

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

JUNE 30, 2012

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Fairfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 Election)</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>(After September 2011 Election)</b>		
Jennifer Anderson	President	2013
Robert Waugh	Vice President	2013
Jerry Nelson	Board Member	2015
Jeremy Miller	Board Member	2015
Jeri Kunkle	Board Member	2013
Amy Miller	Board Member	2015
Rich Metcalf	Board Member	2015
<b>School Officials</b>		
Art Sathoff	Superintendent	2012
Kimberly Sheets	District Secretary/Treasurer and Business Manager	2012
Craig Foss	Attorney	2012
Ron Peeler	Attorney	2012

**Fairfield Community School District**

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
**117 West 3rd Street North, Newton, Iowa 50208-3040**  
**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Fairfield Community School District, Fairfield, Iowa, as of and for the year ended June 30, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2013 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

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Funding Progress and the combining Statements for the Discretely Presented Component Units for the Retiree Health Plan on pages 7 through 16 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions 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, 2011 (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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2013

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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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$18,681,635 in fiscal 2011 to \$18,836,604 in fiscal 2012, while General Fund expenditures decreased from \$17,754,745 in fiscal 2011 to \$16,906,502 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$136,991 in fiscal 2011 to \$2,067,093 in fiscal 2012, a 1,408.93% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state revenue in fiscal 2012. The decrease in expenditures was due primarily to a decrease in negotiated salaries and benefits.
- The District's solvency ratio increased from a deficit of 0.88% at June 30, 2011 to a positive 9.13% at June 30, 2012.

### **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.

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.

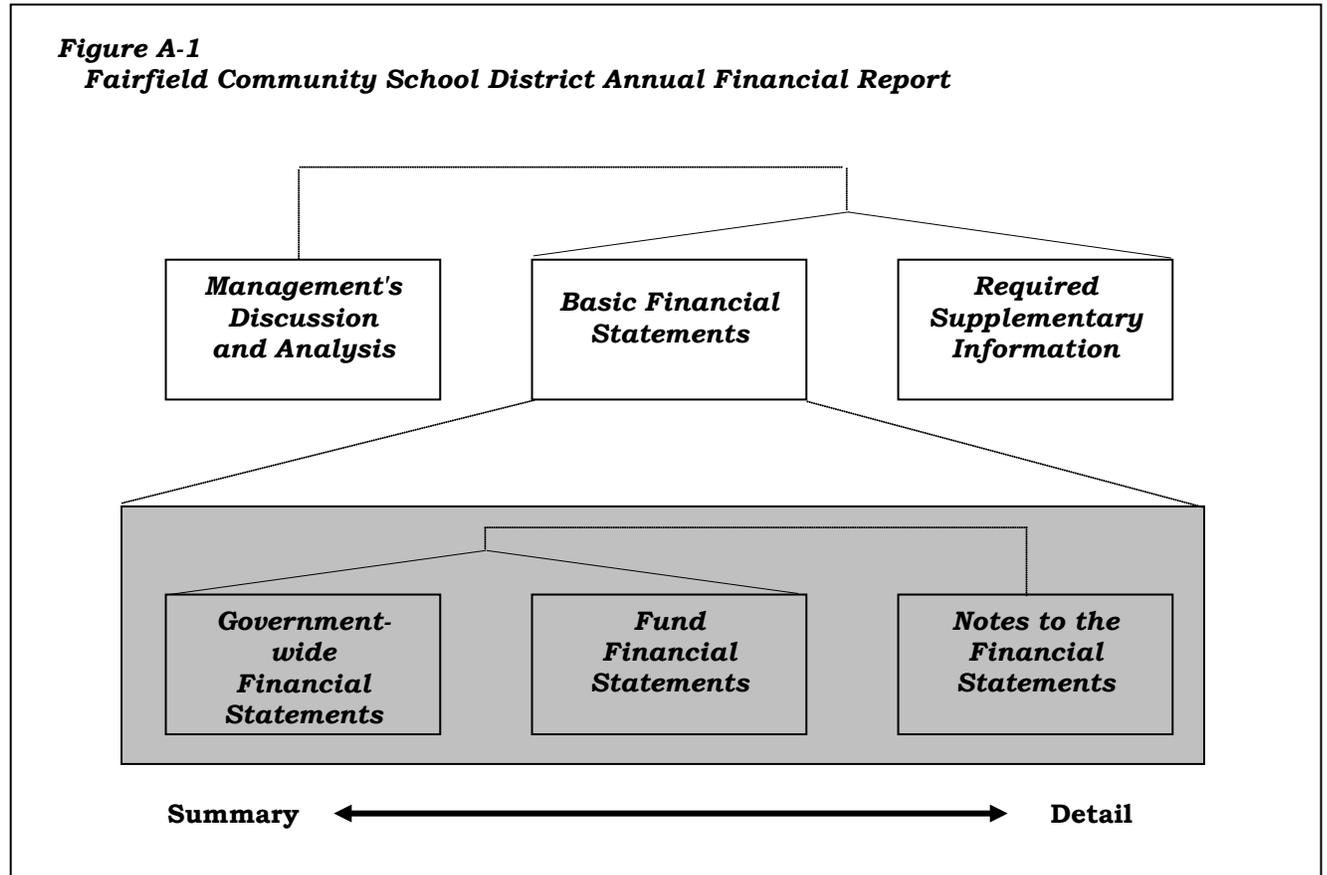


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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 net assets</li> <li>• Statement of revenues, expenses and changes in fund 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 net assets, statement of revenues, expenses and changes in fund 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, 2012 compared to June 30, 2011.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 21,636,649	20,576,722	81,603	103,792	21,718,252	20,680,514	5.02%
Capital assets	12,435,761	8,878,776	98,812	103,076	12,534,573	8,981,852	39.55%
Total assets	34,072,410	29,455,498	180,415	206,868	34,252,825	29,662,366	15.48%
Long-term obligations	4,909,154	5,534,906	-	-	4,909,154	5,534,906	-11.31%
Other liabilities	13,537,613	11,292,445	8,583	9,250	13,546,196	11,301,695	19.86%
Total liabilities	18,446,767	16,827,351	8,583	9,250	18,455,350	16,836,601	9.61%
Net assets:							
Invested in capital assets, net of related debt	8,105,761	8,438,397	98,812	103,076	8,204,573	8,541,473	-3.94%
Restricted	5,240,281	3,636,478	-	-	5,240,281	3,636,478	44.10%
Unrestricted	2,279,601	553,272	73,020	94,542	2,352,621	647,814	263.16%
Total net assets	\$ 15,625,643	12,628,147	171,832	197,618	15,797,475	12,825,765	23.17%

The District’s combined net assets increased by 23.17%, or \$2,971,710, 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 \$1,603,803 or 44.10% over the prior year. The increase was due to an increase in the amounts restricted for debt service and school infrastructure.

