

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

JUNE 30, 2011

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Fairfield Community School District in Fairfield, Iowa.

The District's revenues totaled \$22,138,463 for the year ended June 30, 2011, a 6.60% increase from the prior year. Revenues included \$8,596,627 in property tax, \$326,011 in income surtax, \$1,342,496 in statewide sales, services and use tax, charges for service of \$1,232,054, operating grants, contributions and restricted interest of \$2,254,621, capital grants, contributions and restricted interest of \$26,130, unrestricted state grants of \$7,492,138, nonspecific program federal grants of \$534,480, and unrestricted interest and other general revenues of \$333,906.

Expenses for District operations totaled \$19,051,635, an 8.04% decrease from the prior year. Expenses included \$6,509,811 in regular instruction, \$2,749,978 in special instruction and \$1,828,664 in other instruction.

A copy of the audit report is available for review in the District Secretary's office, the Office of the Auditor of State, and on the Auditor of State's web site at

<http://auditor.iowa.gov/reports/reports.htm>.

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Fairfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
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
<b>School Officials</b>		
Donald E. Achelpohl	Superintendent	2011
Kimberly Sheets	District Secretary/Treasurer and Business Manager	2011
Craig Foss	Attorney	2011
Ron Peeler	Attorney	2011

**Fairfield Community School District**

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**Certified Public Accountants**

**(a professional corporation)**

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**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, 2011, 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, 2011, 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 February 23, 2012 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.

**Members American Institute & Iowa Society of Certified Public Accountants**

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 16 and 44 through 48 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 the nine years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 8, 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.

February 23, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$16,986,920 in fiscal 2010 to \$18,681,635 in fiscal 2011, while General Fund expenditures decreased from \$17,819,269 in fiscal 2010 to \$17,754,745 in fiscal 2011. This resulted in an increase in the District's General Fund balance from a deficit \$789,899 in fiscal 2010 to a positive fund balance of \$136,991 in fiscal 2011, a 117.34% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state revenue in fiscal 2011. The decrease in expenditures was due primarily to a decrease in negotiated salaries and benefits.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased from a deficit of 5.87% at June 30, 2010 to a deficit of .88% at June 30, 2011.

### **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.

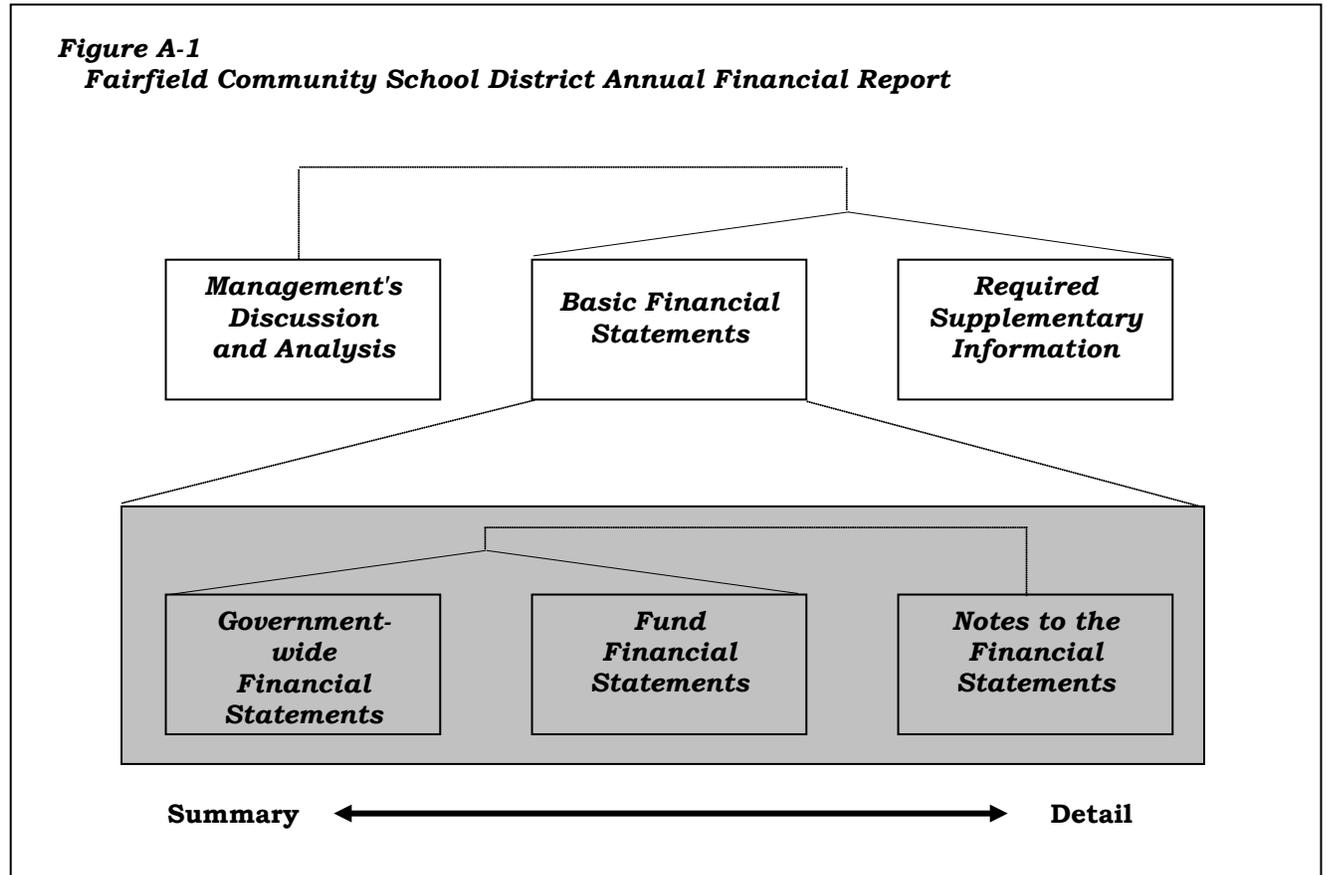


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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.

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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.

