

FAIRFIELD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
<i>Basic Financial Statements:</i>	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-39
<i>Required Supplementary Information:</i>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Component Unit Financial Statements:		
Statement of Assets, Liabilities, and Net Position - Cash Basis - Component Unit		45
Statement of Support, Revenues and Expenses and Changes in Net Position - Cash Basis - Component Unit		46
<i>Supplementary Information:</i>	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	49
Capital Project Accounts:		
Combining Balance Sheet	3	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	52
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	53
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7	54
Schedule of Expenditures of Federal Awards	8	55
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 <u>Government Auditing Standards</u>		56-57
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133		58-59
Schedule of Findings and Questioned Costs		60-63

Fairfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Elections)

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

(After September 2013 Elections)

Jennifer Anderson	President	2017
Jeremy Miller	Vice President	2015
Joe Carr	Board Member	2017
Jerry Nelson	Board Member	2015
Kate Van Pelt	Board Member	2017
Amy Miller	Board Member	2013
Phil Miller	(Resigned November 2013) Board Member	2015
Rich Metcalf	(Elected April 2014) Board Member	2015

School Officials

Art Sathoff	Superintendent	2014
Kimberly Sheets	District Secretary/Treasurer and Business Manager	2014
Craig Foss	Attorney	2014
Ron Peeler	Attorney	2014

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, 2014, 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, 2014, 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, 2013 (which are not presented herein) and expressed unmodified 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 February 17, 2015 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.

February 17, 2015
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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$19,311,303 in fiscal 2013 to \$19,060,270 in fiscal 2014, while General Fund expenditures increased from \$17,425,741 in fiscal 2013 to \$18,161,726 in fiscal 2014. This resulted in an increase in the District's General Fund balance from \$3,952,655 at June 30, 2013 to \$4,851,199 at June 30, 2014, a 22.73% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax revenues in fiscal 2014. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