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 \$1,704,807 or 263.16%. 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, 2012 compared to June 30, 2011.

Figure A-4  
Changes in Net Assets

	Governmental		Business Type		Total		Total Change June 30, 2011-12
	Activities		Activities		School District		
	June 30, 2012	2011	June 30, 2012	2011	June 30, 2012	2011	
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,017,736	891,262	331,049	340,792	1,348,785	1,232,054	9.47%
Operating grants and contributions and restricted interest	1,718,113	1,870,694	389,278	383,927	2,107,391	2,254,621	-6.53%
Capital grants and contributions and restricted interest	26,850	26,130	23,762	-	50,612	26,130	93.69%
General revenues:							
Property tax	8,897,319	8,596,627	-	-	8,897,319	8,596,627	3.50%
Income surtax	348,000	326,011	-	-	348,000	326,011	6.74%
Statewide sales, services and use tax	1,492,116	1,342,496	-	-	1,492,116	1,342,496	11.14%
Unrestricted state grants	7,994,307	7,492,138	-	-	7,994,307	7,492,138	6.70%
Nonspecific program federal grants	5,281	534,480	-	-	5,281	534,480	-99.01%
Unrestricted investment earnings	9,768	14,675	59	142	9,827	14,817	-33.68%
Other	193,004	319,089	-	-	193,004	319,089	-39.51%
Transfers	-	(7,572)	-	7,572	-	-	0.00%
Total revenues and transfers	21,702,494	21,406,030	744,148	732,433	22,446,642	22,138,463	1.39%
Program expenses:							
Governmental activities:							
Instruction	11,463,494	11,088,453	-	-	11,463,494	11,088,453	3.38%
Support services	5,998,340	6,088,234	15,701	-	6,014,041	6,088,234	-1.22%
Non-instructional programs	2,225	-	754,233	761,181	756,458	761,181	-0.62%
Other expenses	1,240,939	1,113,767	-	-	1,240,939	1,113,767	11.42%
Total expenses	18,704,998	18,290,454	769,934	761,181	19,474,932	19,051,635	2.22%
Changes in net assets	2,997,496	3,115,576	(25,786)	(28,748)	2,971,710	3,086,828	-3.73%
Net assets beginning of year	12,628,147	9,512,571	197,618	226,366	12,825,765	9,738,937	31.70%
Net assets end of year	\$ 15,625,643	12,628,147	171,832	197,618	15,797,475	12,825,765	23.17%

In fiscal 2012, property tax, statewide sales, services and use tax, operating grants, contributions, and restricted interest, and unrestricted state grants account for 92.62% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for 96.11% of the revenue from business type activities.

The District's total revenues were approximately \$22.45 million of which approximately \$21.70 million was for governmental activities and approximately \$0.75 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 1.39% increase in revenues and a 2.22% increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$21,702,494 and expenses were \$18,704,998.

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		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 11,463,494	11,088,453	3.38%	9,401,943	9,068,116	3.68%
Support services	5,998,340	6,088,234	-1.48%	5,955,915	6,055,484	-1.64%
Non-instructional	2,225	-	100.00%	2,225	-	100.00%
Other expenses	1,240,939	1,113,767	11.42%	582,216	378,768	53.71%
Totals	\$ 18,704,998	18,290,454	2.27%	15,942,299	15,502,368	2.84%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$1,017,736.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,744,963.
- The net cost of governmental activities was financed with \$8,897,319 in property tax, \$348,000 in income surtax, \$1,492,116 in statewide sales and services tax, \$7,994,304 in unrestricted state grants, \$5,281 in nonspecific program federal grants, \$9,768 in interest income and \$193,004 in other general revenues.

### Business Type Activities

Revenues for the District's business type activities were \$744,148 and expenses were \$769,934. 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 \$7,478,904, below last year's ending fund balances of \$8,566,272. The primary reason for the decrease in combined fund balances in fiscal 2012 is due to the decrease in the Capital Projects Fund due to ongoing mechanical upgrades at the middle school and asbestos removal at the high school.

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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 \$136,991 to \$2,067,093 at June 30, 2012.
- The Management Levy fund balance decreased during the year from \$1,899,421 to \$1,493,665. This was the result of property insurance and early retirement benefits paid in excess of property tax revenues during the year.
- The Capital Projects Fund balance decreased from \$6,280,383 in fiscal 2011 to \$3,460,557 in fiscal 2012. The decrease was due to the District using proceeds from the prior year bond issuance to fund mechanical upgrades at the middle school and asbestos removal at the high school.

## **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$197,618 at June 30, 2011 to \$171,832 at June 30, 2012, representing a decrease of 13.05%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$299,051 less than budgeted revenues, a variance of 1.31%. 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, 2012, the District had invested \$12,435,761, 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 39.55% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$688,983.

The original cost of the District's capital assets was \$23.25 million. Governmental funds account for \$22.92 million with the remainder of \$0.33 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$421,718 at June 30, 2011, compared to \$3,395,784 reported at June 30, 2012. This increase resulted primarily from ongoing mechanical upgrades and asbestos removal at the middle school that were started but not yet completed at June 30, 2012.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 149,402	149,402	-	-	149,402	149,402	0.00%
Construction in progress	3,395,784	421,718	-	-	3,395,784	421,718	705.23%
Buildings	6,785,099	6,968,119	-	-	6,785,099	6,968,119	-2.63%
Land improvements	1,388,871	684,895	-	-	1,388,871	684,895	102.79%
Machinery and equipment	716,605	654,642	98,812	103,076	815,417	757,718	7.61%
Total	\$ 12,435,761	8,878,776	98,812	103,076	12,534,573	8,981,852	39.55%

### Long-Term Debt

At June 30, 2012, the District had \$4,909,154 in other long-term debt outstanding. This represents a decrease of 11.31% 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, 2012 which are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding early retirement payable from the Special Revenue: Management Fund of \$579,154 at June 30, 2012.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		
	Activities		
	June 30,	June 30,	June 30,
	2012	2011	2011-12
Revenue bond	\$ 4,330,000	4,330,000	0.00%
Early retirement	579,154	1,204,906	-51.93%
Total	\$ 4,909,154	5,534,906	-11.31%

### 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.
- Possible impact of health insurance costs and Affordable Care Act requirements are being examined.