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, 2011 compared to June 30, 2010.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 20,576,722	14,663,450	103,792	131,077	20,680,514	14,794,527	39.78%
Capital assets	8,878,776	8,427,678	103,076	114,621	8,981,852	8,542,299	5.15%
Total assets	29,455,498	23,091,128	206,868	245,698	29,662,366	23,336,826	27.11%
Long-term obligations	5,534,906	2,889,180	-	-	5,534,906	2,889,180	91.57%
Other liabilities	11,292,445	10,689,377	9,250	19,332	11,301,695	10,708,709	5.54%
Total liabilities	16,827,351	13,578,557	9,250	19,332	16,836,601	13,597,889	23.82%
Net assets:							
Invested in capital assets, net of related debt	8,438,397	8,372,616	103,076	114,621	8,541,473	8,487,237	0.64%
Restricted	3,636,478	2,435,466	-	-	3,636,478	2,435,466	49.31%
Unrestricted	553,272	(1,295,511)	94,542	111,745	647,814	(1,183,766)	154.72%
Total net assets	\$ 12,628,147	9,512,571	197,618	226,366	12,825,765	9,738,937	31.70%

The District’s combined net assets increased by 31.70%, or \$3,086,828, from the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the 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 \$1,201,012 or 49.31% over the prior year. The majority part of the increase was due to an increase in carryover categorical funding in the General Fund as compared to the previous year as well as an increase in fund balance of the Statewide Sales, Services, and Use Tax Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,831,580 or 154.72%. The majority of the increase in unrestricted net assets was due to the increase in the fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 891,262	891,330	340,792	365,263	1,232,054	1,256,593	-1.95%
Operating grants and contributions and restricted interest	1,870,694	3,934,940	383,927	396,925	2,254,621	4,331,865	-47.95%
Capital grants and contributions and restricted interest	26,130	-	-	-	26,130	-	100.00%
General revenues:							
Property tax	8,596,627	7,543,312	-	-	8,596,627	7,543,312	13.96%
Income surtax	326,011	527,844	-	-	326,011	527,844	-38.24%
Statewide sales, services and use tax	1,342,496	1,239,245	-	-	1,342,496	1,239,245	8.33%
Unrestricted state grants	7,492,138	5,672,745	-	-	7,492,138	5,672,745	32.07%
Nonspecific program federal grants	534,480	-	-	-	534,480	-	100.00%
Other	333,764	189,324	142	6,268	333,906	195,592	70.72%
Transfers	(7,572)	(2,399)	7,572	2,399	-	-	0.00%
Total revenues	21,406,030	19,996,341	732,433	770,855	22,138,463	20,767,196	6.60%
Program expenses:							
Governmental activities:							
Instruction	11,088,453	12,368,135	-	-	11,088,453	12,368,135	-10.35%
Support services	6,088,234	6,504,813	-	4,685	6,088,234	6,509,498	-6.47%
Non-instructional programs	-	1,971	761,181	735,831	761,181	737,802	3.17%
Other expenses	1,113,767	1,102,259	-	-	1,113,767	1,102,259	1.04%
Total expenses	18,290,454	19,977,178	761,181	740,516	19,051,635	20,717,694	-8.04%
Changes in net assets	3,115,576	19,163	(28,748)	30,339	3,086,828	49,502	6135.76%
Beginning net assets	9,512,571	9,493,408	226,366	196,027	9,738,937	9,689,435	0.51%
Ending net assets	\$ 12,628,147	9,512,571	197,618	226,366	12,825,765	9,738,937	31.70%

In fiscal 2011, property tax, statewide sales, services and use tax, operating grants, contributions, and restricted interest, and unrestricted state grants account for 90.17% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for 98.95% of the revenue from business type activities.

The District's total revenues were approximately \$22.14 million of which approximately \$21.41 million was for governmental activities and approximately \$0.73 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 6.60% increase in revenues and an 8.04% decrease in expenses.

## Governmental Activities

Revenues net of transfers for governmental activities were \$21,406,030 and expenses were \$18,290,454.

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		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 11,088,453	12,368,135	-10.35%	9,068,116	8,276,463	9.57%
Support services	6,088,234	6,504,813	-6.40%	6,055,484	6,502,592	-6.88%
Non-instructional	-	1,971	-100.00%	-	1,971	-100.00%
Other expenses	1,113,767	1,102,259	1.04%	378,768	369,882	2.40%
Totals	\$ 18,290,454	19,977,178	-8.44%	15,502,368	15,150,908	2.32%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$891,262.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,870,694.
- Federal and state governments subsidized certain programs with capital grants and contributions totaling \$26,130.
- The net cost of governmental activities was financed with \$8,596,627 in property tax, \$326,011 in income surtax, \$1,342,496 in statewide sales and services tax, \$7,492,138 in unrestricted state grants, \$534,480 in nonspecific program federal grants, \$14,675 in interest income and \$311,517 in other general revenues net of transfers.

## Business Type Activities

Revenues net of transfers for the District's business type activities were \$732,433 and expenses were \$761,181. 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 \$8,566,272, above last year's ending fund balances of \$3,199,906. The primary reason for the increase in combined fund balances in fiscal 2011 is due to the increase in the Capital Projects Fund due to the issuance of revenue bonds.

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## **Governmental Fund Highlights**

- The District's improving General Fund financial position is the product of many factors. Increases in local tax and state source revenues during the year resulted in an increase in revenues. The increase in General Fund revenues combined with a decrease in General Fund expenditures ensured the increase in financial position of the District from a deficit \$789,899 to a positive \$136,991 at June 30, 2011.
- The Management Levy fund balance decreased during the year from \$2,231,436 to \$1,899,421. This was the result of a decrease in local tax revenues and an increase in instructional expenditures during the year.
- The Capital Projects Fund balance increased from \$1,537,142 in fiscal 2010 to \$6,280,383 in fiscal 2011. The majority part of the increase is due to the issuance of revenue bonds of \$4,330,000 during fiscal 2011.

## **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$226,366 at June 30, 2010 to \$197,618 at June 30, 2011, representing a decrease of 12.70%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$667,814 less than budgeted revenues, a variance of 2.92%. The most significant variance resulted from the District receiving less in state sources.

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.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, the District had invested \$8,981,852, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 5.15% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$617,289.

The original cost of the District's capital assets was \$19.13 million. Governmental funds account for \$18.80 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 \$25,235 at June 30, 2010, compared to \$421,718 reported at June 30, 2011. This increase resulted primarily from room repair of the high school and other several building improvement projects started but not completed at June 30, 2011.

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,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 149,402	149,402	-	-	149,402	149,402	0.00%
Construction in progress	421,718	25,235	-	-	421,718	25,235	1571.16%
Buildings	6,968,119	6,898,808	-	-	6,968,119	6,898,808	1.00%
Land improvements	684,895	656,619	-	-	684,895	656,619	4.31%
Machinery and equipment	654,642	697,614	103,076	114,621	757,718	812,235	-6.71%
Total	\$ 8,878,776	8,427,678	103,076	114,621	8,981,852	8,542,299	5.15%

### Long-Term Debt

At June 30, 2011, the District had \$5,534,906 in other long-term debt outstanding. This represents an increase of 91.57% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding revenue bond payable of \$4,330,000 at June 30, 2011.