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

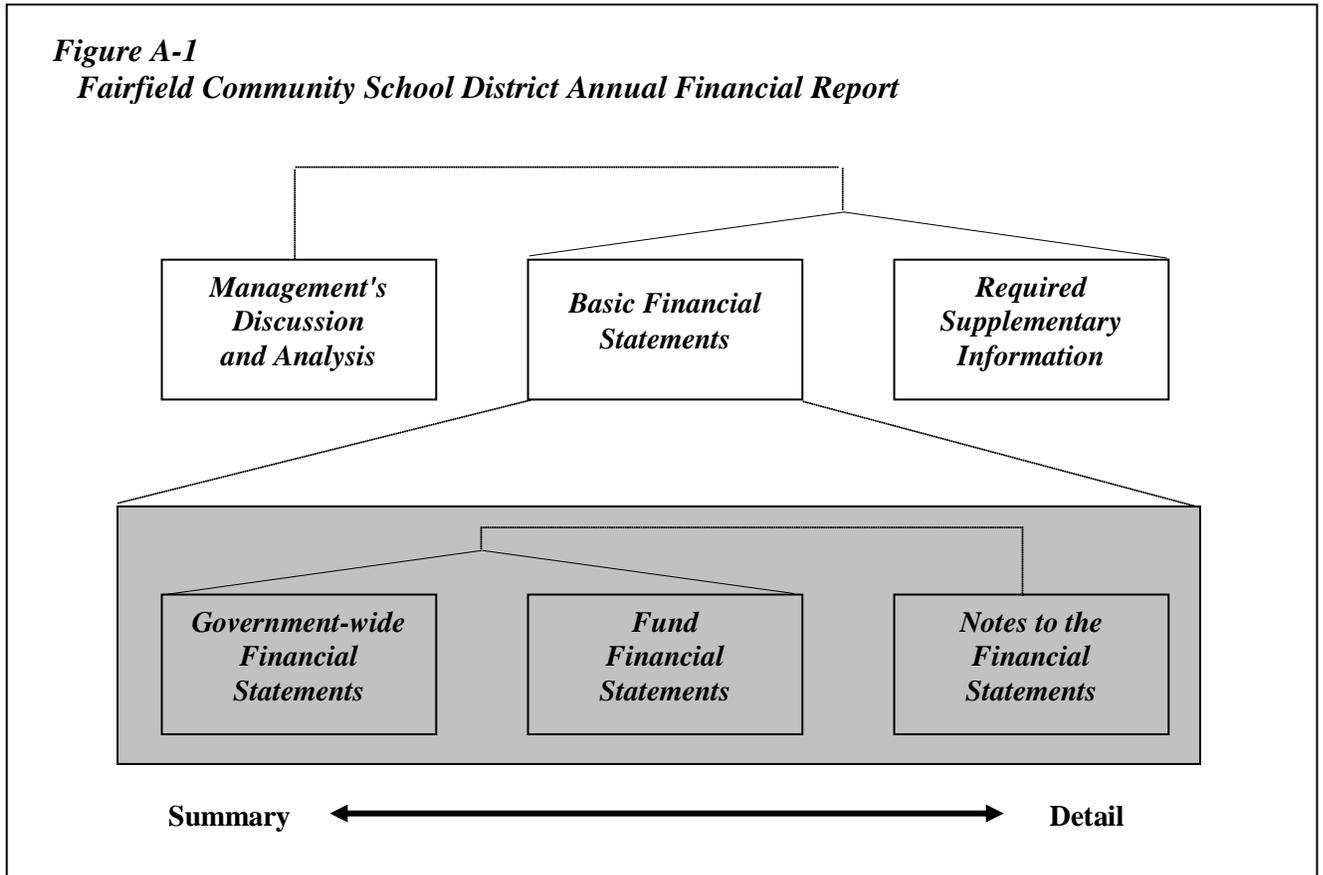


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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
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, deferred outflows of resources, liabilities and deferred inflows of resources. 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 is 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 partially 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2014 compared to June 30, 2013.

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,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 30,040,580	29,476,231	26,241	83,925	30,066,821	29,560,156	1.71%
Capital assets	16,697,067	15,353,226	77,314	83,870	16,774,381	15,437,096	8.66%
Total assets	46,737,647	44,829,457	103,555	167,795	46,841,202	44,997,252	4.10%
Long-term obligations	13,914,200	14,759,154	-	-	13,914,200	14,759,154	-5.72%
Other liabilities	2,921,965	2,020,412	11,842	71,459	2,933,807	2,091,871	40.25%
Total liabilities	16,836,165	16,779,566	11,842	71,459	16,848,007	16,851,025	-0.02%
Deferred inflows of resources	8,907,650	9,528,584	-	-	8,907,650	9,528,584	-6.52%
Net position:							
Net investment in capital assets	11,809,273	11,173,226	77,314	83,870	11,886,587	11,257,096	5.59%
Restricted	3,874,937	3,131,816	-	-	3,874,937	3,131,816	23.73%
Unrestricted	5,309,622	4,216,265	14,399	12,466	5,324,021	4,228,731	25.90%
Total net position	\$ 20,993,832	18,521,307	91,713	96,336	21,085,545	18,617,643	13.26%

The District's combined net position increased by 13.26%, or \$2,467,902, 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 increased \$743,121 or 23.73% over the prior year. The increase was due to an increase in the fund balance of the Management Levy 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 \$1,095,290 or 25.90%. The increase in unrestricted net position was due to the increase in fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 1,290,681	1,337,498	303,317	313,438	1,593,998	1,650,936	-3.45%
Operating grants, contributions and restricted interest	1,881,952	2,885,293	437,491	391,588	2,319,443	3,276,881	-29.22%
Capital grants, contributions and restricted interest	-	50,000	-	-	-	50,000	-100.00%
General revenues:							
Property tax	9,086,117	9,245,152	-	-	9,086,117	9,245,152	-1.72%
Income surtax	494,891	481,072	-	-	494,891	481,072	2.87%
Statewide sales, services and use tax	1,417,566	1,486,158	-	-	1,417,566	1,486,158	-4.62%
Unrestricted state grants	8,386,081	7,036,978	-	-	8,386,081	7,036,978	19.17%
Unrestricted investment earnings	23,475	7,744	24	39	23,499	7,783	201.93%
Other	182,362	285,411	-	-	182,362	285,411	-36.11%
Total revenues	22,763,125	22,815,306	740,832	705,065	23,503,957	23,520,371	-0.07%
Program expenses:							
Governmental activities:							
Instruction	12,035,117	12,095,889	-	-	12,035,117	12,095,889	-0.50%
Support services	6,378,803	6,233,897	11,016	9,507	6,389,819	6,243,404	2.35%
Non-instructional programs	2,427	14,877	734,439	771,054	736,866	785,931	-6.24%
Other expenses	1,874,253	1,574,979	-	-	1,874,253	1,574,979	19.00%
Total expenses	20,290,600	19,919,642	745,455	780,561	21,036,055	20,700,203	1.62%
Increase(Decrease) in net position	2,472,525	2,895,664	(4,623)	(75,496)	2,467,902	2,820,168	-12.49%
Net position beginning of year	18,521,307	15,625,643	96,336	171,832	18,617,643	15,797,475	17.85%
Net position end of year	\$ 20,993,832	18,521,307	91,713	96,336	21,085,545	18,617,643	13.26%

