

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

JUNE 30, 2013

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Fairfield Community School District

Officials

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

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:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the propose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of account policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 7 through 16, the Budgetary Comparison Information, the Schedule of Funding Progress for the Retiree Health Plan and the combining statements for the discretely presented component units on pages 42 through 46 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2014 on our consideration of Fairfield Community School District's internal control over financial reporting and on 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 in considering Fairfield Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 6, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fairfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$18,836,604 in fiscal 2012 to \$19,311,303 in fiscal 2013, while General Fund expenditures increased from \$16,906,502 in fiscal 2012 to \$17,425,741 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$2,067,093 in fiscal 2012 to \$3,952,655 in fiscal 2013, a 91.22% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and tuition revenue in fiscal 2013. The increase in expenditures was due primarily to an increase in staffing costs related to salaries and benefits.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position 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.

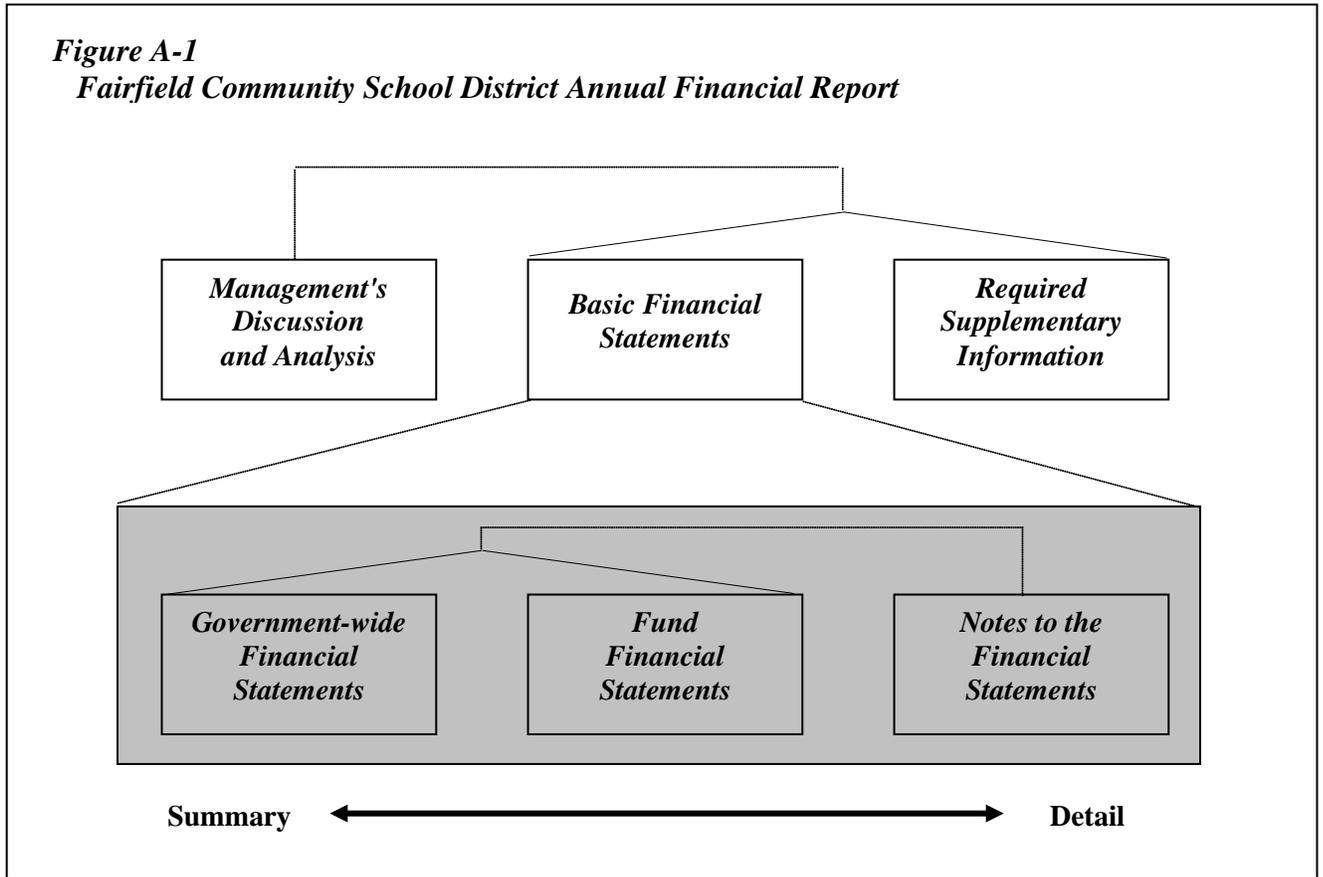


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – 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 position is 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 position, statement of revenues, expenses and changes in fund net position 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.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- 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 position and a statement of changes in fiduciary net position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 29,476,231	21,636,649	83,925	81,603	29,560,156	21,718,252	36.11%
Capital assets	15,353,226	12,435,761	83,870	98,812	15,437,096	12,534,573	23.16%
Total assets	44,829,457	34,072,410	167,795	180,415	44,997,252	34,252,825	31.37%
Long-term obligations	14,759,154	4,909,154	-	-	14,759,154	4,909,154	200.65%
Other liabilities	11,548,996	13,537,613	71,459	8,583	11,620,455	13,546,196	-14.22%
Total liabilities	26,308,150	18,446,767	71,459	8,583	26,379,609	18,455,350	42.94%
Net position:							
Invested in capital assets, net of related debt	11,173,226	8,105,761	83,870	98,812	11,257,096	8,204,573	37.21%
Restricted	3,131,816	5,240,281	-	-	3,131,816	5,240,281	-40.24%
Unrestricted	4,216,265	2,279,601	12,466	73,020	4,228,731	2,352,621	79.75%
Total net position	\$ 18,521,307	15,625,643	96,336	171,832	18,617,643	15,797,475	17.85%