The District had total outstanding early retirement payable from the General and Special Revenue - Management Funds of \$1,204,906 at June 30, 2011.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		
	Activities		Total
	June 30,		June 30,
	2011	2010	2010-11
Revenue bond	\$ 4,330,000	-	100.00%
Apple lease	-	55,062	-100.00%
Early retirement	1,204,906	2,834,118	-57.49%
Total	\$ 5,534,906	2,889,180	91.57%

### 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.

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## **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 20<sup>th</sup> Street, Fairfield, Iowa, 52556-2996.

BASIC FINANCIAL STATEMENTS

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Primary Government			Component Unit + Education Foundation of Fairfield Public Schools, Inc.
	Governmental Activities	Business Type Activities	Total	
<b>Assets</b>				
Cash and pooled investments	\$ 10,393,726	37,436	10,431,162	889,110
Receivables:				
Property tax:				
Delinquent	150,744	-	150,744	-
Succeeding year	8,958,654	-	8,958,654	-
Income surtax	451,186	-	451,186	-
Accounts	2,849	-	2,849	-
Due from other governments	376,334	-	376,334	-
Inventories	-	54,585	54,585	-
Capital assets, net of accumulated depreciation	8,878,776	103,076	8,981,852	-
Net OPEB asset	243,229	11,771	255,000	-
<b>Total assets</b>	29,455,498	206,868	29,662,366	889,110
<b>Liabilities</b>				
Accounts payable	525,432	482	525,914	-
Salaries and benefits payable	1,605,408	256	1,605,664	-
Interest payable	8,424	-	8,424	-
Deferred revenue:				
Succeeding year property tax	8,958,654	-	8,958,654	-
Other	194,527	-	194,527	-
Unearned revenues	-	8,512	8,512	-
Long-term liabilities:				
Portion due within one year:				
Early retirement payable	625,752	-	625,752	-
Portion due after one year:				
Revenue bonds	4,330,000	-	4,330,000	-
Early retirement payable	579,154	-	579,154	-
<b>Total liabilities</b>	16,827,351	9,250	16,836,601	-
<b>Net Assets</b>				
Invested in capital assets, net of related debt	8,438,367	103,076	8,541,443	-
Restricted for:				
Categorical funding	301,724	-	301,724	-
Student activities	248,213	-	248,213	-
Debt service	1,264	-	1,264	-
Management levy purposes	694,515	-	694,515	-
School infrastructure	2,204,394	-	2,204,394	-
Physical plant and equipment levy	186,398	-	186,398	-
Unrestricted	553,272	94,542	647,814	889,110
<b>Total net assets</b>	\$ 12,628,147	197,618	12,825,765	889,110

+ The component unit year end is February 28, 2011.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit + Education Foundation of Fairfield Public Schools, Inc.
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Total	
					Governmental Activities	Business Type Activities		
<b>Functions/Programs:</b>								
Governmental activities:								
Instruction:								
Regular	\$ 6,509,811	508,589	337,749	-	(5,663,473)	-	(5,663,473)	-
Special	2,749,978	74,448	373,637	-	(2,301,893)	-	(2,301,893)	-
Other	1,828,664	304,966	420,948	-	(1,102,750)	-	(1,102,750)	-
	<u>11,088,453</u>	<u>888,003</u>	<u>1,132,334</u>	<u>-</u>	<u>(9,068,116)</u>	<u>-</u>	<u>(9,068,116)</u>	<u>-</u>
Support services:								
Student	574,989	-	342	-	(574,647)	-	(574,647)	-
Instructional staff	1,063,338	-	-	-	(1,063,338)	-	(1,063,338)	-
Administration	1,712,651	-	3,019	-	(1,709,632)	-	(1,709,632)	-
Operation and maintenance of plant	1,659,133	-	-	26,130	(1,633,003)	-	(1,633,003)	-
Transportation	1,078,123	3,259	-	-	(1,074,864)	-	(1,074,864)	-
	<u>6,088,234</u>	<u>3,259</u>	<u>3,361</u>	<u>26,130</u>	<u>(6,055,484)</u>	<u>-</u>	<u>(6,055,484)</u>	<u>-</u>
Other expenditures:								
Long-term debt interest	8,424	-	-	-	(8,424)	-	(8,424)	-
AEA flowthrough	734,999	-	734,999	-	-	-	-	-
Depreciation(unallocated)*	370,344	-	-	-	(370,344)	-	(370,344)	-
	<u>1,113,767</u>	<u>-</u>	<u>734,999</u>	<u>-</u>	<u>(378,768)</u>	<u>-</u>	<u>(378,768)</u>	<u>-</u>
Total governmental activities	<u>18,290,454</u>	<u>891,262</u>	<u>1,870,694</u>	<u>26,130</u>	<u>(15,502,368)</u>	<u>-</u>	<u>(15,502,368)</u>	<u>-</u>
Business Type activities:								
Non-instructional programs:								
Nutrition services	761,181	340,792	383,927	-	-	(36,462)	(36,462)	-
Total primary government	<u>\$ 19,051,635</u>	<u>1,232,054</u>	<u>2,254,621</u>	<u>26,130</u>	<u>(15,502,368)</u>	<u>(36,462)</u>	<u>(15,538,830)</u>	<u>-</u>
Total component unit	<u>\$ 42,116</u>	<u>-</u>	<u>47,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,780</u>
<b>General Revenues and Transfers:</b>								
Property tax levied for:								
General purposes					\$ 8,219,837	-	8,219,837	-
Capital outlay					376,790	-	376,790	-
Income surtax					326,011	-	326,011	-
Statewide sales, services and use tax					1,342,496	-	1,342,496	-
Unrestricted state grants					7,492,138	-	7,492,138	-
Nonspecific program federal grants					534,480	-	534,480	-
Unrestricted investment earnings					14,675	142	14,817	18,002
Unrealized gain on investments					-	-	-	107,286
Other general revenues					319,089	-	319,089	-
Transfers					(7,572)	7,572	-	-
Total general revenues and transfers					<u>18,617,944</u>	<u>7,714</u>	<u>18,625,658</u>	<u>125,288</u>
Changes in net assets					3,115,576	(28,748)	3,086,828	131,068
Net assets beginning of year					<u>9,512,571</u>	<u>226,366</u>	<u>9,738,937</u>	<u>758,042</u>
Net assets end of year					<u>\$ 12,628,147</u>	<u>197,618</u>	<u>12,825,765</u>	<u>889,110</u>

