20,053,402	24,170,861	24,170,861	4,117,459
Excess(deficiency) of revenues over(under) expenditures/expenses	600,607	27,940	628,547	(2,498,026)	(2,498,026)	3,126,573
Other financing sources, net	6,077	2,399	8,476	62,100	62,100	(53,624)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	606,684	30,339	637,023	(2,435,926)	(2,435,926)	3,072,949
Balance beginning of year	2,593,222	196,027	2,789,249	3,180,266	3,180,266	(391,017)
Balance end of year	\$ 3,199,906	226,366	3,426,272	744,340	744,340	2,681,932

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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.

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 4,642,000	\$ 4,642,000	0.0%	\$ 9,686,702	47.9%
2010	July 1, 2008	-	4,642,000	4,642,000	0.0%	10,390,478	44.7%

See Note 6 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.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
 COMPONENT UNIT
 FEBRUARY 28, 2010

	Education Foundation of Fairfield Public Schools, Inc.
ASSETS	
Cash, savings, and investments	\$ 758,042
TOTAL ASSETS	758,042
LIABILITIES	-
NET ASSETS	\$ 758,042

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
COMPONENT UNIT
YEAR ENDED FEBRUARY 28, 2010

		Education Foundation of Fairfield Public Schools, Inc.
Revenue:		
Contributions, gifts, grants and similar amounts	\$	31,042
Interest		21,904
Unrealized gain or loss on investments		205,476
Realized gain or loss on sale of assets		150
Total revenue		258,572
Expenses:		
Grants and similar amounts paid:		
Grants		22,728
Scholarships		13,500
Other:		
Advertising and promotion		85
Professional fees		352
Office expenses		176
Total expenses		36,841
Deficiency of revenue under expenses		221,731
Net assets beginning of year		536,311
Net assets end of year	\$	758,042

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds			Total
	Physical		Capital	Other
	Student	Equipment		Nonmajor
	Activity	Levy	Projects	Governmental Funds
Assets				
Cash and pooled investments	\$ 225,953	227,978	1,087,621	1,541,552
Receivables:				
Property tax:				
Delinquent	-	6,664	-	6,664
Succeeding year	-	382,043	-	382,043
Accounts	10,881	-	-	10,881
Accrued interest	-	70	1,030	1,100
Due from other governments	-	-	223,343	223,343
Total Assets	\$ 236,834	616,755	1,311,994	2,165,583
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 15,607	-	9,564	25,171
Deferred revenue:				
Succeeding year property tax	-	382,043	-	382,043
Total liabilities	15,607	382,043	9,564	407,214
Unreserved fund balances	221,227	234,712	1,302,430	1,758,369
Total Liabilities and Fund Balances	\$ 236,834	616,755	1,311,994	2,165,583

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, 2010

	Special Revenue Funds				Total
	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ -	356,786	1,239,245	-	1,596,031
Other	301,887	448	5,207	-	307,542
Federal sources	-	-	-	-	-
TOTAL REVENUES	301,887	357,234	1,244,452	-	1,903,573
EXPENDITURES:					
Current:					
Instruction:					
Other	263,054	-	-	-	263,054
Support services:					
Instructional staff	-	8,958	-	-	8,958
Administration	-	788	-	-	788
Transportation	-	159,832	-	-	159,832
	-	169,578	-	-	169,578
Other expenditures:					
Facilities acquisitions	-	-	276,060	-	276,060
Long-term debt:					
Principal	-	-	-	52,557	52,557
Interest and fiscal charges	-	-	-	5,130	5,130
	-	-	276,060	57,687	333,747
TOTAL EXPENDITURES	263,054	169,578	276,060	57,687	766,379
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	38,833	187,656	968,392	(57,687)	1,137,194
Other financing sources:					
Transfers in	-	-	-	57,687	57,687
Proceeds from sale of property	-	3,500	-	-	3,500
Total other financing sources	-	3,500	-	57,687	61,187
Net change in fund balance	38,833	191,156	968,392	-	1,198,381
Fund balance beginning of year	182,394	43,556	334,038	-	559,988
Fund balance end of year	\$ 221,227	234,712	1,302,430	-	1,758,369