- 
- It is unclear at this point how proposed education reform legislation will impact collective bargaining.

### **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, 2012

	Primary Government			Component Unit + Education Foundation of Fairfield Public Schools, Inc.
	Governmental Activities	Business Type Activities	Total	
<b>Assets</b>				
Cash and pooled investments	\$ 11,050,165	21,312	11,071,477	888,251
Receivables:				
Property tax:				
Delinquent	237,360	-	237,360	-
Succeeding year	9,231,826	-	9,231,826	-
Income surtax	384,639	-	384,639	-
Accounts	15,562	-	15,562	-
Accrued interest	376	-	376	-
Due from other governments	440,204	-	440,204	-
Inventories	-	47,086	47,086	-
Capital assets, net of accumulated depreciation	12,435,761	98,812	12,534,573	-
Net OPEB asset	276,517	13,205	289,722	-
<b>Total assets</b>	34,072,410	180,415	34,252,825	888,251
<b>Liabilities</b>				
Accounts payable	2,452,634	191	2,452,825	-
Salaries and benefits payable	1,575,470	2,663	1,578,133	-
Interest payable	75,816	-	75,816	-
Deferred revenue:				
Succeeding year property tax	9,231,826	-	9,231,826	-
Other	201,867	-	201,867	-
Unearned revenues	-	5,729	5,729	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	150,000	-	150,000	-
Early retirement payable	324,954	-	324,954	-
Portion due after one year:				
Revenue bonds	4,180,000	-	4,180,000	-
Early retirement payable	254,200	-	254,200	-
<b>Total liabilities</b>	18,446,767	8,583	18,455,350	-
<b>Net Assets</b>				
Invested in capital assets, net of related debt	8,105,761	98,812	8,204,573	-
Restricted for:				
Categorical funding	407,624	-	407,624	-
Management levy purposes	914,511	-	914,511	-
School infrastructure	2,938,038	-	2,938,038	-
Debt service	571,610	-	571,610	-
Physical plant and equipment	176,738	-	176,738	-
Student activities	231,760	-	231,760	-
Unrestricted	2,279,601	73,020	2,352,621	888,251
<b>Total net assets</b>	\$ 15,625,643	171,832	15,797,475	888,251

+ The component unit year end is February 29, 2012.

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

Functions/Programs:	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>Governmental activities:</b>								
Instruction:								
Regular	\$ 6,636,903	516,791	165,266	-	(5,954,846)	-	(5,954,846)	-
Special	2,781,656	164,894	290,383	-	(2,326,379)	-	(2,326,379)	-
Other	2,044,935	328,283	595,934	-	(1,120,718)	-	(1,120,718)	-
	<u>11,463,494</u>	<u>1,009,968</u>	<u>1,051,583</u>	<u>-</u>	<u>(9,401,943)</u>	<u>-</u>	<u>(9,401,943)</u>	<u>-</u>
Support services:								
Student	521,512	-	-	-	(521,512)	-	(521,512)	-
Instructional staff	919,819	-	6,830	-	(912,989)	-	(912,989)	-
Administration	1,712,497	-	977	-	(1,711,520)	-	(1,711,520)	-
Operation and maintenance of plant	1,507,482	-	-	26,850	(1,480,632)	-	(1,480,632)	-
Transportation	1,337,030	7,768	-	-	(1,329,262)	-	(1,329,262)	-
	<u>5,998,340</u>	<u>7,768</u>	<u>7,807</u>	<u>26,850</u>	<u>(5,955,915)</u>	<u>-</u>	<u>(5,955,915)</u>	<u>-</u>
Non-instructional programs:								
Food service operations	2,225	-	-	-	(2,225)	-	(2,225)	-
Long-term debt interest	169,230	-	-	-	(169,230)	-	(169,230)	-
Other expenditures:								
AEA flowthrough	658,723	-	658,723	-	-	-	-	-
Depreciation (unallocated)*	412,986	-	-	-	(412,986)	-	(412,986)	-
	<u>1,071,709</u>	<u>-</u>	<u>658,723</u>	<u>-</u>	<u>(412,986)</u>	<u>-</u>	<u>(412,986)</u>	<u>-</u>
<b>Total governmental activities</b>	<b>18,704,998</b>	<b>1,017,736</b>	<b>1,718,113</b>	<b>26,850</b>	<b>(15,942,299)</b>	<b>-</b>	<b>(15,942,299)</b>	<b>-</b>
<b>Business type activities:</b>								
Support services:								
Instructional staff	3,430	-	-	-	-	(3,430)	(3,430)	-
Administration	9,995	-	-	-	-	(9,995)	(9,995)	-
Operation and maintenance of plant	2,276	-	-	-	-	(2,276)	(2,276)	-
	<u>15,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,701)</u>	<u>(15,701)</u>	<u>-</u>
Non-instructional programs:								
Nutrition services	754,233	331,049	389,278	23,762	-	(10,144)	(10,144)	-
	<u>769,934</u>	<u>331,049</u>	<u>389,278</u>	<u>23,762</u>	<u>-</u>	<u>(25,845)</u>	<u>(25,845)</u>	<u>-</u>
<b>Total primary government</b>	<b>\$ 19,474,932</b>	<b>1,348,785</b>	<b>2,107,391</b>	<b>50,612</b>	<b>(15,942,299)</b>	<b>(25,845)</b>	<b>(15,968,144)</b>	<b>-</b>
<b>Total component unit</b>	<b>\$ 58,314</b>	<b>-</b>	<b>26,534</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,780)</b>
<b>General Revenues:</b>								
Property tax levied for:								
General purposes					\$ 8,509,603	-	8,509,603	-
Capital outlay					387,716	-	387,716	-
Income surtax					348,000	-	348,000	-
Statewide sales, services and use tax					1,492,116	-	1,492,116	-
Unrestricted state grants					7,994,307	-	7,994,307	-
Nonspecific program federal grants					5,281	-	5,281	-
Unrestricted investment earnings					9,768	59	9,827	21,392
Unrealized gain on investments					-	-	-	9,529
Other general revenues					193,004	-	193,004	-
					<u>18,939,795</u>	<u>59</u>	<u>18,939,854</u>	<u>30,921</u>
<b>Total general revenues and transfers</b>					<b>18,939,795</b>	<b>59</b>	<b>18,939,854</b>	<b>30,921</b>
Changes in net assets					2,997,496	(25,786)	2,971,710	(859)
Net assets beginning of year					12,628,147	197,618	12,825,765	889,110
Net assets end of year					<u>\$ 15,625,643</u>	<u>171,832</u>	<u>15,797,475</u>	<u>888,251</u>

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

+ The component unit year end is February 29, 2012.