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

+ The component unit year end is February 28, 2011.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,943,851	1,888,596	6,263,194	266,071	10,361,712
Receivables:					
Property tax:					
Delinquent	132,579	11,633	6,532	-	150,744
Succeeding year	7,923,529	644,732	390,393	-	8,958,654
Income surtax	451,186	-	-	-	451,186
Accounts	2,506	-	-	343	2,849
Due from other funds	5,139	-	-	-	5,139
Due from other governments	153,125	-	223,209	-	376,334
<b>Total assets</b>	<b>\$ 10,611,915</b>	<b>2,544,961</b>	<b>6,883,328</b>	<b>266,414</b>	<b>20,306,618</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Due to other funds	\$ -	-	5,139	-	5,139
Accounts payable	300,274	808	207,413	16,937	525,432
Salaries and benefits payable	1,605,408	-	-	-	1,605,408
Deferred revenue:					
Succeeding year property tax	7,923,529	644,732	390,393	-	8,958,654
Income surtax	451,186	-	-	-	451,186
Other	194,527	-	-	-	194,527
Total liabilities	10,474,924	645,540	602,945	16,937	11,740,346
Fund balances:					
Restricted for:					
Categorical funding	301,724	-	-	-	301,724
Student activities	-	-	-	248,213	248,213
Debt service	-	-	-	1,264	1,264
Management levy purposes	-	1,899,421	-	-	1,899,421
School infrastructure	-	-	2,204,394	-	2,204,394
Construction	-	-	3,889,591	-	3,889,591
Physical plant and equipment	-	-	186,398	-	186,398
Unassigned	(164,733)	-	-	-	(164,733)
Total fund balances	136,991	1,899,421	6,280,383	249,477	8,566,272
<b>Total liabilities and fund balances</b>	<b>\$ 10,611,915</b>	<b>2,544,961</b>	<b>6,883,328</b>	<b>266,414</b>	<b>20,306,618</b>

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, 2011

<b>Total fund balances of governmental funds(page 20)</b>	<b>\$ 8,566,272</b>
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	8,878,776
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	32,014
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	451,186
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.	(8,424)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.	243,229
Long-term liabilities, including revenue bond payable and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,534,906)</u>
<b>Net assets of governmental activities(page 18)</b>	<b><u><u>\$ 12,628,147</u></u></b>

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, 2011

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 7,941,262	663,046	1,719,286	-	10,323,594
Tuition	541,314	-	-	-	541,314
Other	348,282	35,069	7,511	340,894	731,756
State sources	8,433,740	-	-	-	8,433,740
Federal sources	1,415,528	-	26,130	-	1,441,658
Total revenues	<u>18,680,126</u>	<u>698,115</u>	<u>1,752,927</u>	<u>340,894</u>	<u>21,472,062</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	7,004,586	664,377	-	-	7,668,963
Special	2,749,978	-	-	-	2,749,978
Other	1,500,474	22,611	-	313,858	1,836,943
	<u>11,255,038</u>	<u>686,988</u>	<u>-</u>	<u>313,858</u>	<u>12,255,884</u>
Support services:					
Student	571,296	3,835	-	-	575,131
Instructional staff	829,410	40,866	254,553	-	1,124,829
Administration	1,818,041	168,508	6,194	-	1,992,743
Operation and maintenance of plant	1,564,510	85,538	-	-	1,650,048
Transportation	923,764	29,801	169,990	-	1,123,555
	<u>5,707,021</u>	<u>328,548</u>	<u>430,737</u>	<u>-</u>	<u>6,466,306</u>
Non-instructional programs:					
Food service operations	-	14,594	4,041	-	18,635
Other expenditures:					
Facilities acquisitions	-	-	887,264	-	887,264
Long-term debt:					
Principal	-	-	-	55,062	55,062
Interest and fiscal charges	-	-	-	2,625	2,625
AEA flowthrough	734,999	-	-	-	734,999
	<u>734,999</u>	<u>-</u>	<u>887,264</u>	<u>57,687</u>	<u>1,679,950</u>
Total expenditures	<u>17,697,058</u>	<u>1,030,130</u>	<u>1,322,042</u>	<u>371,545</u>	<u>20,420,775</u>
Excess(deficiency) of revenues over(under) expenditures	983,068	(332,015)	430,885	(30,651)	1,051,287
Other financing sources(uses):					
Transfers in	1,445	-	-	57,687	59,132
Transfers out	(57,687)	-	(1,395)	(50)	(59,132)
Issuance of revenue bonds	-	-	4,330,000	-	4,330,000
Accrued interest on issuance of revenue bonds	-	-	-	1,264	1,264
Premium on issuance of revenue bonds	-	-	12,578	-	12,578
Discount on issuance of revenue bonds	-	-	(32,546)	-	(32,546)
Sale of equipment	64	-	3,719	-	3,783
Total other financing sources(uses)	<u>(56,178)</u>	<u>-</u>	<u>4,312,356</u>	<u>58,901</u>	<u>4,315,079</u>
Net change in fund balances	926,890	(332,015)	4,743,241	28,250	5,366,366
Fund balances beginning of year, as restated	(789,899)	2,231,436	1,537,142	221,227	3,199,906
Fund balances end of year	<u>\$ 136,991</u>	<u>1,899,421</u>	<u>6,280,383</u>	<u>249,477</u>	<u>8,566,272</u>

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, 2011

Net change in fund balances - total governmental funds(page 22) \$ 5,366,366

**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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Capital outlays	\$ 877,708	
Depreciation expense	(426,610)	451,098

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued		(4,330,000)
Repaid		55,062

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (5,799)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 286

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (58,460)

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	\$ 1,629,212	
Other postemployment benefits	7,811	1,637,023

**Changes in net assets of governmental activities(page 19) \$ 3,115,576**

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<b>Assets</b>		
Cash and pooled investments	\$ 37,436	32,014
Inventories	54,585	-
Capital assets, net of accumulated depreciation	103,076	-
Net OPEB asset	11,771	-
<b>Total assets</b>	<b>206,868</b>	<b>32,014</b>
<b>Liabilities</b>		
Accounts payable	482	-
Salaries and benefits payable	256	-
Unearned revenues	8,512	-
<b>Total liabilities</b>	<b>9,250</b>	<b>-</b>
<b>Net Assets</b>		
Invested in capital assets	103,076	-
Unrestricted	94,542	32,014
<b>Total net assets</b>	<b>\$ 197,618</b>	<b>32,014</b>