The District's combined net position increased by 17.85%, or \$2,820,168, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the net investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$2,108,465 or 40.24% over the prior year. The decrease was due to a decrease in fund balance in the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,876,110 or 79.75%. The increase in unrestricted net position was due to the increase in the fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 1,337,498	1,017,736	313,438	331,049	1,650,936	1,348,785	22.40%
Operating grants and contributions and restricted interest	2,885,293	1,718,113	391,588	389,278	3,276,881	2,107,391	55.49%
Capital grants and contributions and restricted interest	50,000	26,850	-	23,762	50,000	50,612	-1.21%
General revenues:							
Property tax	9,245,152	8,897,319	-	-	9,245,152	8,897,319	3.91%
Income surtax	481,072	348,000	-	-	481,072	348,000	38.24%
Statewide sales, services and use tax	1,486,158	1,492,116	-	-	1,486,158	1,492,116	-0.40%
Unrestricted state grants	7,036,978	7,994,307	-	-	7,036,978	7,994,307	-11.98%
Nonspecific program federal grants	-	5,281	-	-	-	5,281	-100.00%
Unrestricted investment earnings	7,744	9,768	39	59	7,783	9,827	-20.80%
Other	285,411	193,004	-	-	285,411	193,004	47.88%
Total revenues	22,815,306	21,702,494	705,065	744,148	23,520,371	22,446,642	4.78%
Program expenses:							
Governmental activities:							
Instruction	12,095,889	11,463,494	-	-	12,095,889	11,463,494	5.52%
Support services	6,233,897	5,998,340	9,507	15,701	6,243,404	6,014,041	3.81%
Non-instructional programs	14,877	2,225	771,054	754,233	785,931	756,458	3.90%
Other expenses	1,574,979	1,240,939	-	-	1,574,979	1,240,939	26.92%
Total expenses	19,919,642	18,704,998	780,561	769,934	20,700,203	19,474,932	6.29%
Increase(Decrease) in net position	2,895,664	2,997,496	(75,496)	(25,786)	2,820,168	2,971,710	-5.10%
Net position beginning of year	15,625,643	12,628,147	171,832	197,618	15,797,475	12,825,765	23.17%
Net position end of year	\$ 18,521,307	15,625,643	96,336	171,832	18,617,643	15,797,475	17.85%

In fiscal 2013, property tax, statewide sales, services and use tax, operating grants, contributions, and restricted interest, and unrestricted state grants account for 90.53% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$23.52 million of which approximately \$22.81 million was for governmental activities and approximately \$0.71 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 4.78% increase in revenues and a 6.29% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$22,815,306 and expenses were \$19,919,642.

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 for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 12,095,889	11,463,494	5.52%	8,544,978	9,401,943	-9.11%
Support services	6,233,897	5,998,340	3.93%	6,174,492	5,955,915	3.67%
Non-instructional	14,877	2,225	568.63%	14,877	2,225	568.63%
Other expenses	1,574,979	1,240,939	26.92%	912,504	582,216	56.73%
Totals	\$ 19,919,642	18,704,998	6.49%	15,646,851	15,942,299	-1.85%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,337,498.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,935,293.
- The net cost of governmental activities was financed with \$9,245,152 in property tax, \$481,072 in income surtax, \$1,486,158 in statewide sales and services tax, \$7,036,978 in unrestricted state grants, \$7,744 in interest income and \$285,411 in other general revenues.

Business Type Activities

Revenues for the District's business type activities were \$705,065 and expenses were \$780,561. 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 \$17,309,054, above last year's ending fund balances of \$7,478,904. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increase in the Capital Projects Fund balance. The District issued \$10 million in general obligation bonds in June 2013 for an addition/renovation project at the high school with the bond issuance costs as the only amount spent from the bond proceeds.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in local tax, tuition and federal source revenues during the year resulted in an increase in revenues. The increase in General Fund revenues was more than enough to offset the increase in General Fund expenditures thus ensuring the increase in financial position of the District from \$2,067,093 at June 30, 2012 to \$3,952,655 at June 30, 2013.
- The Capital Projects Fund balance increased from \$3,460,557 in fiscal 2012 to \$11,475,712 in fiscal 2013. The increase in Capital Projects Fund balance is due to the District issuing \$10 million in general obligation bonds near the year end without the opportunity of expending it for capital construction.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$171,832 at June 30, 2012 to \$96,336 at June 30, 2013, representing a decrease of 43.94%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$492,602 more than budgeted revenues, a variance of 2.14%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$15,437,096, 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 23.16% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,034,427.

The original cost of the District's capital assets was \$26.94 million. Governmental funds account for \$26.61 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 \$3,395,784 at June 30, 2012, compared to \$138,638 reported at June 30, 2013. This decrease resulted primarily from the completion of the mechanical upgrades and asbestos removal at the middle school. The amount for construction in progress at June 30, 2013 relates to architectural costs associated with the addition/renovation project at the high school.

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,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 149,402	149,402	-	-	149,402	149,402	0.00%
Construction in progress	138,638	3,395,784	-	-	138,638	3,395,784	-95.92%
Buildings	12,898,028	6,785,099	-	-	12,898,028	6,785,099	90.09%
Land improvements	1,397,827	1,388,871	-	-	1,397,827	1,388,871	0.64%
Machinery and equipment	769,331	716,605	83,870	98,812	853,201	815,417	4.63%
Total	\$ 15,353,226	12,435,761	83,870	98,812	15,437,096	12,534,573	23.16%

Long-Term Debt

At June 30, 2013, the District had \$14,759,154 in other long-term debt outstanding. This represents an increase of 200.65% 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 general obligation bonds payable of \$10,000,000 at June 30, 2013.

The District had total outstanding revenue bonds payable of \$4,180,000 at June 30, 2013 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, 2013.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		
	Activities		
	June 30,	June 30,	June 30,
	2013	2012	2012-13
General obligation bonds	\$ 10,000,000	-	100.00%
Revenue bonds	4,180,000	4,330,000	-3.46%
Termination benefits	579,154	579,154	0.00%
Total	\$ 14,759,154	4,909,154	200.65%

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:

- Even though the District has been experiencing declining enrollment, several new programs have been established allowing more opportunities for student success:
 - a) The Fairfield Area Career Academy allows Fairfield High School students as well as students from surrounding areas to enroll in college credit coursework in three occupation strands that were selected with input from area business and industry: industrial maintenance, business, and health occupations.

-
- b) Young House, Fairfield is a behavioral program offered in cooperation with Young House Family Services of Burlington. Hosting its own behavior program has helped the district improve transitions for students with serious behavior needs and eliminated transportation to similar programs in other districts. Fairfield Community School District has been able to offer the program to area districts with these needs, too.
 - c) The District continues to offer high school credit through the Opportunity Center, an alternative program for students who have been struggling to succeed at the main campus. Students are able to focus on one or two courses at a time, using online software called E2020 for the curriculum. Some students who attend a morning or afternoon session at the Opportunity Center have a hybrid schedule, attending the career academy or main campus part of the day while others seek part-time employment.
 - d) The District continues to increase the Pre-School Program offered at Washington Elementary, allowing greater attendance and appropriate programming. A recent site visit certified the program according to Iowa Quality Preschool Program Standards.
- The District is also experiencing an increase in the number of students attending through the open enrollment option from neighboring communities.
 - The District has a positive relationship with community leaders through the Fairfield Economic Development Association. This organization works to promote business development in and around Fairfield. Another community partnership is with the Fairfield Area Manufacturer's Association. This group has shown increasing involvement with our Project Lead the Way program. Several local business/industry partners serve on the PLTW Advisory. To date this school year, community partners have donated \$8,900.00 to support the Project Lead the Way program. The Fairfield Education Foundation also gave a \$2,199.00 grant to PLTW for a 3D printer, part of over \$16,000 in the fall grant awards to the school from the foundation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kimberly Sheets, District Secretary/Treasurer and Business Manager, Fairfield Community School District, 403 South 20th Street, Fairfield, Iowa, 52556-2996.