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 3,742,075	1,482,050	5,322,820	468,428	11,015,373
Receivables:					
Property tax:					
Delinquent	210,000	17,088	10,272	-	237,360
Succeeding year	7,863,747	760,000	608,079	-	9,231,826
Income surtax	384,639	-	-	-	384,639
Accounts	12,616	-	-	2,946	15,562
Accrued interest	-	253	123	-	376
Due from other governments	194,403	-	245,801	-	440,204
<b>Total assets</b>	<b>\$ 12,407,480</b>	<b>2,259,391</b>	<b>6,187,095</b>	<b>471,374</b>	<b>21,325,340</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 314,664	5,726	2,118,459	13,785	2,452,634
Salaries and benefits payable	1,575,470	-	-	-	1,575,470
Deferred revenue:					
Succeeding year property tax	7,863,747	760,000	608,079	-	9,231,826
Income surtax	384,639	-	-	-	384,639
Other	201,867	-	-	-	201,867
Total liabilities	10,340,387	765,726	2,726,538	13,785	13,846,436
Fund balances:					
Restricted for:					
Categorical funding	407,624	-	-	-	407,624
Management levy purposes	-	1,493,665	-	-	1,493,665
School infrastructure	-	-	2,938,038	-	2,938,038
Debt service	-	-	345,781	225,829	571,610
Physical plant and equipment	-	-	176,738	-	176,738
Student activities	-	-	-	231,760	231,760
Unassigned	1,659,469	-	-	-	1,659,469
Total fund balances	2,067,093	1,493,665	3,460,557	457,589	7,478,904
<b>Total liabilities and fund balances</b>	<b>\$ 12,407,480</b>	<b>2,259,391</b>	<b>6,187,095</b>	<b>471,374</b>	<b>21,325,340</b>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

<b>Total fund balances of governmental funds (page 20)</b>	\$ 7,478,904
 <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.	12,435,761
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	34,792
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	384,639
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.	(75,816)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.	276,517
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.	(4,909,154)
<b>Net assets of governmental activities (page 18)</b>	<u><u>\$ 15,625,643</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 8,283,832	640,318	1,879,832	-	10,803,982
Tuition	635,410	-	-	-	635,410
Other	259,170	17,875	42,986	367,251	687,282
State sources	8,755,712	-	-	-	8,755,712
Federal sources	886,655	-	-	-	886,655
Total revenues	18,820,779	658,193	1,922,818	367,251	21,769,041
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	6,473,717	658,493	6,492	-	7,138,702
Special	2,781,656	-	-	-	2,781,656
Other	1,628,057	38,091	-	378,787	2,044,935
	10,883,430	696,584	6,492	378,787	11,965,293
Support services:					
Student	517,221	4,895	-	-	522,116
Instructional staff	714,161	42,078	198,696	-	954,935
Administration	1,668,519	197,619	4,759	-	1,870,897
Operation and maintenance of plant	1,509,125	70,923	13,516	-	1,593,564
Transportation	955,323	36,775	172,067	-	1,164,165
	5,364,349	352,290	389,038	-	6,105,677
Non-instructional programs:					
Food service operations	-	15,075	-	-	15,075
Capital outlay	-	-	4,018,479	-	4,018,479
Long-term debt:					
Interest and fiscal charges	-	-	-	101,838	101,838
Other expenditures:					
AEA flowthrough	658,723	-	-	-	658,723
Total expenditures	16,906,502	1,063,949	4,414,009	480,625	22,865,085
Excess(Deficiency) of revenues over(under) expenditures	1,914,277	(405,756)	(2,491,191)	(113,374)	(1,096,044)
Other financing sources(uses):					
Transfers in	7,149	-	-	326,311	333,460
Transfers out	-	-	(328,635)	(4,825)	(333,460)
Insurance proceeds	5,847	-	-	-	5,847
Sale of capital assets	2,829	-	-	-	2,829
Total other financing sources(uses)	15,825	-	(328,635)	321,486	8,676
Net change in fund balances	1,930,102	(405,756)	(2,819,826)	208,112	(1,087,368)
Fund balances beginning of year	136,991	1,899,421	6,280,383	249,477	8,566,272
Fund balances end of year	\$ 2,067,093	1,493,665	3,460,557	457,589	7,478,904

SEE NOTES TO 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, 2012

**Net change in fund balances - total governmental funds (page 22)** \$ (1,087,368)

**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 not reported in the Statement of Activities 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	\$ 4,229,089	
Depreciation expense	<u>(672,104)</u>	3,556,985

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. (67,392)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 2,778

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (66,547)

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	625,752	
Other postemployment benefits	<u>33,288</u>	<u>659,040</u>