In fiscal 2014, property tax, statewide sales, services and use tax, operating grants, contributions, and restricted interest, and unrestricted state grants account for 91.25% 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 \$23.50 million of which approximately \$22.76 million was for governmental activities and approximately \$0.74 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 0.07% decrease in revenues and a 1.62% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$22,763,125 and expenses were \$20,290,600.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 12,035,117	12,095,889	-0.50%	9,565,885	8,544,978	11.95%
Support services	6,378,803	6,233,897	2.32%	6,363,573	6,174,492	3.06%
Non-instructional	2,427	14,877	-83.69%	2,427	14,877	-83.69%
Other expenses	1,874,253	1,574,979	19.00%	1,186,082	912,504	29.98%
Totals	\$ 20,290,600	19,919,642	1.86%	17,117,967	15,646,851	9.40%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,290,481.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,881,952.
- The net cost of governmental activities was financed with \$9,086,117 in property tax, \$494,891 in income surtax, \$1,417,566 in statewide sales, services and use tax, \$8,386,081 in unrestricted state grants, \$23,475 in interest income and \$182,362 in other general revenues.

Business Type Activities

Revenues for the District's business type activities were \$740,832 and expenses were \$745,455. 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 \$17,600,663, above last year's ending fund balances of \$17,309,054. The primary reason for the increase in combined fund balances at June 30, 2014 is due to the increase in the fund balance of the General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Decreases in local tax revenues during the year resulted in a decrease in revenues from \$19,311,303 in fiscal 2013 to \$19,060,270 in fiscal 2014. An increase in expenditures from \$17,425,741 in fiscal 2013 to \$18,161,537 in fiscal 2014. Revenues outpaced expenditures in fiscal 2014 resulting in an increase in fund balance to \$4,851,199 at June 30, 2014.
- The Capital Projects Fund net position decreased from \$11,475,712 at June 30, 2013 to \$10,937,694 at June 30, 2014. The decrease in Capital Projects Fund balance is attributable to expenses relating to the High School addition/renovation project.
- The Debt Service Fund net position increased from \$249,327 at June 30, 2013 to \$284,045 at June 30, 2014 due to an increase in property tax revenues.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$96,336 at June 30, 2013 to \$91,713 at June 30, 2014, representing a decrease of 4.80%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$84,630 less than budgeted revenues, a variance of 0.36%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$16,774,381, 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 8.66% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$945,666.

The original cost of the District's capital assets was \$29.06 million. Governmental funds account for \$28.73 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 \$138,638 at June 30, 2013, compared to \$1,606,407 reported at June 30, 2014. This increase resulted primarily from architect and construction costs relating to the High School addition/renovation project.

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,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 149,402	149,402	-	-	149,402	149,402	0.00%
Construction in progress	1,606,407	138,638	-	-	1,606,407	138,638	1058.71%
Buildings	12,612,716	12,898,028	-	-	12,612,716	12,898,028	-2.21%
Land improvements	1,337,250	1,397,827	-	-	1,337,250	1,397,827	-4.33%
Machinery and equipment	991,292	769,331	77,314	83,870	1,068,606	853,201	25.25%
Total	\$ 16,697,067	15,353,226	77,314	83,870	16,774,381	15,437,096	8.66%