BASIC FINANCIAL STATEMENTS

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit +
	Governmental Activities	Business Type Activities	Total	Education Foundation of Fairfield Public Schools, Inc.
ASSETS				
Cash and pooled investments	\$ 18,578,362	37,990	18,616,352	955,237
Receivables:				
Property tax:				
Delinquent	144,674	-	144,674	-
Succeeding year	9,286,090	-	9,286,090	-
Income surtax	413,941	-	413,941	-
Accounts	57,111	31	57,142	-
Accrued interest	158	-	158	-
Due from other governments	752,355	-	752,355	-
Inventories	-	34,722	34,722	-
Capital assets, net of accumulated depreciation	15,353,226	83,870	15,437,096	-
Net OPEB asset	243,540	11,182	254,722	-
TOTAL ASSETS	44,829,457	167,795	44,997,252	955,237
LIABILITIES				
Accounts payable	398,607	3,893	402,500	-
Salaries and benefits payable	1,545,113	3,559	1,548,672	-
Interest payable	76,692	-	76,692	-
Deferred revenue:				
Succeeding year property tax	9,286,090	-	9,286,090	-
Other	242,494	-	242,494	-
Unearned revenue	-	11,007	11,007	-
On demand line of credit	-	53,000	53,000	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	345,000	-	345,000	-
Revenue bonds payable	175,000	-	175,000	-
Termination benefits payable	324,954	-	324,954	-
Portion due after one year:				
General obligation bonds payable	9,655,000	-	9,655,000	-
Revenue bonds payable	4,005,000	-	4,005,000	-
Termination benefits payable	254,200	-	254,200	-
TOTAL LIABILITIES	26,308,150	71,459	26,379,609	-
NET POSITION				
Investment in capital assets, net of related debt	11,173,226	83,870	11,257,096	-
Restricted for:				
Categorical funding	431,263	-	431,263	-
Debt service	518,416	-	518,416	-
Management levy purposes	845,337	-	845,337	-
Student activities	206,869	-	206,869	-
School infrastructure	707,776	-	707,776	-
Physical plant and equipment	422,155	-	422,155	-
Unrestricted	4,216,265	12,466	4,228,731	955,237
TOTAL NET POSITION	\$ 18,521,307	96,336	18,617,643	955,237

+ Component year end is February 28, 2013.

SEE NOTES TO FINANCIAL STATEMENTS.

**FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position			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		
Governmental activities:								
Instruction:								
Regular	\$ 7,012,265	522,259	916,255	-	(5,573,751)	-	(5,573,751)	-
Special	3,005,802	335,542	489,283	-	(2,180,977)	-	(2,180,977)	-
Other	2,077,822	472,102	815,470	-	(790,250)	-	(790,250)	-
	<u>12,095,889</u>	<u>1,329,903</u>	<u>2,221,008</u>	<u>-</u>	<u>(8,544,978)</u>	<u>-</u>	<u>(8,544,978)</u>	<u>-</u>
Support services:								
Student	459,078	-	-	-	(459,078)	-	(459,078)	-
Instructional staff	896,604	-	-	-	(896,604)	-	(896,604)	-
Administration	1,881,485	-	-	-	(1,881,485)	-	(1,881,485)	-
Operation and maintenance of plant	1,811,807	-	-	50,000	(1,761,807)	-	(1,761,807)	-
Transportation	1,184,923	7,595	1,810	-	(1,175,518)	-	(1,175,518)	-
	<u>6,233,897</u>	<u>7,595</u>	<u>1,810</u>	<u>50,000</u>	<u>(6,174,492)</u>	<u>-</u>	<u>(6,174,492)</u>	<u>-</u>
Non-instructional programs:								
Food service operations	14,877	-	-	-	(14,877)	-	(14,877)	-
Long-term debt interest	152,507	-	-	-	(152,507)	-	(152,507)	-
Other expenditures:								
AEA flowthrough	662,475	-	662,475	-	-	-	-	-
Depreciation(unallocated)*	759,997	-	-	-	(759,997)	-	(759,997)	-
	<u>1,422,472</u>	<u>-</u>	<u>662,475</u>	<u>-</u>	<u>(759,997)</u>	<u>-</u>	<u>(759,997)</u>	<u>-</u>
Total governmental activities	<u>19,919,642</u>	<u>1,337,498</u>	<u>2,885,293</u>	<u>50,000</u>	<u>(15,646,851)</u>	<u>-</u>	<u>(15,646,851)</u>	<u>-</u>
Business type activities:								
Support services								
Administration	5,957	-	-	-	-	(5,957)	(5,957)	-
Operation and maintenance of plant	3,550	-	-	-	-	(3,550)	(3,550)	-
	<u>9,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,507)</u>	<u>(9,507)</u>	<u>-</u>
Non-instructional programs:								
Nutrition services	771,054	313,438	391,588	-	-	(66,028)	(66,028)	-
	<u>780,561</u>	<u>313,438</u>	<u>391,588</u>	<u>-</u>	<u>-</u>	<u>(75,535)</u>	<u>(75,535)</u>	<u>-</u>
Total primary government	<u>\$ 20,700,203</u>	<u>1,650,936</u>	<u>3,276,881</u>	<u>50,000</u>	<u>(15,646,851)</u>	<u>(75,535)</u>	<u>(15,722,386)</u>	<u>-</u>
Total component unit	<u>\$ 51,310</u>	<u>-</u>	<u>26,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,971)</u>	<u>-</u>
General Revenues:								
Property tax levied for:								
General purposes				\$ 8,636,530	-	8,636,530	-	
Capital outlay				608,622	-	608,622	-	
Income surtax				481,072	-	481,072	-	
Statewide sales, services and use tax				1,486,158	-	1,486,158	-	
Unrestricted state grants				7,036,978	-	7,036,978	-	
Unrestricted investment earnings				7,744	39	7,783	21,896	
Realized gain on investments				-	-	-	4,792	
Unrealized gain on investments				-	-	-	65,269	
Gain on sale of assets				13,909	-	13,909	-	
Other general revenues				271,502	-	271,502	-	
				<u>18,542,515</u>	<u>39</u>	<u>18,542,554</u>	<u>91,957</u>	
Total general revenues				<u>18,542,515</u>	<u>39</u>	<u>18,542,554</u>	<u>91,957</u>	
Change in net position				<u>2,895,664</u>	<u>(75,496)</u>	<u>2,820,168</u>	<u>66,986</u>	
Net position beginning of year				<u>15,625,643</u>	<u>171,832</u>	<u>15,797,475</u>	<u>888,251</u>	
Net position end of year				<u>\$ 18,521,307</u>	<u>96,336</u>	<u>18,617,643</u>	<u>955,237</u>	

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

+ The component unit year end is February 28, 2012.