**Changes in net assets of governmental activities (page 19)** \$ 2,997,496

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<b>Assets</b>		
Cash and pooled investments	\$ 21,312	34,792
Inventories	47,086	-
Capital assets, net of accumulated depreciation	98,812	-
Net OPEB asset	13,205	-
<b>Total assets</b>	<b>180,415</b>	<b>34,792</b>
<b>Liabilities</b>		
Accounts payable	191	-
Salaries and benefits payable	2,663	-
Unearned revenues	5,729	-
<b>Total liabilities</b>	<b>8,583</b>	<b>-</b>
<b>Net Assets</b>		
Invested in capital assets	98,812	-
Unrestricted	73,020	34,792
<b>Total net assets</b>	<b>\$ 171,832</b>	<b>34,792</b>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	Business Type	
	Enterprise Fund	Governmental Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 331,049	-
Miscellaneous	-	38,912
Total operating revenues	<u>331,049</u>	<u>38,912</u>
Operating expenses:		
Support services:		
Instructional staff:		
Supplies	3,430	-
Administration:		
Services	9,900	-
Supplies	61	-
Other	34	-
	<u>9,995</u>	<u>-</u>
Operation and maintenance of plant:		
Services	2,276	-
	<u>15,701</u>	<u>-</u>
Non-instructional programs:		
Food service programs:		
Salaries	270,950	-
Benefits	109,899	36,134
Services	425	-
Supplies	343,696	-
Depreciation	16,879	-
	<u>741,849</u>	<u>36,134</u>
Total operating expenses	<u>757,550</u>	<u>36,134</u>
Operating income (loss)	<u>(426,501)</u>	<u>2,778</u>
Non-operating revenues (expenses):		
Interest income	59	-
State sources	6,890	-
Federal sources	382,388	-
Loss on disposal of capital assets	(12,384)	-
Total non-operating revenues (expenses)	<u>376,953</u>	<u>-</u>
Change in net assets before capital contributions	(49,548)	2,778
Other financing sources:		
Capital contributions	23,762	-
Change in net assets	(25,786)	2,778
Net assets beginning of year	197,618	32,014
Net assets end of year	<u>\$ 171,832</u>	<u>34,792</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 328,266	-
Cash received from miscellaneous operating activities	-	38,912
Cash payments to employees for services	(379,876)	(36,134)
Cash payments to suppliers for goods or services	(312,512)	-
Net cash provided by(used in) operating activities	<u>(364,122)</u>	<u>2,778</u>
Cash flows from non-capital financing activities:		
State grants received	6,890	-
Federal grants received	342,286	-
Net cash provided by non-capital financing activities	<u>349,176</u>	<u>-</u>
Cash flows from capital financing activities:		
Acquisition of capital assets	(1,237)	-
Cash flows from investing activities:		
Interest on investment	59	-
Net increase(decrease) in cash and cash equivalents	(16,124)	2,778
Cash and cash equivalents at beginning of year	37,436	32,014
Cash and cash equivalents at end of year	<u>\$ 21,312</u>	<u>34,792</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (426,501)	2,778
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	40,102	-
Depreciation	16,879	-
Decrease in inventories	7,499	-
Increase in other postemployment benefits asset	(1,434)	-
Decrease in accounts payable	(291)	-
Increase in salaries and benefits payable	2,407	-
Decrease in unearned revenue	(2,783)	-
Net cash provided by(used in) operating activities	<u>\$ (364,122)</u>	<u>2,778</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$40,102 of federal commodities.

During the year ended June 30, 2012, the School Nutrition Fund received capital contributions from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$23,762.

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2012

	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	\$ 4,948
Accounts receivable	120
<b>Total Assets</b>	<u>5,068</u>
<b>Liabilities</b>	
Due to other groups	<u>5,068</u>
<b>Net Assets</b>	<u><u>\$ -</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**(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 reports the following nonmajor proprietary fund:

The Nutrition Fund is used to account for the food service operations of the District.

The District also reports one other proprietary fund:

The Internal Service Fund is used to account for the self-funded health insurance operations of the District.

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

The Agency Fund is used to account for assets 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$6,707,976 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Line of Credit**

During the year ended June 30, 2012, the District entered into an agreement with Iowa State Bank and Trust, whereas the District may borrow funds when necessary to provide temporary financing during periods of low cash flows. The line of credit was issued with an interest rate at 2%. Details of the District's activity for the year ended June 30, 2012 is as follows:

Fund	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Paid
General	-	1,000,000	1,000,000	-	3,068
School Nutrition	-	59,000	59,000	-	34
	\$ -	1,059,000	1,059,000	-	3,102

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects: Physical Plant and Equipment Levy	\$ 2,324
General	Special Revenue: Student Activity	4,825
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	326,311
Total		\$ 333,460

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

The transfer from Special Revenue: Student Activity Fund to reimburse the General Fund for expenses paid for student activities from the General Fund.

The Capital Projects: Statewide Sales, Services and Use Tax transfer to Debt Service was needed for principal and interest payments on the District's revenue bond indebtedness.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 333,547	24,999	28,909	329,637
Less accumulated depreciation	230,471	16,879	16,525	230,825
Business type activities capital assets, net	\$ 103,076	8,120	12,384	98,812

	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	421,718	3,805,613	831,547	3,395,784
Total capital assets not being depreciated	571,120	3,805,613	831,547	3,545,186
Capital assets being depreciated:				
Buildings	13,797,728	141,900	-	13,939,628
Land improvements	1,081,597	792,042	-	1,873,639
Machinery and equipment	3,347,767	321,081	108,002	3,560,846
Total capital assets being depreciated	18,227,092	1,255,023	108,002	19,374,113
Less accumulated depreciation for:				
Buildings	6,829,609	324,920	-	7,154,529
Land improvements	396,702	88,066	-	484,768
Machinery and equipment	2,693,125	259,118	108,002	2,844,241
Total accumulated depreciation	9,919,436	672,104	108,002	10,483,538
Total capital assets being depreciated, net	8,307,656	582,919	-	8,890,575
Governmental activities capital assets, net	\$ 8,878,776	4,388,532	831,547	12,435,761

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 37,883
Support services:		
Instructional staff		15,508
Operation and maintenance		15,186
Transportation		190,541
		259,118
Unallocated depreciation		412,986
Total governmental activities depreciation expense		\$ 672,104
Business Type activities:		
Food services		\$ 16,879

## (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 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	150,000
Early retirement	1,204,906	-	625,752	579,154	324,954
Total	\$ 5,534,906	-	625,752	4,909,154	474,954

Revenue Bonds

Details of the District's June 30, 2012 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
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	3.00		205,000	133,656	338,656
2018-2022	3.00-4.00		1,135,000	567,651	1,702,651
2023-2027	4.00		1,335,000	337,620	1,672,620
2028-2030	4.00-4.38		935,000	61,684	996,684
Total			\$ 4,330,000	1,679,785	6,009,785

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 20 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$6,009,785. For the current year, interest of \$101,087 was paid on the bonds and total statewide sales, services, and use tax revenues were \$1,492,116.

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

Prior to and including year ended June 30, 2010 the District offered 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 a monthly payment 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, 2012, totaled \$625,752.