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, 2011

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 335,833	-
Miscellaneous	4,959	54,677
Total operating revenues	<u>340,792</u>	<u>54,677</u>
Operating expenses:		
Non-instructional programs:		
Food service programs:		
Salaries	271,639	-
Benefits	100,952	54,391
Services	13,297	-
Supplies	356,153	-
Other	23	-
Depreciation	19,117	-
Total operating expenses	<u>761,181</u>	<u>54,391</u>
Operating income (loss)	<u>(420,389)</u>	<u>286</u>
Non-operating revenues:		
State sources	6,759	-
Federal sources	377,168	-
Contributed capital	7,572	-
Interest income	142	-
Total non-operating revenues	<u>391,641</u>	<u>-</u>
Change in net assets	(28,748)	286
Net assets beginning of year	<u>226,366</u>	<u>31,728</u>
Net assets end of year	<u>\$ 197,618</u>	<u>32,014</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 339,759	-
Cash received from miscellaneous operating activities	4,959	54,677
Cash payments to employees for services	(374,533)	(54,391)
Cash payments to suppliers for goods or services	(317,712)	-
Net cash provided by(used in) operating activities	<u>(347,527)</u>	<u>286</u>
Cash flows from non-capital financing activities:		
State grants received	6,759	-
Federal grants received	335,220	-
Net cash provided by non-capital financing activities	<u>341,979</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investment	142	-
Net increase(decrease) in cash and cash equivalents	(5,406)	286
Cash and cash equivalents at beginning of year	42,842	31,728
Cash and cash equivalents at end of year	<u>\$ 37,436</u>	<u>32,014</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (420,389)	286
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	56,277	-
Depreciation	19,117	-
Decrease in inventories	7,886	-
Increase in other postemployment benefits asset	(336)	-
Decrease in accounts payable	(12,402)	-
Decrease in salaries and benefits payable	(1,606)	-
Increase in unearned revenue	3,926	-
Net cash provided by(used in) operating activities	<u>\$ (347,527)</u>	<u>286</u>
Non-cash investing, capital and related financing activities:		
During the year ended June 30, 2011, the District received \$56,277 of federal commodities.		
During the year ended June 30, 2011, the District received \$7,572 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, 2011

	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	\$ 17,825
<b>Liabilities</b>	
Due to other groups	17,825
<b>Net Assets</b>	<u>\$ -</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**(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. Combining schedules are also included for the Capital Project Fund accounts.

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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$5,324,427 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
	Capital Projects, Statewide Sales, Services and Use Tax	\$ 5,139
General		

The Capital Projects Fund is repaying the General Fund to reimburse for salaries paid from General Fund in the Fire Safety Grant Coding received to Capital Projects.

**(4) Due From and Due to Other Funds**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 57,687
General	Special Revenue, Activity Fund	50
General	Capital Projects, Physical Plant and Equipment Levy	1,395
Total		\$ 59,132

The transfer from General Fund to the Debt Service Fund was needed for principal and interest payments on the District's apple lease.

The transfer from Special Revenue, Activity Fund to General Fund was for the Libertyville and Lincoln funds that are more appropriate in the General Fund.

The transfer from Capital Projects, Physical Plant and Equipment Levy to General Fund was to record the sale of equipment in the General Fund.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business Type activities:				
Machinery and equipment	\$ 327,381	7,572	1,406	333,547
Less accumulated depreciation	212,760	19,117	1,406	230,471
Business Type activities capital assets, net	\$ 114,621	(11,545)	-	103,076

	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	25,235	425,129	28,646	421,718
Total capital assets not being depreciated	174,637	425,129	28,646	571,120
Capital assets being depreciated:				
Buildings	13,408,037	389,691	-	13,797,728
Land improvements	1,003,357	78,240	-	1,081,597
Machinery and equipment	3,334,473	184,856	171,562	3,347,767
Total capital assets being depreciated	17,745,867	652,787	171,562	18,227,092
Less accumulated depreciation for:				
Buildings	6,509,229	320,380	-	6,829,609
Land improvements	346,738	49,964	-	396,702
Machinery and equipment	2,636,859	227,828	171,562	2,693,125
Total accumulated depreciation	9,492,826	598,172	171,562	9,919,436
Total capital assets being depreciated, net	8,253,041	54,615	-	8,307,656
Governmental activities capital assets, net	\$ 8,427,678	479,744	28,646	8,878,776

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				\$ 44,770
Support services:				
Instructional staff				11,641
Operation and maintenance				14,838
Transportation				156,579
				227,828
Unallocated depreciation				370,344
Total governmental activities depreciation expense				\$ 598,172
Business Type activities:				
Food services				\$ 19,117

## (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ -	4,330,000	-	4,330,000	-
Computer lease	55,062	-	55,062	-	-
Early retirement	2,834,118	-	1,629,212	1,204,906	625,752
Total	\$ 2,889,180	4,330,000	1,684,274	5,534,906	625,752

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Revenue bond issue of May 1, 2011			
	Interest Rate	Principal	Interest	Total
2012	2.00	% \$ -	101,087	101,087
2013	2.00	150,000	150,131	300,131
2014	2.00	175,000	146,881	321,881
2015	2.00	195,000	143,181	338,181
2016	2.25	200,000	138,981	338,981
2017-2021	3.00-3.25	1,100,000	602,963	1,702,963
2022-2026	4.00	1,290,000	390,120	1,680,120
2027-2030	4.00-4.38	1,220,000	107,528	1,327,528
Total		\$ 4,330,000	1,780,872	6,110,872

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,330,000 in bonds issued May 1, 2011. The bonds were issued for the purpose of defraying a portion of the cost of building improvements at the school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 24 percent of the statewide sales and service tax revenues. The total principal and interest remaining to be paid on the notes is \$6,110,872. For the current year, no principal or interest was to be paid on the bonds and total statewide sales, services, and use tax revenues were \$1,342,496.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$345,781 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

## 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, 2011, totaled \$1,629,212.

### **(7) Other Postemployment Benefits (OPEB)**

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 291 active and 31 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 118,000
Interest on net OPEB obligation	(11,000)
Adjustment to annual required contribution	8,853
Annual OPEB cost	<u>115,853</u>
Contributions made	124,000
Increase in net OPEB obligation	<u>(8,147)</u>
Net OPEB obligation beginning of year	(246,853)
Net OPEB obligation end of year	<u><u>\$ (255,000)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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, 2011.

For the year ended June 30, 2011, the District contributed \$124,000 to the medical and explicit plans. Plan members eligible for benefits contributed \$236,000, or 65.56% 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 503,000	116.50%	\$ (83,000)
2010	504,147	132.50%	(246,853)
2011	115,853	107.03%	(255,000)

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,255,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,255,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,084,981, and the ratio of the UAAL to covered payroll was 12.44%. As of June 30, 2011, 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, 2010 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, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

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

**(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$766,002, \$763,177, and \$717,222 respectively, equal to the required contributions for each year.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$734,999 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Deficit Undesignated Fund Balance**

The District had a deficit unassigned fund balance in the General Fund of \$164,733.