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
HS Drama	\$ 4,673	6,271	3,477	-	7,467
MS Drama	2,876	763	477	288	3,450
HS Vocal Music	11,762	19,663	13,308	-	18,117
MS Vocal Music	4,092	1,056	352	-	4,796
HS Band 1000	5,139	11,986	7,747	-	9,378
MS Band	382	7,014	5,449	576	2,523
HS Musical	6,598	7,626	4,745	-	9,479
HS Athletics	40,316	114,963	98,624	-	56,655
MS Athletics	1,792	4,618	4,040	576	2,946
Boys Basketball Fundraising	-	-	127	-	(127)
Baseball	-	8,713	4,214	-	4,499
Libertyville	25	-	-	-	25
Lincoln	25	-	-	-	25
Pence	756	-	756	-	-
MS Library	-	1,998	1,998	-	-
MS Student Council	2,788	5,233	3,820	-	4,201
MS Activity Ticket	1,440	-	-	(1,440)	-
MS Cheerleader Org.	2,188	-	-	-	2,188
MS Yearbook	3,801	2,944	3,728	-	3,017
MS Interest	58	-	-	-	58
HS FBLA Club	3,897	10,354	8,526	-	5,725
HS FCA Club	5,912	302	450	-	5,764
HS Ice Cream	1,430	4,011	2,483	-	2,958
HS Concessions	-	16,042	15,541	-	501
HS Cheerleaders	500	674	249	-	925
HS Los Gringos	2,021	1,764	1,758	-	2,027
HS FFA	743	33,579	32,919	-	1,403
HS Dance-Drill	232	5,622	4,604	-	1,250
HS Quill	10,757	9,338	9,610	-	10,485
HS Student Council	19,994	7,195	11,242	-	15,947
HS Resource	4,025	398	140	-	4,283
HS Torch Club	2,471	600	674	-	2,397
HS Troy Banner Org.	1,881	400	879	-	1,402
HS SADD Club	2,738	-	107	-	2,631
HS Young Farmers Org.	207	-	-	-	207
HS Vica Club	367	-	-	-	367
HS Student Assembly	5,560	-	-	-	5,560
HS Class 2013 Org.	-	5,266	2,323	-	2,943
HS Class 2012 Org.	2,543	-	37	-	2,506
HS Class 2011 Org.	2,542	550	2,279	-	813
HS Class 2010 Org.	3,913	53	516	-	3,450
Wall of Honor	3,057	1,644	1,900	-	2,801
HS Wrestling Cheerleading	1,801	1,302	1,454	-	1,649
HS French Club	4,310	896	888	-	4,318
HS Stud. Welfare	843	1,833	2,676	-	-
HS Speech/Forensics	5,423	4,655	4,298	-	5,780
HS Thespians	66	-	-	-	66
HS Act. Ticket	-	69	29	-	40
HS Renaissance	6,450	2,492	4,610	-	4,332
Total	\$ 182,394	301,887	263,054	-	221,227

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>ADMINISTRATOR</u>				
ASSETS				
Cash and pooled investments	\$ 221	130	-	351
LIABILITIES				
Due to other groups	\$ 221	130	-	351
<u>ALUMNI</u>				
ASSETS				
Cash and pooled investments	\$ 776	-	-	776
LIABILITIES				
Due to other groups	\$ 776	-	-	776
<u>HIGH SCHOOL FACULTY</u>				
ASSETS				
Cash and pooled investments	\$ 318	250	44	524
LIABILITIES				
Due to other groups	\$ 318	250	44	524
<u>ATHLETIC TOURNAMENT</u>				
ASSETS				
Cash and pooled investments	\$ 805	-	360	445
LIABILITIES				
Due to other groups	\$ 805	-	360	445
<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	\$ 5,307	380	404	5,283
NET ASSETS	\$ 5,307	380	404	5,283
LIABILITIES				
Due to other groups	\$ 5,307	380	404	5,283

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,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 9,233,630	9,255,243	8,235,389	7,954,199
Tuition	589,988	581,512	519,525	450,666
Other	547,749	744,965	848,043	865,867
Intermediate sources	-	-	-	-
State sources	7,567,574	8,928,366	9,503,815	9,335,591
Federal sources	1,974,552	754,170	673,395	994,655
Total	\$ 19,913,493	20,264,256	19,780,167	19,600,978
Expenditures:				
Instruction:				
Regular	\$ 7,110,807	7,466,988	7,363,475	6,774,222
Special	2,820,252	2,573,731	2,336,230	2,341,124
Other	1,971,790	1,981,364	1,833,020	1,773,791
Support services:				
Student	492,078	496,017	521,181	496,424
Instructional staff	889,937	987,907	828,221	921,414
Administration	2,146,696	2,364,855	1,967,257	1,866,971
Operation and maintenance of plant	1,726,606	1,764,086	1,837,942	1,638,688
Transportation	1,073,776	1,089,731	1,083,803	985,203
Other	-	-	-	-
Non-instructional programs	14,820	15,262	6,747	4,427
Other expenditures:				
Facilities acquisitions	276,060	788,427	777,547	2,492,954
Long-term debt:				
Principal	52,557	57,687	6,363	6,099
Interest and other charges	5,130	-	148	411
AEA flow-through	732,377	682,351	673,060	640,646
Total	\$ 19,312,886	20,268,406	19,234,994	19,942,374