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

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 retirees with more than 10 years for service but less than 15 and by 25% if the employee retirees 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, 2012, 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	(11,475)
Adjustment to annual required contribution	9,753
Annual OPEB cost	<u>116,278</u>
Contributions made	(151,000)
Increase in net OPEB obligation	<u>(34,722)</u>
Net OPEB obligation beginning of year	(255,000)
Net OPEB obligation end of year	<u><u>\$ (289,722)</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, 2012.

For the year ended June 30, 2012, the District contributed \$151,000 to the medical and explicit plans. Plan members eligible for benefits contributed \$266,000, or 63.79% 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 504,147	132.50%	\$ (246,853)
2011	115,853	107.03%	(255,000)
2012	116,278	129.86%	(289,722)

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, 2012, 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 \$10,689,080, and the ratio of the UAAL to covered payroll was 11.74%. As of June 30, 2012, 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 \$690 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 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$862,609, \$766,002, and \$763,177 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 \$658,723 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Construction Commitment**

The District has entered into contracts totaling \$5,599,438 for renovations and asbestos removal at Fairfield Middle School. As of June 30, 2012, costs of \$2,784,920 had been incurred against the contracts. The balance of \$2,814,518 remaining at June 30, 2012 will be paid as work on the project progresses.

**(12) Categorical Funding**

The District's ending restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Limited english proficient weighting	\$ 2,700
Gifted and talented	14,846
Dropout and dropout prevention	222,599
Teacher salary supplement	115,191
Teacher salary supplement, profession development, model core	41,338
Market factor incentives	8,363
Nonpublic textbook services	3
Teacher development academies	1,584
Market factor	1,000
Total restricted for categorical funding	\$ 407,624

**Fairfield Community School District**

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amount		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 12,126,674	331,108	12,457,782	12,561,105	12,561,105	(103,323)
State sources	8,755,712	6,890	8,762,602	8,921,373	8,921,373	(158,771)
Federal sources	886,655	382,388	1,269,043	1,306,000	1,306,000	(36,957)
Total revenues	<u>21,769,041</u>	<u>720,386</u>	<u>22,489,427</u>	<u>22,788,478</u>	<u>22,788,478</u>	<u>(299,051)</u>
Expenditures/expenses:						
Instruction	11,965,293	-	11,965,293	13,912,484	13,912,484	1,947,191
Support services	6,105,677	15,701	6,121,378	7,786,062	7,786,062	1,664,684
Non-instructional programs	15,075	754,233	769,308	936,765	936,765	167,457
Other expenditures	4,779,040	-	4,779,040	7,298,564	7,298,564	2,519,524
Total expenditures/expenses	<u>22,865,085</u>	<u>769,934</u>	<u>23,635,019</u>	<u>29,933,875</u>	<u>29,933,875</u>	<u>6,298,856</u>
Deficiency of revenues under expenditures/expenses	(1,096,044)	(49,548)	(1,145,592)	(7,145,397)	(7,145,397)	5,999,805
Other financing sources, net	8,676	23,762	32,438	4,345,000	4,345,000	(4,312,562)
Deficiency of revenues and other financing sources under expenditures/expenses	(1,087,368)	(25,786)	(1,113,154)	(2,800,397)	(2,800,397)	1,687,243
Balance beginning of year	8,566,272	197,618	8,763,890	2,796,944	2,796,944	5,966,946
Balance end of year	<u>\$ 7,478,904</u>	<u>171,832</u>	<u>7,650,736</u>	<u>(3,453)</u>	<u>(3,453)</u>	<u>7,654,189</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

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

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)
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%
2012	July 1, 2010	-	1,255,000	1,255,000	0.0%	10,689,080	11.74%

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS  
 COMPONENT UNIT  
 FEBRUARY 29, 2012

	Education Foundation of Fairfield Public Schools, Inc.
<b>Assets</b>	
Cash and pooled investments	\$ 888,251
<b>Liabilities</b>	-
<b>Net assets</b>	\$ 888,251

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
COMPONENT UNIT  
YEAR ENDED FEBRUARY 29, 2012

	Education Foundation of Fairfield Public Schools, Inc.
Revenues:	
Contributions, gifts, grants and similar amounts	\$ 26,534
Interest	21,392
Unrealized gain on investments	9,529
Total revenues	57,455
Expenses:	
Grants and similar amounts paid:	
Grants	56,374
Other:	
Advertising and promotion	92
Professional fees	1,086
Office expenses	276
Bank charges	486
Total expenses	58,314
Change in net assets	(859)
Net assets beginning of year	889,110
Net assets end of year	\$ 888,251

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue: Student Activity	Debt Service	Total
<b>Assets</b>			
Cash and pooled investments	\$ 242,599	225,829	468,428
Accounts receivable	2,946	-	2,946
<b>Total Assets</b>	<b>\$ 245,545</b>	<b>225,829</b>	<b>471,374</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 13,785	-	13,785
Fund balances:			
Restricted for:			
Student activities	231,760	-	231,760
Debt service	-	225,829	225,829
Total fund balances	231,760	225,829	457,589
<b>Total Liabilities and Fund Balances</b>	<b>\$ 245,545</b>	<b>225,829</b>	<b>471,374</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, 2012

	Special Revenue: Student Activity	Debt Service	Total
Revenues:			
Local sources:			
Other	\$ 367,159	92	367,251
Expenditures:			
Current:			
Instruction:			
Other	378,787	-	378,787
Long-term debt:			
Interest and fiscal charges	-	101,838	101,838
Total expenditures	378,787	101,838	480,625
Excess(Deficiency) of revenues over(under) expenditures	(11,628)	(101,746)	(113,374)
Other financing sources(uses):			
Transfer in	-	326,311	326,311
Transfer out	(4,825)	-	(4,825)
Total other financing sources(uses)	(4,825)	326,311	321,486
Net change in fund balance	(16,453)	224,565	208,112
Fund balances beginning of year	248,213	1,264	249,477
Fund balances end of year	\$ 231,760	225,829	457,589