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 5,348,152	11,312,489	1,880,329	18,540,970
Receivables:				
Property tax:				
Delinquent	123,302	9,451	11,921	144,674
Succeeding year	7,397,667	633,285	1,255,138	9,286,090
Income surtax	413,941	-	-	413,941
Accounts	46,025	-	11,086	57,111
Accrued interest	-	-	158	158
Due from other governments	515,897	236,458	-	752,355
TOTAL ASSETS	\$ 13,844,984	12,191,683	3,158,632	29,195,299
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 293,114	82,686	22,807	398,607
Salaries and benefits payable	1,545,113	-	-	1,545,113
Deferred revenue:				
Succeeding year property tax	7,397,667	633,285	1,255,138	9,286,090
Income surtax	413,941	-	-	413,941
Other	242,494	-	-	242,494
Total liabilities	9,892,329	715,971	1,277,945	11,886,245
Fund balances:				
Restricted for:				
Categorical funding	431,263	-	-	431,263
Debt service	-	345,781	249,327	595,108
Management levy purposes	-	-	1,424,491	1,424,491
Student activities	-	-	206,869	206,869
School infrastructure	-	10,707,776	-	10,707,776
Physical plant and equipment	-	422,155	-	422,155
Unassigned	3,521,392	-	-	3,521,392
Total fund balances	3,952,655	11,475,712	1,880,687	17,309,054
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,844,984	12,191,683	3,158,632	29,195,299

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	17,309,054
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		15,353,226
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		37,392
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		413,941
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.		(76,692)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		243,540
Long-term liabilities, including general obligation bonds payable, revenue bonds payable and termination benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(14,759,154)
		(14,759,154)
Net position of governmental activities(page 18)	\$	18,521,307
		18,521,307

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 8,326,908	2,094,780	761,392	11,183,080
Tuition	798,838	-	-	798,838
Other	331,834	182,737	435,792	950,363
State sources	8,852,339	-	-	8,852,339
Federal sources	987,475	-	-	987,475
TOTAL REVENUES	19,297,394	2,277,517	1,197,184	22,772,095
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,612,517	-	507,985	7,120,502
Special	3,069,967	-	-	3,069,967
Other	1,654,345	-	449,421	2,103,766
	11,336,829	-	957,406	12,294,235
Support services:				
Student	456,812	-	4,459	461,271
Instructional staff	719,890	139,899	41,579	901,368
Administration	1,736,545	8,871	153,702	1,899,118
Operation and maintenance of plant	1,552,989	23,142	80,915	1,657,046
Transportation	960,201	191,720	38,289	1,190,210
	5,426,437	363,632	318,944	6,109,013
Non-instructional programs:				
Food service operations	-	-	14,877	14,877
Capital outlay	-	3,606,610	-	3,606,610
Long-term debt:				
Principal	-	-	150,000	150,000
Interest and fiscal charges	-	-	151,631	151,631
	-	-	301,631	301,631
Other expenditures:				
AEA flowthrough	662,475	-	-	662,475
TOTAL EXPENDITURES	17,425,741	3,970,242	1,592,858	22,988,841
Excess(Deficiency) of revenues over(under) expenditures	1,871,653	(1,692,725)	(395,674)	(216,746)
Other financing sources(uses):				
Transfer in	-	-	325,107	325,107
Transfer out	-	(325,107)	-	(325,107)
General obligation bond issuance	-	10,000,000	-	10,000,000
Premium on general obligation bond issuance	-	215,987	-	215,987
Discount on general obligation bond issuance	-	(183,000)	-	(183,000)
Sale of capital assets	13,909	-	-	13,909
Total other financing sources(uses)	13,909	9,707,880	325,107	10,046,896
Change in fund balances	1,885,562	8,015,155	(70,567)	9,830,150
Fund balances beginning of year	2,067,093	3,460,557	1,951,254	7,478,904
Fund balances end of year	\$ 3,952,655	11,475,712	1,880,687	17,309,054

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, 2013

Change in fund balances - total governmental funds(page 22) \$ 9,830,150

*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	\$ 3,937,283	
Depreciation expense	<u>(1,019,818)</u>	2,917,465

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

Issued	\$ (10,000,000)	
Repaid	<u>150,000</u>	(9,850,000)

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. (876)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 2,600

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 29,302

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.

Other postemployment benefits (32,977)

Change in net position of governmental activities(page 19) \$ 2,895,664

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	Business Type Activities:	Governmental Activities:
	Enterprise Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 37,990	37,392
Accounts receivable	31	-
Inventories	34,722	-
Total current assets	<u>72,743</u>	<u>37,392</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	83,870	-
Net OPEB asset	11,182	-
Total non-current assets	<u>95,052</u>	<u>-</u>
TOTAL ASSETS	<u>167,795</u>	<u>37,392</u>
LIABILITIES		
Current liabilities:		
Accounts payable	3,893	-
Salaries and benefits payable	3,559	-
Unearned revenue	11,007	-
On demand line of credit	53,000	-
Total current liabilities	<u>71,459</u>	<u>-</u>
TOTAL LIABILITIES	<u>71,459</u>	<u>-</u>
NET POSITION		
Invested in capital assets	83,870	-
Unrestricted	12,466	37,392
TOTAL NET POSITION	<u>\$ 96,336</u>	<u>37,392</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 313,438	-
Donations	14	-
Miscellaneous	-	38,977
Total operating revenues	<u>313,452</u>	<u>38,977</u>
Operating expenses:		
Support services:		
Administration:		
Services	5,682	-
Supplies	275	-
	<u>5,957</u>	<u>-</u>
Operation and maintenance of plant:		
Services	3,550	-
	<u>9,507</u>	<u>-</u>
Non-instructional programs:		
Food service programs:		
Salaries	285,123	-
Benefits	123,171	36,377
Services	375	-
Supplies	346,383	-
Depreciation	14,609	-
	<u>769,661</u>	<u>36,377</u>
Total operating expenses	<u>779,168</u>	<u>36,377</u>
Operating income(loss)	<u>(465,716)</u>	<u>2,600</u>
Non-operating revenues(expenses):		
Interest income	39	-
State sources	6,292	-
Federal sources	385,282	-
On demand line of credit interest expense	(1,060)	-
Loss on disposal of capital assets	(333)	-
Total non-operating revenues(expenses)	<u>390,220</u>	<u>-</u>
Increase(Decrease) in net position	(75,496)	2,600
Net position beginning of year	<u>171,832</u>	<u>34,792</u>
Net position end of year	<u>\$ 96,336</u>	<u>37,392</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 318,685	-
Cash received from donations	14	-
Cash received from miscellaneous operating activities	-	38,977
Cash payments to employees for services	(405,375)	(36,377)
Cash payments to suppliers for goods or services	(304,720)	-
Net cash provided by(used in) operating activities	<u>(391,396)</u>	<u>2,600</u>
Cash flows from non-capital financing activities:		
State grants received	6,292	-
Federal grants received	349,803	-
Net cash provided by non-capital financing activities	<u>356,095</u>	<u>-</u>
Cash flows from capital financing activities:		
Proceeds from on demand line of credit	53,000	-
Interest paid for on demand line of credit	(1,060)	-
Net cash provided by capital financing activities	<u>51,940</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investment	39	-
Net increase in cash and cash equivalents	16,678	2,600
Cash and cash equivalents at beginning of year	21,312	34,792
Cash and cash equivalents at end of year	<u>\$ 37,990</u>	<u>37,392</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (465,716)	2,600
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	35,479	-
Depreciation	14,609	-
Decrease in inventories	12,364	-
Increase in accounts receivable	(31)	-
Decrease in other postemployment benefits asset	2,023	-
Increase in accounts payable	3,702	-
Increase in salaries and benefits payable	896	-
increase in unearned revenue	5,278	-
Net cash provided by(used in) operating activities	<u>\$ (391,396)</u>	<u>2,600</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$35,479 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust	Agency
	Scholarship	
ASSETS		
Cash and pooled investments	\$ 3,303	5,068
LIABILITIES		
Accounts payable	2,650	-
Due to other groups	-	5,068
TOTAL LIABILITIES	2,650	5,068
NET POSITION		
Restricted for scholarships	\$ 653	-