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

2006	2005	2004	2003	2002	2001
7,248,837	6,376,510	6,252,144	6,074,356	6,032,665	5,397,882
378,510	325,494	365,228	373,888	426,370	598,698
635,419	665,816	539,195	640,917	431,176	714,392
-	-	-	-	-	500
8,974,692	8,537,210	7,883,952	7,777,229	7,309,172	8,155,668
827,013	751,011	738,468	453,708	661,979	280,643
18,064,471	16,656,041	15,778,987	15,320,098	14,861,362	15,147,783
6,519,414	6,078,027	6,212,554	6,278,271	6,376,567	6,094,535
2,234,394	2,073,310	2,216,619	2,135,047	2,034,610	1,868,058
1,480,291	1,633,795	942,069	1,065,196	937,191	1,045,719
517,807	314,393	493,244	497,905	494,489	410,295
990,180	889,753	654,740	591,107	567,562	759,191
1,796,049	1,767,470	1,562,814	1,529,050	1,387,234	1,394,418
1,664,539	1,578,778	1,483,756	1,437,818	1,494,397	1,023,767
908,404	901,805	770,661	721,612	771,352	927,035
-	-	3,279	2,832	3,015	63,981
7,161	111,196	98,757	84,677	81,974	9,696
493,932	35,741	54,606	898	145,450	643,356
68,747	79,331	76,273	36,802	22,872	562,631
1,769	4,233	7,291	3,513	4,602	687,609
614,109	590,231	579,419	613,713	584,597	621,353
17,296,796	16,058,063	15,156,082	14,998,441	14,905,912	16,111,644

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

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 10	44,606
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	342,712 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 10	2,459
			389,777
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2169-G	235,999
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2169-GC	47,215
TITLE I - SCHOOLS IN NEED OF IMPROVEMENT (SINA)	84.010	FY 10	15,021
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	39,744
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	2,207
			340,186
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	27,231
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	8,583
ARRA - FISCAL STABILIZATION FUND (SFSF) STATE GRANTS, RECOVERY ACT	84.394	FY 09	155,170
ARRA - FISCAL STABILIZATION FUND (SFSF) STATE GRANTS, RECOVERY ACT	84.394	FY 10	813,187
			968,357
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 10	112,156
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 10	12,174
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	102,999
SPECIAL EDUCATION - GRANTS TO STATES (PART B, RECOVERY ACT)	84.391	FY 09	56,327
SPECIAL EDUCATION - GRANTS TO STATES (PART B, RECOVERY ACT)	84.391	FY 10	112,654
			271,980
ADVANCED PLACEMENT PROGRAM	84.330	FY 10	448
TOTAL			\$ 2,130,892

* -Includes \$68,320 in non-cash awards.

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2011. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

Compliance and Other Matters

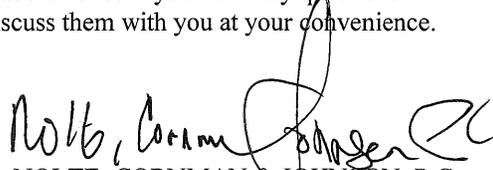
As part of obtaining reasonable assurance about whether Fairfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have 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, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 4, 2011

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 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, 2010. 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, 2010.

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 deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

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 4, 2011

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No matters over internal control over financial reporting were disclosed by the audit of the financial statements.
- (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:

CFDA Number 84.394 - ARRA -State Fiscal Stabilization Fund (SFSF) -Education State Grants, Recovery Act

Title I Cluster:

CFDA Number 84.010 - Title I Grants to Local Educational Agencies

CFDA Number 84.389 - ARRA - Title I Grants to Local Education Agencies

Special Education Cluster:

CFDA Number 84.027 - Special Education - Grants to States (Part B)

CFDA Number 84.173 - Special Education - Preschool Grant

CFDA Number 84.391 - Special Education - Grants to States

- (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.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted. However, the District exceeded its General Fund unspent authorized budget.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Response - The District will go before the SBRC to resolve this issue.

Conclusion - Response accepted.

IV-B-10 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-10 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-10 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	\$ 1,255

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-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 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-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 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, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	334,038
Revenues:			
Statewide sales and services tax	\$	1,239,245	
Interest on investments		5,207	1,244,452
			<hr/>
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	251,965	
Equipment		12,958	
Other improvements		11,137	276,060
			<hr/>
Ending balance		\$	<u>1,302,430</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010 the District reduced the following levies:

	<u>Per \$1000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical Plant and Equipment Levy	\$ 1.34000	\$ 713,473

IV-M-10 Financial Condition - The District had a deficit undesignated fund balance in the General Fund of \$996,159 and a deficit fund balance in the General Fund of \$789,899. The District also had a deficit unrestricted net assets in the Governmental Activities of \$824,674.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - The District is monitoring these funds and working on ways to improve its financial position.

Conclusion - Response accepted.

IV-N-10 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - The District will research these checks to determine if these need voided, reissued or turned over to the State Treasurer.

Conclusion - Response accepted.