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 5,156,354	166,466	5,322,820
Receivables:			
Property tax:			
Delinquent	-	10,272	10,272
Succeeding year	-	608,079	608,079
Accrued interest	123	-	123
Due from other governments	245,801	-	245,801
<b>Total Assets</b>	<b>\$ 5,402,278</b>	<b>784,817</b>	<b>6,187,095</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 2,118,459	-	2,118,459
Deferred revenue:			
Succeeding year property tax	-	608,079	608,079
Total liabilities	2,118,459	608,079	2,726,538
Fund balances:			
Restricted for:			
School infrastructure	2,938,038	-	2,938,038
Debt service	345,781	-	345,781
Physical plant and equipment	-	176,738	176,738
Total fund balances	3,283,819	176,738	3,460,557
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,402,278</b>	<b>784,817</b>	<b>6,187,095</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, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,492,116	387,716	1,879,832
Other	42,508	478	42,986
Total revenues	<u>1,534,624</u>	<u>388,194</u>	<u>1,922,818</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	6,492	6,492
Support services:			
Instructional staff	-	198,696	198,696
Administration	-	4,759	4,759
Operation and maintenance of plant	-	13,516	13,516
Transportation	-	172,067	172,067
	<u>-</u>	<u>389,038</u>	<u>389,038</u>
Capital outlay	4,018,479	-	4,018,479
Total expenditures	<u>4,018,479</u>	<u>395,530</u>	<u>4,414,009</u>
Excess (Deficiency) of revenues over (under) expenditures	(2,483,855)	(7,336)	(2,491,191)
Other financing uses:			
Transfer out	(326,311)	(2,324)	(328,635)
Net change in fund balance	(2,810,166)	(9,660)	(2,819,826)
Fund balances beginning of year	<u>6,093,985</u>	<u>186,398</u>	<u>6,280,383</u>
Fund balance end of year	<u>\$ 3,283,819</u>	<u>176,738</u>	<u>3,460,557</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, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Inter- & Intra- fund Transfers	Balance End of Year
HS Drama	\$ 6,939	9,150	11,392	4,697	9,394
MS Drama	4,352	618	517	346	4,799
HS Vocal Music	7,364	17,445	22,111	3,086	5,784
MS Vocal Music	5,901	1,435	1,455	346	6,227
HS Band 1000	12,341	10,199	11,882	3,086	13,744
MS Band	3,639	4,878	6,364	519	2,672
HS Musical	12,666	13,443	6,546		19,563
HS Athletics	71,458	123,014	148,627	8,847	54,692
MS Athletics	4,135	6,592	6,733	519	4,513
MS Archery	-	1,075	373	-	702
Cross Country Fundraising	232	496	305	-	423
Boys Basketball Fundraising	211	7,526	7,773	137	101
Football Unreserved Fund Balance	10,671	8,410	10,831	-	8,250
Boys Soccer Fund Balance	188	144	-	-	332
Baseball	4,385	3,609	3,829	-	4,165
Boys Track Fund Balance	627	288	542	-	373
Girls Basketball Fund Balance	45	6,236	4,979	-	1,302
Volleyball Fund Balance	976	5,032	5,012	-	996
Girls Soccer Fund Balance	188	144	-	-	332
Softball	-	304	-	-	304
Girls Tennis Fund Balance	911	1,382	1,272	-	1,021
HS Swim Team	-	2,497	2,253	-	244
MS Student Council	3,891	5,810	8,353	-	1,348
MS Activity Ticket	-	1,750	20	(1,730)	-
MS Cheerleader Org.	2,265	864	901	-	2,228
MS Yearbook	3,199	3,599	4,147	-	2,651
MS Interest	31	93	(718)	(842)	-
FMS Book Club	-	40	-	-	40
HS FBLA Club	5,823	8,903	8,758	2,200	8,168
HS FCA Club	5,764	-	-	-	5,764
HS Bowling	5,253	2,933	1,576	-	6,610
HS Concessions	-	31,680	21,670	(10,010)	-
HS Cheerleaders	1,196	1,546	2,655	-	87
HS Los Gringos	2,666	243	519	-	2,390
HS FFA	8,598	33,893	38,004	-	4,487
HS Dance-Drill	109	6,517	6,045	-	581
HS Quill	10,730	7,510	9,255	1,027	10,012
HS Student Council	14,855	5,106	5,840	-	14,121
HS Torch Club	3,007	-	737	587	2,857
HS Troy Banner Org.	1,874	-	643	587	1,818
HS SADD Club	2,631	-	-	-	2,631
HS Student Assembly	5,560	-	2,501	-	3,059
HS Class of 2015 Org.	-	-	63	126	63
HS Class 2014 Org.	2,332	-	18	126	2,440
HS Class 2013 Org.	3,170	3,699	3,133	126	3,862
HS Class 2012 Org.	2,927	-	732	126	2,321
HS Class 2011 Org.	507	-	-	(507)	-
Wall of Honor	2,246	290	1,679	-	857
HS Wrestling Cheerleading	1,355	-	627	-	728
HS French Club	2,980	614	675	-	2,919
HS Speech/Forensics	5,454	2,397	2,925	587	5,513
HS Thespians	66	-	-	-	66
HS Act. Ticket	-	20,780	210	(20,570)	-
HS Renaissance	2,495	4,975	5,023	1,759	4,206
<b>Total</b>	<b>\$ 248,213</b>	<b>367,159</b>	<b>378,787</b>	<b>(4,825)</b>	<b>231,760</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, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b><u>ADMINISTRATOR</u></b>				
Assets				
Cash and pooled investments	\$ 121	-	151	(30)
Accounts receivable	-	120	-	120
	<u>\$ 121</u>	<u>120</u>	<u>151</u>	<u>90</u>
Liabilities				
Due to other groups	\$ 121	120	151	90
<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	\$ 569	1	-	570
Liabilities				
Due to other groups	\$ 569	1	-	570
<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	10,500	23,227	-
Liabilities				
Due to other groups	\$ 12,727	10,500	23,227	-
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
Assets				
Cash and pooled investments	\$ 17,825	10,501	23,378	4,948
Accounts receivable	-	120	-	120
Net assets	<u>\$ 17,825</u>	<u>10,621</u>	<u>23,378</u>	<u>5,068</u>
Liabilities				
Due to other groups	\$ 17,825	10,620	23,378	5,068