**(12) Categorical Funding**

The District's ending restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Limited english proficient weighting	\$ 18,604
Gifted and talented	24,622
Educator quality, professional development	2,444
Educator quality, salary improvement program	219,285
Educator quality, model core curriculum	26,052
Educator quality, market factor incentives	8,363
Nonpublic textbook services	1,354
Educator quality, market factor	1,000
Total restricted for categorical funding	\$ 301,724

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 1,302,430	234,712
Changes in fund type classification per implementation of GASB Statement No. 54	<u>234,712</u>	<u>(234,712)</u>
Balances July 1, 2010, as restated	<u><u>\$ 1,537,142</u></u>	<u><u>0</u></u>

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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amount		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 11,596,664	340,934	11,937,598	12,331,195	12,331,195	(393,597)
State sources	8,433,740	6,759	8,440,499	9,210,542	9,210,542	(770,043)
Federal sources	1,441,658	377,168	1,818,826	1,323,000	1,323,000	495,826
Total revenues	21,472,062	724,861	22,196,923	22,864,737	22,864,737	(667,814)
Expenditures/expenses:						
Instruction	12,255,884	-	12,255,884	13,067,960	13,067,960	812,076
Support services	6,466,306	-	6,466,306	7,783,586	7,783,586	1,317,280
Non-instructional programs	18,635	761,181	779,816	1,134,182	1,134,182	354,366
Other expenditures	1,679,950	-	1,679,950	2,560,812	2,560,812	880,862
Total expenditures/expenses	20,420,775	761,181	21,181,956	24,546,540	24,546,540	3,364,584
Excess(deficiency) of revenues over(under) expenditures/expenses	1,051,287	(36,320)	1,014,967	(1,681,803)	(1,681,803)	2,696,770
Other financing sources, net	4,315,079	7,572	4,322,651	179,000	179,000	4,143,651
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	5,366,366	(28,748)	5,337,618	(1,502,803)	(1,502,803)	6,840,421
Balance beginning of year	3,199,906	226,366	3,426,272	2,104,656	2,104,656	1,321,616
Balance end of year	\$ 8,566,272	197,618	8,763,890	601,853	601,853	8,162,037

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011

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	47.92%
2010	July 1, 2008	-	4,642,000	4,642,000	0.0%	10,390,478	44.68%
2011	July 1, 2010	-	1,255,000	1,255,000	0.0%	10,084,981	12.44%

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

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS  
COMPONENT UNIT  
FEBRUARY 28, 2011

	<u>Education Foundation of Fairfield Public Schools, Inc.</u>
<b>Assets</b>	
Cash, savings, and investments	\$ 889,110
<b>Liabilities</b>	-
<b>Net assets</b>	<u>\$ 889,110</u>

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, 2011

		Education Foundation of Fairfield Public Schools, Inc.
Revenues:		
Contributions, gifts, grants and similar amounts	\$	47,896
Interest		18,002
Unrealized gain on investments		107,286
Total revenues		173,184
Expenses:		
Grants and similar amounts paid:		
Grants		40,564
Other:		
Advertising and promotion		106
Professional fees		941
Office expenses		505
Total expenses		42,116
Change in net assets		131,068
Net assets beginning of year		758,042
Net assets end of year	\$	889,110

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Nonmajor Governmental Funds		
	Student Activity	Debt Service	Total
<b>Assets</b>			
Cash and pooled investments	\$ 264,807	1,264	266,071
Receivables:			
Accounts	343	-	343
<b>Total Assets</b>	<b>\$ 265,150</b>	<b>1,264</b>	<b>266,414</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 16,937	-	16,937
Fund balances:			
Restricted for:			
Student activities	248,213	-	248,213
Debt service	-	1,264	1,264
Total fund balances	248,213	1,264	249,477
<b>Total Liabilities and Fund Balances</b>	<b>\$ 265,150</b>	<b>1,264</b>	<b>266,414</b>

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, 2011

	Nonmajor Governmental Funds		
	Student Activity	Debt Service	Total
Revenues:			
Local sources:			
Other	\$ 340,894	-	340,894
Expenditures:			
Current:			
Instruction:			
Other	313,858	-	313,858
Other expenditures:			
Long-term debt:			
Principal	-	55,062	55,062
Interest and fiscal charges	-	2,625	2,625
	-	57,687	57,687
Total expenditures	313,858	57,687	371,545
Excess(Deficiency) of revenues over(under) expenditures	27,036	(57,687)	(30,651)
Other financing sources(uses):			
Transfer in	-	57,687	57,687
Transfer out	(50)	-	(50)
Accrued interest on issuance of revenue bonds	-	1,264	1,264
Total other financing sources(uses)	(50)	58,951	58,901
Net change in fund balance	26,986	1,264	28,250
Fund balances beginning of year, as restated	221,227	-	221,227
Fund balances end of year	\$ 248,213	1,264	249,477