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Contributions	\$ 3,803
DEDUCTIONS:	
Non-instructional programs:	
Scholarships awarded	3,150
Change in net position	653
Net position beginning of year	-
Net position end of year	\$ 653

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 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 Position 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has 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 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 position and changes in net position. The District's fiduciary funds include the following:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions 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.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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 Position 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 Position 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 Position.

Fund Balances - 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.

E. Budgeting and Budgetary Control

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

Note 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$14,421,990 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.

Note 3. On Demand Line of Credit

During the year ended June 30, 2013, 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, 2013 is as follows:

Fund	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Paid
Capital Projects:					
Physical Plant & Equipment Levy	\$ -	139,000	139,000	-	424
School Nutrition	-	53,000	-	53,000	1,060
Total	<u>\$ -</u>	<u>192,000</u>	<u>139,000</u>	<u>53,000</u>	<u>1,484</u>

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 325,107</u>

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

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 149,402	-	-	149,402
Construction in progress	3,395,784	3,307,343	6,564,489	138,638
Total capital assets not being depreciated	<u>3,545,186</u>	<u>3,307,343</u>	<u>6,564,489</u>	<u>288,040</u>
Capital assets being depreciated:				
Buildings	13,939,628	6,587,051	-	20,526,679
Land improvements	1,873,639	100,147	-	1,973,786
Machinery and equipment	3,560,846	507,231	245,657	3,822,420
Total capital assets being depreciated	<u>19,374,113</u>	<u>7,194,429</u>	<u>245,657</u>	<u>26,322,885</u>
Less accumulated depreciation for:				
Buildings	7,154,529	474,122	-	7,628,651
Land improvements	484,768	91,191	-	575,959
Machinery and equipment	2,844,241	454,505	245,657	3,053,089
Total accumulated depreciation	<u>10,483,538</u>	<u>1,019,818</u>	<u>245,657</u>	<u>11,257,699</u>
Total capital assets being depreciated, net	<u>8,890,575</u>	<u>6,174,611</u>	<u>-</u>	<u>15,065,186</u>
Governmental activities capital assets, net	<u>\$ 12,435,761</u>	<u>9,481,954</u>	<u>6,564,489</u>	<u>15,353,226</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 329,637	-	4,683	324,954
Less accumulated depreciation	230,825	14,609	4,350	241,084
Business type activities capital assets, net	<u>\$ 98,812</u>	<u>(14,609)</u>	<u>333</u>	<u>83,870</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 23,004
Other		23,271
Support services:		
Instructional staff		2,139
Administration		21,534
Operation and maintenance		9,610
Transportation		180,263
		<u>259,821</u>
Unallocated depreciation		<u>759,997</u>
Total governmental activities depreciation expense		<u>\$ 1,019,818</u>
Business type activities:		
Food services		<u>\$ 14,609</u>

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ -	10,000,000	-	10,000,000	345,000
Revenue bonds	4,330,000	-	150,000	4,180,000	175,000
Termination benefits *	579,154	-	-	579,154	324,954
Total	<u>\$ 4,909,154</u>	<u>10,000,000</u>	<u>150,000</u>	<u>14,759,154</u>	<u>844,954</u>

* Termination benefits that were to be paid during the year ended June 30, 2013 were shown as paid during the year ended June 30, 2012, therefore no termination deletions are shown above.

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	General obligation bond dated June 27, 2013			
	Interest Rate	Principal	Interest	Total
2014	2.00 %	\$ 345,000	244,676	589,676
2015	2.00	405,000	282,848	687,848
2016	2.00	410,000	274,747	684,747
2017	2.00	420,000	266,548	686,548
2018	2.00	430,000	258,147	688,147
2019-2023	2.00-3.00	2,280,000	1,144,988	3,424,988
2024-2028	3.00-3.15	2,630,000	796,737	3,426,737
2029-2033	3.30-3.80	3,080,000	345,482	3,425,482
Total		<u>\$ 10,000,000</u>	<u>3,614,173</u>	<u>13,614,173</u>

Revenue Bonds

Details of the District's June 30, 2013 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
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	3.00		215,000	127,356	342,356
2019-2023	3.00-4.00		1,170,000	528,839	1,698,839
2024-2028	4.00-4.25		1,385,000	282,845	1,667,845
2029-2030	4.25-4.38		635,000	27,915	662,915
Total			<u>\$ 4,180,000</u>	<u>1,529,654</u>	<u>5,709,654</u>

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 22 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,709,654. For the current year, principal of \$150,000 and interest of \$150,131 was paid on the bonds and total statewide sales, services, and use tax revenues were \$1,486,158.

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.

Termination Benefits - (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, 2013, totaled \$0.

Note 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 279 active and 21 retired members in the plan. Participants must be age 55 or older at retirement.

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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 152,000
Interest on net OPEB obligation	(13,000)
Adjustment to annual required contribution	<u>11,000</u>
Annual OPEB cost	150,000
Contributions made	<u>(115,000)</u>
Increase in net OPEB obligation	35,000
Net OPEB obligation beginning of year	(289,722)
Net OPEB obligation end of year	<u><u>\$ (254,722)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$115,000 to the medical and explicit plans. Plan members eligible for benefits contributed \$180,000, or 61.02% 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 115,853	107.03%	\$ (255,000)
2012	116,278	129.86%	(289,722)
2013	150,000	76.67%	(254,722)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,289,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,289,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,823,020, and the ratio of the UAAL to covered payroll was 13.12%. As of June 30, 2013, 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, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10.0%. 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 projected to 2015 using Scale AA, 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, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are for the \$526 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.