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,			
	2012	2011	2010	2009
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 10,803,982	10,323,594	9,233,630	9,255,243
Tuition	635,410	541,314	589,988	581,512
Other	687,282	731,756	547,749	744,965
State sources	8,755,712	8,433,740	7,567,574	8,928,366
Federal sources	886,655	1,441,658	1,974,552	754,170
<b>Total</b>	<b>\$ 21,769,041</b>	<b>21,472,062</b>	<b>19,913,493</b>	<b>20,264,256</b>
<b>Expenditures:</b>				
Instruction:				
Regular	\$ 7,138,702	7,668,963	7,110,807	7,466,988
Special	2,781,656	2,749,978	2,820,252	2,573,731
Other	2,044,935	1,836,943	1,971,790	1,981,364
Support services:				
Student	522,116	575,131	492,078	496,017
Instructional staff	954,935	1,124,829	889,937	987,907
Administration	1,870,897	1,992,743	2,146,696	2,364,855
Operation and maintenance of plant	1,593,564	1,650,048	1,726,606	1,764,086
Transportation	1,164,165	1,123,555	1,073,776	1,089,731
Other	-	-	-	-
Non-instructional programs	15,075	18,635	14,820	15,262
Capital outlay	4,018,479	887,264	276,060	788,427
Long-term debt:				
Principal	-	55,062	52,557	57,687
Interest and other charges	101,838	2,625	5,130	-
Other expenditures:				
AEA flow-through	658,723	734,999	732,377	682,351
<b>Total</b>	<b>\$ 22,865,085</b>	<b>20,420,775</b>	<b>19,312,886</b>	<b>20,268,406</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

2008	2007	2006	2005	2004	2003
8,235,389	7,954,199	7,248,837	6,376,510	6,252,144	6,074,356
519,525	450,666	378,510	325,494	365,228	373,888
848,043	865,867	635,419	665,816	539,195	640,917
9,503,815	9,335,591	8,974,692	8,537,210	7,883,952	7,777,229
673,395	994,655	827,013	751,011	738,468	453,708
19,780,167	19,600,978	18,064,471	16,656,041	15,778,987	15,320,098
7,363,475	6,774,222	6,519,414	6,078,027	6,212,554	6,278,271
2,336,230	2,341,124	2,234,394	2,073,310	2,216,619	2,135,047
1,833,020	1,773,791	1,480,291	1,633,795	942,069	1,065,196
521,181	496,424	517,807	314,393	493,244	497,905
828,221	921,414	990,180	889,753	654,740	591,107
1,967,257	1,866,971	1,796,049	1,767,470	1,562,814	1,529,050
1,837,942	1,638,688	1,664,539	1,578,778	1,483,756	1,437,818
1,083,803	985,203	908,404	901,805	770,661	721,612
-	-	-	-	3,279	2,832
6,747	4,427	7,161	111,196	98,757	84,677
777,547	2,492,954	493,932	35,741	54,606	898
6,363	6,099	68,747	79,331	76,273	36,802
148	411	1,769	4,233	7,291	3,513
673,060	640,646	614,109	590,231	579,419	613,713
19,234,994	19,942,374	17,296,796	16,058,063	15,156,082	14,998,441

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 12	\$ 44,989
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	337,399 *
			<u>382,388</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	194,527
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2169-GC	237,545
TITLE I - SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 12	8,139
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 12	19,938
			<u>460,149</u>
CAREER AND TECHNICAL EDUCATION - BASIC STATE GRANTS	84.048	FY 12	<u>26,377</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 12	<u>2,584</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 12	<u>92,311</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 12	<u>10,728</u>
EDUCATION JOBS FUND	84.410	FY 12	<u>5,281</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 12	<u>96,791</u>
TOTAL			<u>\$ 1,076,609</u>

\* -Includes \$40,102 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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 2013. 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

The management of Fairfield Community School District is responsible for establishing and maintaining effective 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-12 through II-C-12 to be significant deficiencies.

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, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2013

**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, 2012. 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, 2012.

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 P.C." The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2013

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

**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 noted.
- (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 programs were as follows:
  - Clustered Programs:
    - Title I Cluster:
      - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
      - CFDA Number 84.010 - Schools in Need of Assistance (SINA)
      - CFDA Number 84.389 - ARRA - Title I Grants to Local Education Agencies, Recovery Act
    - Individual Program:
      - CFDA Number 84.367 - Improving Teacher Quality State Grants
- (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, 2012

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 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.

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

Response - The District is working to reconcile Infinite Campus reports to general ledger on a monthly basis.

Conclusion - Response accepted.

II-B-12 Student Activity Deposits- 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. We also noted during our audit that deposits for the Student Activity Fund were not being made until a week, or in some cases, a month after the money was received.

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. Additionally, all receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely.

Response - Procedures are being adjusted to include copies of back up data along with receipts when they are brought over from the other buildings. Three-part receipt books have been purchased for use in the other buildings so that one copy of the receipt can be given to the activity sponsor, one sent to central office, and one kept at the building.

Conclusion - Response accepted.

II-C-12 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student and adult lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families before writing the balances off of the books. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District is reviewing policies and techniques for collecting negative accounts. Free and reduced applications are offered to families with negative account balances.

Conclusion - Response accepted.

OTHER MATTERS:

II-D-12 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The District will follow a policy review schedule to insure timely review and approval.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

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

IV-A-12 Certified Budget - District disbursements for the year ended June 30, 2012, did not exceed the amount budgeted.

IV-B-12 Questionable Disbursements - We noted a disbursement for Chamber Bucks incentive prizes. Giving cash and/or cash equivalents to students as incentives or prizes do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - Cash, gift cards, and cash equivalents will not be used as incentives or prizes.

Conclusion - Response accepted.

IV-C-12 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-12 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	\$ 298
Gary Septer, Mechanic Owner of Midnight Crystal	Purchased Services	\$ 400

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.

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transactions with the District employee does not appear to represent a conflict of interest.

- IV-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use 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, 2012, 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 2012 audit:

Beginning balance		\$ 6,093,985
Revenues:		
Statewide sales and services tax	\$ 1,492,116	
Other local revenues	42,508	1,534,624
		<u>7,628,609</u>
Expenditures:		
School infrastructure construction	4,006,540	
Equipment	6,800	
Other	5,139	
Transfers to other funds		
Debt service fund	326,311	4,344,790
		<u>3,283,819</u>
Ending balance		\$ <u>3,283,819</u>

For the year ended June 30, 2012, 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-12 Student Activity Fund - We noted during our audit that the District awards scholarships to students from proceeds generated from activities recorded in the FFA account.

Recommendation - Scholarship awards to students are most appropriately handled through the Private Purpose Trust Fund. The District should determine the amount of scholarships to be awarded to students and receipt the proceeds and record subsequent expenditures in the Private Purpose Trust Fund.

Response - A Student Scholarship Fund has been established as suggested.

Conclusion - Response accepted.