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 6,083,328	179,866	6,263,194
Receivables:			
Property tax:			
Delinquent	-	6,532	6,532
Succeeding year	-	390,393	390,393
Due from other governments	223,209	-	223,209
<b>Total Assets</b>	<b>\$ 6,306,537</b>	<b>576,791</b>	<b>6,883,328</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Due to other funds	\$ 5,139	-	5,139
Accounts payable	207,413	-	207,413
Deferred revenue:			
Succeeding year property tax	-	390,393	390,393
Total liabilities	212,552	390,393	602,945
Fund balances:			
Restricted for:			
School infrastructure	2,204,394	-	2,204,394
Construction	3,889,591	-	3,889,591
Physical plant and equipment	-	186,398	186,398
Total fund balances	6,093,985	186,398	6,280,383
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,306,537</b>	<b>576,791</b>	<b>6,883,328</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,342,496	376,790	1,719,286
Other	6,300	1,211	7,511
Federal sources	26,130	-	26,130
Total revenues	<u>1,374,926</u>	<u>378,001</u>	<u>1,752,927</u>
Expenditures:			
Support services:			
Instructional staff	-	254,553	254,553
Administration	6,139	55	6,194
Transportation	-	169,990	169,990
	<u>6,139</u>	<u>424,598</u>	<u>430,737</u>
Non-instructional programs:			
Food service	-	4,041	4,041
Other expenditures:			
Facilities acquisitions	887,264	-	887,264
Total expenditures	<u>893,403</u>	<u>428,639</u>	<u>1,322,042</u>
Excess(Deficiency) of revenues over(under) expenditures	481,523	(50,638)	430,885
Other financing sources(uses):			
Transfer out	-	(1,395)	(1,395)
Sale of equipment	-	3,719	3,719
Issuance of revenue bonds	4,330,000	-	4,330,000
Premium on issuance of revenue bonds	12,578	-	12,578
Discount on issuance of revenue bonds	(32,546)	-	(32,546)
Total other financing sources(uses)	<u>4,310,032</u>	<u>2,324</u>	<u>4,312,356</u>
Net change in fund balance	4,791,555	(48,314)	4,743,241
Fund balances beginning of year, as restated	1,302,430	234,712	1,537,142
Fund balance end of year	<u>\$ 6,093,985</u>	<u>186,398</u>	<u>6,280,383</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
HS Drama	\$ 7,467	4,072	8,038	3,438	6,939
MS Drama	3,450	1,275	373	-	4,352
HS Vocal Music	18,117	21,087	35,135	3,295	7,364
MS Vocal Music	4,796	1,384	279	-	5,901
HS Band 1000	9,378	9,300	9,632	3,295	12,341
MS Band	2,523	8,890	7,774	-	3,639
HS Musical	9,479	3,483	296	-	12,666
HS Athletics	56,655	116,143	115,253	13,913	71,458
MS Athletics	2,946	6,048	4,859	-	4,135
Cross Country Fundraising	-	420	188	-	232
Boys Basketball Fundraising	(127)	4,901	4,563	-	211
Football Unreserved Fund Balance	-	13,528	2,857	-	10,671
Boys Soccer Fund Balance	-	1,745	1,557	-	188
Baseball	4,499	5,117	5,231	-	4,385
Boys Track Fund Balance	-	1,137	510	-	627
Girls Basketball Fund Balance	-	2,522	2,477	-	45
Volleyball Fund Balance	-	2,710	1,734	-	976
Girls Soccer Fund Balance	-	314	126	-	188
Girls Tennis Fund Balance	-	911	-	-	911
Libertyville	25	-	25	-	-
Lincoln	25	-	25	-	-
MS Student Council	4,201	3,788	4,098	-	3,891
MS Cheerleader Org.	2,188	771	694	-	2,265
MS Yearbook	3,017	4,291	4,109	-	3,199
MS Interest	58	31	-	(58)	31
HS FBLA Club	5,725	6,407	7,711	1,402	5,823
HS FCA Club	5,764	-	-	-	5,764
HS Ice Cream	2,958	2,371	76	-	5,253
HS Concessions	501	21,041	15,300	(6,242)	-
HS Cheerleaders	925	2,245	1,974	-	1,196
HS Los Gringos	2,027	1,785	1,782	636	2,666
HS FFA	1,403	38,846	31,858	207	8,598
HS Dance-Drill	1,250	6,097	8,866	1,628	109
HS Quill	10,485	9,053	10,360	1,552	10,730
HS Student Council	15,947	4,340	5,432	-	14,855
HS Resource	4,283	-	1	(4,282)	-
HS Torch Club	2,397	-	68	678	3,007
HS Troy Banner Org.	1,402	-	856	1,328	1,874
HS SADD Club	2,631	-	-	-	2,631
HS Young Farmers Org.	207	-	-	(207)	-
HS Vica Club	367	-	-	(367)	-
HS Student Assembly	5,560	-	-	-	5,560
HS Class 2014 Org.	-	1,923	991	1,400	2,332
HS Class 2013 Org.	2,943	-	73	300	3,170
HS Class 2012 Org.	2,506	1,466	1,345	300	2,927
HS Class 2011 Org.	813	-	756	450	507
HS Class 2010 Org.	3,450	-	-	(3,450)	-
Wall of Honor	2,801	2,321	2,876	-	2,246
HS Wrestling Cheerleading	1,649	-	1,122	828	1,355
HS French Club	4,318	1,750	3,588	500	2,980
HS Stud. Parking	-	-	35	35	-
HS Speech/Forensics	5,780	3,129	4,491	1,036	5,454
HS Thespians	66	-	-	-	66
HS Act. Ticket	40	22,372	430	(21,982)	-
HS Renaissance	4,332	1,880	4,084	367	2,495
<b>Total</b>	<b>\$ 221,227</b>	<b>340,894</b>	<b>313,908</b>	<b>-</b>	<b>248,213</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b><u>ADMINISTRATOR</u></b>				
Assets				
Cash and pooled investments	\$ 351	55	285	121
Liabilities				
Due to other groups	\$ 351	55	285	121
<b><u>ALUMNI</u></b>				
Assets				
Cash and pooled investments	\$ 776	-	-	776
Liabilities				
Due to other groups	\$ 776	-	-	776
<b><u>HIGH SCHOOL FACULTY</u></b>				
Assets				
Cash and pooled investments	\$ 524	80	35	569
Liabilities				
Due to other groups	\$ 524	80	35	569
<b><u>ATHLETIC TOURNAMENT</u></b>				
Assets				
Cash and pooled investments	\$ 445	-	-	445
Liabilities				
Due to other groups	\$ 445	-	-	445
<b><u>HS MEMORIAL</u></b>				
Assets				
Cash and pooled investments	\$ 3,187	-	-	3,187
Liabilities				
Due to other groups	\$ 3,187	-	-	3,187
<b><u>PLTW CONSORTIUM</u></b>				
Assets				
Cash and pooled investments	\$ -	12,727	-	12,727
Liabilities				
Due to other groups	\$ -	12,727	-	12,727
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
Assets				
Cash and pooled investments	\$ 5,283	12,862	320	17,825
Liabilities				
Due to other groups	\$ 5,283	12,862	320	17,825

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,				
	2011	2010	2009	2008	2007
Revenues:					
Local sources:					
Local tax	\$ 10,323,594	9,233,630	9,255,243	8,235,389	7,954,199
Tuition	541,314	589,988	581,512	519,525	450,666
Other	731,756	547,749	744,965	848,043	865,867
Intermediate sources	-	-	-	-	-
State sources	8,433,740	7,567,574	8,928,366	9,503,815	9,335,591
Federal sources	1,441,658	1,974,552	754,170	673,395	994,655
<b>Total</b>	<b>\$ 21,472,062</b>	<b>19,913,493</b>	<b>20,264,256</b>	<b>19,780,167</b>	<b>19,600,978</b>
Expenditures:					
Instruction:					
Regular	\$ 7,668,963	7,110,807	7,466,988	7,363,475	6,774,222
Special	2,749,978	2,820,252	2,573,731	2,336,230	2,341,124
Other	1,836,943	1,971,790	1,981,364	1,833,020	1,773,791
Support services:					
Student	575,131	492,078	496,017	521,181	496,424
Instructional staff	1,124,829	889,937	987,907	828,221	921,414
Administration	1,992,743	2,146,696	2,364,855	1,967,257	1,866,971
Operation and maintenance of plant	1,650,048	1,726,606	1,764,086	1,837,942	1,638,688
Transportation	1,123,555	1,073,776	1,089,731	1,083,803	985,203
Other	-	-	-	-	-
Non-instructional programs	18,635	14,820	15,262	6,747	4,427
Other expenditures:					
Facilities acquisitions	887,264	276,060	788,427	777,547	2,492,954
Long-term debt:					
Principal	55,062	52,557	57,687	6,363	6,099
Interest and other charges	2,625	5,130	-	148	411
AEA flow-through	734,999	732,377	682,351	673,060	640,646
<b>Total</b>	<b>\$ 20,420,775</b>	<b>19,312,886</b>	<b>20,268,406</b>	<b>19,234,994</b>	<b>19,942,374</b>