Note 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 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$932,097, \$862,609, and \$766,002 respectively, equal to the required contributions for each year.

Note 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.

Note 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 \$662,475 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitment

During the year ended June 30, 2013 the District has architectural costs of \$138,638 for an addition and renovation project at the high school.

Note 12. Categorical Funding

The District's ending restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 6,948
Dropout and dropout prevention	290,237
Four-year-old preschool state aid	2,267
Teacher salary supplement	76,846
Teacher salary supplement, profession development, model core	47,406
Market factor incentives	6,617
Textbook aid for nonpublic students	66
Teacher development academies	876
Total restricted for categorical funding	<u>\$ 431,263</u>

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, 2013

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amount		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 12,932,281	313,491	13,245,772	12,768,408	12,768,408	477,364
State sources	8,852,339	6,292	8,858,631	8,921,150	8,921,150	(62,519)
Federal sources	987,475	385,282	1,372,757	1,295,000	1,295,000	77,757
Total revenues	<u>22,772,095</u>	<u>705,065</u>	<u>23,477,160</u>	<u>22,984,558</u>	<u>22,984,558</u>	<u>492,602</u>
Expenditures/expenses:						
Instruction	12,294,235	-	12,294,235	16,493,490	16,493,490	4,199,255
Support services	6,109,013	9,507	6,118,520	7,224,982	7,224,982	1,106,462
Non-instructional programs	14,877	771,054	785,931	945,453	945,453	159,522
Other expenditures	4,570,716	-	4,570,716	7,078,709	7,078,709	2,507,993
Total expenditures/expenses	<u>22,988,841</u>	<u>780,561</u>	<u>23,769,402</u>	<u>31,742,634</u>	<u>31,742,634</u>	<u>7,973,232</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(216,746)	(75,496)	(292,242)	(8,758,076)	(8,758,076)	8,465,834
Other financing sources, net	<u>10,046,896</u>	-	<u>10,046,896</u>	<u>329,132</u>	<u>329,132</u>	<u>9,717,764</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	9,830,150	(75,496)	9,754,654	(8,428,944)	(8,428,944)	18,183,598
Balance beginning of year	<u>7,478,904</u>	<u>171,832</u>	<u>7,650,736</u>	<u>8,428,944</u>	<u>8,428,944</u>	<u>(778,208)</u>
Balance end of year	<u>\$ 17,309,054</u>	<u>96,336</u>	<u>17,405,390</u>	<u>-</u>	<u>-</u>	<u>17,405,390</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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)
2009	July 1, 2008	\$ -	4,642,000	\$ 4,642,000	0.0%	\$ 9,686,702	47.92%
2010	July 1, 2008	-	4,642,000	4,642,000	0.0%	10,390,478	44.68%
2011	July 1, 2010	-	1,255,000	1,255,000	0.0%	10,084,981	12.44%
2012	July 1, 2010	-	1,255,000	1,255,000	0.0%	10,689,080	11.74%
2013	July 1, 2012	-	1,289,000	1,289,000	0.0%	9,823,020	13.12%

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 POSITION - CASH BASIS
 COMPONENT UNIT
 FEBRUARY 28, 2013

		Education Foundation of Fairfield Public Schools, Inc.
Assets		
Cash and pooled investments	\$	955,237
Liabilities		-
Net position	\$	955,237

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNIT
YEAR ENDED FEBRUARY 28, 2013

	Education Foundation of Fairfield Public Schools, Inc.
REVENUES:	
Contributions	\$ 26,339
Interest	21,896
Unrealized gain on investments	65,269
Realized gain on investments	4,792
TOTAL REVENUES	118,296
EXPENSES:	
Grants to organizations	28,289
Grants to individuals	21,530
Accounting services	1,106
Advertising and promotion	92
Office expenses	140
Bank charges	153
TOTAL EXPENSES	51,310
Change in net position	66,986
Net position beginning of year	888,251
Net position end of year	\$ 955,237

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 1,412,445	218,557	1,631,002	249,327	1,880,329
Receivables:					
Property tax:					
Delinquent	11,921	-	11,921	-	11,921
Succeeding year	650,000	-	650,000	605,138	1,255,138
Accounts	-	11,086	11,086	-	11,086
Accrued interest	125	33	158	-	158
TOTAL ASSETS	\$ 2,074,491	229,676	2,304,167	854,465	3,158,632
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	22,807	22,807	-	22,807
Deferred revenue:					
Succeeding year property tax	650,000	-	650,000	605,138	1,255,138
Total liabilities	650,000	22,807	672,807	605,138	1,277,945
Fund balances:					
Restricted for:					
Debt service	-	-	-	249,327	249,327
Management levy purposes	1,424,491	-	1,424,491	-	1,424,491
Student activities	-	206,869	206,869	-	206,869
Total fund balances	1,424,491	206,869	1,631,360	249,327	1,880,687
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,074,491	229,676	2,304,167	854,465	3,158,632

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, 2013

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 761,392	-	761,392	-	761,392
Other	11,240	424,530	435,770	22	435,792
TOTAL REVENUES	772,632	424,530	1,197,162	22	1,197,184
EXPENDITURES:					
Current:					
Instruction:					
Regular	507,985	-	507,985	-	507,985
Other	-	449,421	449,421	-	449,421
Support services:					
Student	4,459	-	4,459	-	4,459
Instructional staff	41,579	-	41,579	-	41,579
Administration	153,702	-	153,702	-	153,702
Operation and maintenance of plant	80,915	-	80,915	-	80,915
Transportation	38,289	-	38,289	-	38,289
Non-instructional programs:					
Food service operations	14,877	-	14,877	-	14,877
Long-term debt:					
Principal	-	-	-	150,000	150,000
Interest and fiscal charges	-	-	-	151,631	151,631
TOTAL EXPENDITURES	841,806	449,421	1,291,227	301,631	1,592,858
Deficiency of revenues under expenditures	(69,174)	(24,891)	(94,065)	(301,609)	(395,674)
Other financing sources:					
Transfer in	-	-	-	325,107	325,107
Change in fund balances	(69,174)	(24,891)	(94,065)	23,498	(70,567)
Fund balances beginning of year	1,493,665	231,760	1,725,425	225,829	1,951,254
Fund balances end of year	\$ 1,424,491	206,869	1,631,360	249,327	1,880,687

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	General Obligation Bond Construction	Physical Plant and Equipment Levy	
ASSETS				
Cash and pooled investments	\$ 866,798	10,032,987	412,704	11,312,489
Receivables:				
Property tax:				
Delinquent	-	-	9,451	9,451
Succeeding year	-	-	633,285	633,285
Due from other governments	236,458	-	-	236,458
TOTAL ASSETS	\$ 1,103,256	10,032,987	1,055,440	12,191,683
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 38,807	43,879	-	82,686
Deferred revenue:				
Succeeding year property tax	-	-	633,285	633,285
Total liabilities	38,807	43,879	633,285	715,971
Fund balances:				
Restricted for:				
Debt service	345,781	-	-	345,781
School infrastructure	718,668	9,989,108	-	10,707,776
Physical plant and equipment	-	-	422,155	422,155
Total fund balances	1,064,449	9,989,108	422,155	11,475,712
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,103,256	10,032,987	1,055,440	12,191,683

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, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	General Obligation Bond Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 1,486,158	-	608,622	2,094,780
Other	182,310	-	427	182,737
TOTAL REVENUES	1,668,468	-	609,049	2,277,517
EXPENDITURES:				
Current:				
Support services:				
Instructional staff	-	-	139,899	139,899
Administration	-	-	8,871	8,871
Operation and maintenance of plant	-	-	23,142	23,142
Transportation	-	-	191,720	191,720
Capital outlay	3,562,731	43,879	-	3,606,610
TOTAL EXPENDITURES	3,562,731	43,879	363,632	3,970,242
Excess(Deficiency) of revenues over(under) expenditures	(1,894,263)	(43,879)	245,417	(1,692,725)
Other financing sources(uses):				
Transfer out	(325,107)	-	-	(325,107)
General obligation bond issuance	-	10,000,000	-	10,000,000
Premium on general obligation bond issuance	-	215,987	-	215,987
Discount on general obligation bond issuance	-	(183,000)	-	(183,000)
Total other financing sources(uses)	(325,107)	10,032,987	-	9,707,880
Change in fund balances	(2,219,370)	9,989,108	245,417	8,015,155
Fund balances beginning of year	3,283,819	-	176,738	3,460,557
Fund balance end of year	\$ 1,064,449	9,989,108	422,155	11,475,712

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
HS Drama	\$ 9,394	5,976	11,801	3,595	7,164
MS Drama	4,799	1,765	1,918	547	5,193
HS Vocal Music	5,784	12,994	16,906	3,174	5,046
MS Vocal Music	6,227	1,342	741	547	7,375
HS Band 1000	13,744	106,533	117,456	3,848	6,669
MS Band	2,672	5,815	6,085	821	3,223
HS Musical	19,563	2,670	-	-	22,233
HS Athletics	54,692	116,318	131,621	10,416	49,805
MS Athletics	4,513	6,678	9,029	821	2,983
MS Archery	702	507	420	-	789
Cross Country Fundraising	423	1,399	1,210	-	612
Boys Basketball Fundraising	101	5,162	5,014	393	642
Football Unreserved Fund Balance	8,250	5,745	10,634	-	3,361
Boys Soccer Fund Balance	332	141	-	-	473
Baseball	4,165	1,272	3,179	-	2,258
Boys Track Fund Balance	373	-	82	-	291
Boys Golf	-	176	-	-	176
Wrestling Team	-	350	273	-	77
Girls Basketball Fund Balance	1,302	6,112	4,621	(551)	2,242
Volleyball Fund Balance	996	631	248	-	1,379
Girls Soccer Fund Balance	332	169	240	-	261
Softball	304	-	-	-	304
Girls Tennis Fund Balance	1,021	558	403	-	1,176
HS Swim Team	244	1,810	1,737	-	317
MS Student Council	1,348	3,869	4,256	-	961
MS Activity Ticket	-	2,735	-	(2,735)	-
MS Cheerleader Org.	2,228	1,053	1,005	-	2,276
MS Yearbook	2,651	3,746	4,166	-	2,231
HS Interest	-	161	-	(130)	31
FMS Book Club	40	100	-	-	140
HS FBLA Club	8,168	10,790	17,227	1,441	3,172
HS FCA Club	5,764	-	209	-	5,555
HS Bowling	6,610	2,405	3,090	-	5,925
HS Concessions	-	24,997	17,564	(7,433)	-
HS Cheerleaders	87	1,140	1,412	200	15
HS Los Gringos	2,390	-	-	-	2,390
HS FFA	4,487	29,632	28,593	-	5,526
HS Dance-Drill	581	6,764	6,503	1,922	2,764
HS Quill	10,012	7,703	7,224	824	11,315
HS Student Council	14,121	5,688	10,463	-	9,346
HS Torch Club	2,857	-	1,049	412	2,220
HS Troy Banner Org.	1,818	1,611	2,999	573	1,003
HS SADD Club	2,631	-	-	-	2,631
HS Student Assembly	3,059	-	-	-	3,059
HS Class 2013 Org.	3,862	-	2,593	573	1,842
HS Class 2014 Org.	2,440	-	-	364	2,804
HS Class of 2015 Org.	63	-	69	573	567
HS Class 2016 Org.	-	-	71	573	502
HS Class 2017 Org.	2,321	-	30	(2,291)	-
Wall of Honor	857	1,199	-	-	2,056
HS Wrestling Cheerleading	728	209	1,169	1,410	1,178
HS Chef Club	-	201	126	-	75
HS French Club	2,919	-	1,600	-	1,319
HS Speech/Forensics	5,513	3,780	3,527	410	6,176
HS Thespians	66	-	-	-	66
HS Act. Ticket	-	21,552	-	(21,532)	20
HS Renaissance	4,206	11,072	10,858	1,235	5,655
Total	\$ 231,760	424,530	449,421	-	206,869