Modified Accrual Basis				
Years Ended June 30,				
2006	2005	2004	2003	2002
7,248,837	6,376,510	6,252,144	6,074,356	6,032,665
378,510	325,494	365,228	373,888	426,370
635,419	665,816	539,195	640,917	431,176
-	-	-	-	-
8,974,692	8,537,210	7,883,952	7,777,229	7,309,172
827,013	751,011	738,468	453,708	661,979
18,064,471	16,656,041	15,778,987	15,320,098	14,861,362
6,519,414	6,078,027	6,212,554	6,278,271	6,376,567
2,234,394	2,073,310	2,216,619	2,135,047	2,034,610
1,480,291	1,633,795	942,069	1,065,196	937,191
517,807	314,393	493,244	497,905	494,489
990,180	889,753	654,740	591,107	567,562
1,796,049	1,767,470	1,562,814	1,529,050	1,387,234
1,664,539	1,578,778	1,483,756	1,437,818	1,494,397
908,404	901,805	770,661	721,612	771,352
-	-	3,279	2,832	3,015
7,161	111,196	98,757	84,677	81,974
493,932	35,741	54,606	898	145,450
68,747	79,331	76,273	36,802	22,872
1,769	4,233	7,291	3,513	4,602
614,109	590,231	579,419	613,713	584,597
17,296,796	16,058,063	15,156,082	14,998,441	14,905,912

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

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 11	\$ 39,418
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	334,850
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 11	2,900
			<u>377,168</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	2,848
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2169-G	27,139
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2169-GC	120,788
TITLE I - SCHOOLS IN NEED OF IMPROVEMENT (SINA)	84.010	FY 11	10,900
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	196,882
			<u>358,557</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>26,889</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANT)	84.215	FY 11	<u>26,130</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 11	<u>342</u>
TITLE IIA TEACHER QUALITY PROGRAM	84.367	FY 11	<u>112,370</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 11	<u>11,083</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	100,119
SPECIAL EDUCATION - GRANTS TO STATES (PART B, RECOVERY ACT)	84.391	FY 10	112,654
			<u>212,773</u>
STATE FISCAL STABILIZATION CLUSTER:			
ARRA - STATE FISCAL STABILIZATION FUND (SFSF)			
EDUCATION STATE GRANTS (STATE AID)	84.394	FY 11	93,905
ARRA - FISCAL STABILIZATION FUND (SFSF)			
EDUCATION STATE GRANTS (PROFESSIONAL DEVELOPMENT)	84.394	FY 10	1,608
ARRA - FISCAL STABILIZATION FUND (SFSF)			
GOVERNMENT SERVICES	84.397	FY 11	83,759
			<u>179,272</u>
EDUCATION JOB FUNDS	84.410	FY 11	<u>356,816</u>
TOTAL			<u>\$ 1,661,400</u>

\* -Includes \$56,277 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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 23, 2012. 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.

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.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 through II-C-11 to be a significant deficiency.

### 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, 2011 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 23, 2012

**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 That Could  
Have a Direct and Material Effect on 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, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 23, 2012

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies 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:
  - Clustered Programs:
    - Nutrition Cluster:
      - CFDA Number 10.553 - School Breakfast Program
      - CFDA Number 10.555 - National School Lunch Program
      - CFDA Number 10.559 - Summer Food Service Program for Children
    - Title I Cluster:
      - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
      - CFDA Number 84.010 - Schools in Need of Improvement (SINA)
      - CFDA Number 84.389 - ARRA - Title I Grants to Local Education Agencies, Recovery Act
  - Individual Programs:
    - CFDA Number 84.410 - Education Job Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Fairfield Community School District qualified as a low-risk auditee.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

**Part II: Findings Related to the Basic Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 Infinite Campus - We noted during our audit that the District uses Infinite Campus software for the accounting of individual balances for lunch accounts. The District does not appear to reconcile the balance in the individual student accounts to the General Ledger.

In addition we noted that if the District receives a check which does not clear, the District does not reduce the balance in the individual student accounts, but tries to collect the check. In some cases funds are not collected to cover the original check that the student was given credit.

Recommendation - The District should achieve better internal control by the reconciling the subsidiary ledger on a monthly basis and any adjustments made timely.

The District should reduce the individual student account balance if the check does not clear. If subsequent collection is obtained, the District should give credit to the individual at that time.

Response - A procedure has been put in place to process returned checks when received from the bank(s). District staff will review the procedure periodically as a refresher.

Conclusion - Response accepted.

II-B-11 Fire Safety Grant - We noted during our audit that the District received a Harkin, Fire Safety grant that was used for installing fire doors and automatic door closers. The District used employees to install the automatic door closers and paid the wages from the General Fund. The remainder of the grant expenses were made from the Capital Project Fund, Statewide Sales, Services and Use Tax.

Recommendation - The grant revenue was recorded in the Capital Project Fund and therefore the portion that was expended from the General Fund, \$5,139 should be transferred from the Statewide Sales, Services and Use Tax Fund to the General Fund. The District has made an adjustment to record an interfund payable/receivable but the physical transfer should be made.

Response - The transfer was made on November 21, 2011.

Conclusion - Response accepted.

II-C-11 Student Activity Deposit Slips - We noted during our audit that deposit slips from outside buildings did not include any copies of any receipts being deposited when being sent to the central office.

Recommendation - The District should achieve better internal control by the central office requiring a duplicate receipt with the summary sheet that is sent over from outside buildings.

Response - Procedures are being adjusted to include copies of back up data along with receipts when they are brought over from the other buildings.

Conclusion - Response accepted.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

**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.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - No expenditures we believe may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 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-11 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	\$ 287

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-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning balance		\$	1,302,430
Revenues:			
Statewide sales and services tax	\$	1,342,496	
Other local revenues		6,300	
Sale of long-term debt		4,330,000	
Federal revenues		26,130	
Other		12,578	5,717,504
			<u>7,019,934</u>
Expenditures:			
School infrastructure construction	\$	849,712	
Other		76,237	925,949
			<u>925,949</u>
Ending balance		\$	<u><u>6,093,985</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 Financial Condition - The District had a deficit unassigned fund balance in the General Fund of \$164,733.

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-11 Bus Proceeds - We noted during our audit that the District sold a bus and deposited the proceeds into the Physical Plant and Equipment Levy fund. Chapter 297.22 of the Code of Iowa requires that all sales of equipment be recorded in the General Fund.

Recommendation - The District should make a corrective transfer of \$2,323.50 from Physical Plant and Equipment Levy fund to the General Fund.

Response - The transfer was made on November 21, 2011.

Conclusion - Response accepted.