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>ADMINISTRATOR</u>				
ASSETS				
Cash and pooled investments	\$ (30)	120	-	90
Accounts receivable	120	-	120	-
	<u>\$ 90</u>	<u>120</u>	<u>120</u>	<u>90</u>
Liabilities				
Due to other groups	\$ 90	120	-	90
<u>ALUMNI</u>				
ASSETS				
Cash and pooled investments	\$ 776	-	-	776
Liabilities				
Due to other groups	\$ 776	-	-	776
<u>HIGH SCHOOL FACULTY</u>				
ASSETS				
Cash and pooled investments	\$ 570	-	-	570
Liabilities				
Due to other groups	\$ 570	-	-	570
<u>ATHLETIC TOURNAMENT</u>				
ASSETS				
Cash and pooled investments	\$ 445	-	-	445
Liabilities				
Due to other groups	\$ 445	-	-	445
<u>HS MEMORIAL</u>				
ASSETS				
Cash and pooled investments	\$ 3,187	-	-	3,187
Liabilities				
Due to other groups	\$ 3,187	-	-	3,187
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 4,948	120	-	5,068
Accounts receivable	120	-	-	-
TOTAL ASSETS	<u>\$ 5,068</u>	<u>120</u>	<u>-</u>	<u>5,068</u>
Liabilities				
Due to other groups	\$ 5,068	120	-	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,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 11,183,080	10,803,982	10,323,594	9,233,630	9,255,243	8,235,389	7,954,199	7,248,837	6,376,510	6,252,144
Tuition	798,838	635,410	541,314	589,988	581,512	519,525	450,666	378,510	325,494	365,228
Other	950,363	687,282	731,756	547,749	744,965	848,043	865,867	635,419	665,816	539,195
State sources	8,852,339	8,755,712	8,433,740	7,567,574	8,928,366	9,503,815	9,335,591	8,974,692	8,537,210	7,883,952
Federal sources	987,475	886,655	1,441,658	1,974,552	754,170	673,395	994,655	827,013	751,011	738,468
Total	\$ 22,772,095	21,769,041	21,472,062	19,913,493	20,264,256	19,780,167	19,600,978	18,064,471	16,656,041	15,778,987
Expenditures:										
Instruction:										
Regular	\$ 7,120,502	7,138,702	7,668,963	7,110,807	7,466,988	7,363,475	6,774,222	6,519,414	6,078,027	6,212,554
Special	3,069,967	2,781,656	2,749,978	2,820,252	2,573,731	2,336,230	2,341,124	2,234,394	2,073,310	2,216,619
Other	2,103,766	2,044,935	1,836,943	1,971,790	1,981,364	1,833,020	1,773,791	1,480,291	1,633,795	942,069
Support services:										
Student	461,271	522,116	575,131	492,078	496,017	521,181	496,424	517,807	314,393	493,244
Instructional staff	901,368	954,935	1,124,829	889,937	987,907	828,221	921,414	990,180	889,753	654,740
Administration	1,899,118	1,870,897	1,992,743	2,146,696	2,364,855	1,967,257	1,866,971	1,796,049	1,767,470	1,562,814
Operation and maintenance of plant	1,657,046	1,593,564	1,650,048	1,726,606	1,764,086	1,837,942	1,638,688	1,664,539	1,578,778	1,483,756
Transportation	1,190,210	1,164,165	1,123,555	1,073,776	1,089,731	1,083,803	985,203	908,404	901,805	770,661
Other	-	-	-	-	-	-	-	-	-	3,279
Non-instructional programs	14,877	15,075	18,635	14,820	15,262	6,747	4,427	7,161	111,196	98,757
Capital outlay	3,606,610	4,018,479	887,264	276,060	788,427	777,547	2,492,954	493,932	35,741	54,606
Long-term debt:										
Principal	150,000	-	55,062	52,557	57,687	6,363	6,099	68,747	79,331	76,273
Interest and fiscal charges	151,631	101,838	2,625	5,130	-	148	411	1,769	4,233	7,291
Other expenditures:										
AEA flow-through	662,475	658,723	734,999	732,377	682,351	673,060	640,646	614,109	590,231	579,419
Total	\$ 22,988,841	22,865,085	20,420,775	19,312,886	20,268,406	19,234,994	19,942,374	17,296,796	16,058,063	15,156,082

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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 13	\$ 42,408
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	342,874 *
			<u>385,282</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 12	198,494
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2169-GC	296,125
TITLE I SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 13	26,936
			<u>521,555</u>
CAREER AND TECHNICAL EDUCATION - BASIC STATE GRANTS	84.048	FY 13	<u>26,508</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 13	<u>92,820</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 12	69
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 13	10,881
			<u>10,950</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 13	<u>98,389</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 12	180
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 13	5,609
			<u>5,789</u>
TOTAL			<u>\$ 1,141,293</u>

* -Includes \$35,479 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 Fairfield Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fairfield Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fairfield Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fairfield Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 through II-C-13 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, 2013 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

Fairfield Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Fairfield Community School District's responses were not subjected to the auditing procedures applied in the audit or the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

January 6, 2014
Newton, Iowa

NOLTE, CORNMAN & JOHNSON, P.C.
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**Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control Over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

To the Board of Education of Fairfield Community School District:

Report on Compliance for Each Major Federal Program

We have audited Fairfield Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Fairfield Community School District's major federal programs for the year ended June 30, 2013. Fairfield Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fairfield Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Fairfield Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Fairfield Community School District complied, in all material respects, with the types of compliance 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, 2013.

Report on Internal Control Over Compliance

The management of Fairfield Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fairfield Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting that we consider to be significant deficiency.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a significant deficiency.

Fairfield Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Fairfield Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

January 6, 2014
Newton, Iowa

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified 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) A significant deficiency in internal control over the major programs was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is 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 - Title I Schools in Need of Assistance (SINA)
 - **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.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however there were several instances of Student Activity Fund purchase orders being completed after the product had already been received.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - Employees have been encouraged to go ahead and submit purchase orders for an estimated dollar amount or worded as "not to exceed" a given limit rather than wait for the exact pricing information. The exact dollar amount can be amended when that information is known.

Conclusion - Response accepted.

- II-B-13 Student Trips - We noted during our audit that the District writes checks to "Petty Cash" for meal money that ultimately goes to students when on District sponsored trips. In the event the check is lost or stolen, it becomes bearer paper and can be cashed by anyone.

Recommendation - A better form of internal control would to have checks for meal money written to the sponsor of the trip or the custodian of the petty cash.

Response - The accounts payable vendor files have been edited to show the payee as "Petty Cash/[Sponsor Name]" all on the first line of the address.

Conclusion - Response accepted.

- II-C-13 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. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District continues to work on collection procedures. Office staff will be more diligent in distributing applications for the free and/or reduced lunch program. Phone calls and letters asking the debtor for resolution will be made in a timelier manner.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.010: Title I Schools in Need of Assistance (SINA)
Federal Award Year: 2012 & 2013
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-13 Title I Reporting - We noted during our audit that Title I reports submitted to the Iowa Department of Education were not reconciled to actual expenses reported in the District's general ledger, thus creating a carryover allocation that is in excess of the 15% of the original Title I budget allocation. The amount claimed in excess of actual expenses was \$234,908.

Recommendation - The District needs to reconcile Title I reports submitted to the Iowa Department of Education to actual expenses reported in the District's general ledger. Once this reconciliation is completed, the District should amend the Title I budget to be within a carryover amount that is 15% of the original Title I budget allocation. The District should contact the Iowa Department of Education to develop a workout plan for the amount of Title I claimed in excess of actual expenses of \$234,908.

Response - District accounting staff has contacted Title I officials at the Iowa Department of Education. We are waiting for a response from the Iowa Department of Education to see if the District's proposed workout plan is acceptable. The proposed plan includes a reduction to the District's fiscal year 2014 allocation for \$234,908. Going forward, District officials will reconcile Title I allocations to actual expenses and work with Title I officials at the Iowa Department of Education to amend the final Title I budget when necessary.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, did not exceed the amount budgeted.

IV-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-13 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	\$ 686

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

IV-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by one student.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 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-13 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-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 3,283,819
Revenues:		
Statewide sales, services and use tax	\$ 1,486,158	
Other local revenues	182,310	1,668,468
		<u>4,952,287</u>
Expenditures:		
School infrastructure construction	3,562,731	
Transfers to other funds		
Debt service fund	325,107	3,887,838
		<u>3,887,838</u>
Ending balance		<u>\$ 1,064,449</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.