Long-Term Debt

At June 30, 2014, the District had \$13,914,200 in other long-term debt outstanding. This represents a decrease of 5.72% 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 \$9,655,000 at June 30, 2014.
- The District had total outstanding revenue bonds payable of \$4,005,000 at June 30, 2014 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 \$254,200 at June 30, 2014.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		
	Activities		
	June 30,	June 30,	June 30,
	2014	2013	2013-14
General obligation bonds	\$ 9,655,000	10,000,000	0.00%
Revenue bonds	4,005,000	4,180,000	-4.19%
Termination benefits	254,200	579,154	-56.11%
Total	\$ 13,914,200	14,759,154	-5.72%

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. Fairfield High School is undergoing a two year construction renovation to expand the facility with a main office suite, science wing, ADA accessible 3 tower elevator, wrestling room and an auto mechanic space.

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, 2014

	Primary Government			Component Unit +
	Governmental Activities	Business Type Activities	Total	Education Foundation of Fairfield Public Schools, Inc.
ASSETS				
Cash and pooled investments	\$ 19,611,744	18,937	19,630,681	1,130,837
Receivables:				
Property tax:				
Delinquent	138,163	-	138,163	-
Succeeding year	8,907,650	-	8,907,650	-
Income surtax	454,416	-	454,416	-
Accounts	25,217	7,576	32,793	-
Accrued interest	125	-	125	-
Internal balances	53,000	(53,000)	-	-
Due from other governments	607,893	-	607,893	-
Inventories	-	41,599	41,599	-
Capital assets, net of accumulated depreciation	16,697,067	77,314	16,774,381	-
Net OPEB asset	242,372	11,129	253,501	-
TOTAL ASSETS	46,737,647	103,555	46,841,202	1,130,837
LIABILITIES				
Accounts payable	1,200,029	1,205	1,201,234	-
Salaries and benefits payable	1,602,229	956	1,603,185	-
Interest payable	119,707	-	119,707	-
Unearned revenue	-	9,681	9,681	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	405,000	-	405,000	-
Revenue bonds payable	195,000	-	195,000	-
Termination benefits payable	254,200	-	254,200	-
Portion due after one year:				
General obligation bonds payable	9,250,000	-	9,250,000	-
Revenue bonds payable	3,810,000	-	3,810,000	-
TOTAL LIABILITIES	16,836,165	11,842	16,848,007	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues:				
Succeeding year property tax	8,907,650	-	8,907,650	-
NET POSITION				
Net investment in capital assets	11,809,273	77,314	11,886,587	-
Restricted for:				
Categorical funding	271,586	-	271,586	-
Debt service	510,119	-	510,119	-
Management levy purposes	1,084,617	-	1,084,617	-
Student activities	188,908	-	188,908	-
School infrastructure	1,121,048	-	1,121,048	-
Physical plant and equipment	698,659	-	698,659	-
Unrestricted	5,309,622	14,399	5,324,021	1,130,837
TOTAL NET POSITION	\$ 20,993,832	91,713	21,085,545	1,130,837

+ Component year end is February 28, 2014.

SEE NOTES TO FINANCIAL STATEMENTS.

**FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit + Education Foundation of Fairfield Public Schools, Inc.
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Governmental Activities	Business Type Activities		
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,989,309	689,199	202,604	(6,097,506)	-	(6,097,506)	-
Special	3,152,678	283,150	389,412	(2,480,116)	-	(2,480,116)	-
Other	1,893,130	303,976	600,891	(988,263)	-	(988,263)	-
	<u>12,035,117</u>	<u>1,276,325</u>	<u>1,192,907</u>	<u>(9,565,885)</u>	<u>-</u>	<u>(9,565,885)</u>	<u>-</u>
Support services:							
Student	487,082	-	874	(486,208)	-	(486,208)	-
Instructional staff	925,521	-	-	(925,521)	-	(925,521)	-
Administration	1,877,233	-	-	(1,877,233)	-	(1,877,233)	-
Operation and maintenance of plant	1,956,473	-	-	(1,956,473)	-	(1,956,473)	-
Transportation	1,132,494	14,356	-	(1,118,138)	-	(1,118,138)	-
	<u>6,378,803</u>	<u>14,356</u>	<u>874</u>	<u>(6,363,573)</u>	<u>-</u>	<u>(6,363,573)</u>	<u>-</u>
Non-instructional programs:							
Food service operations	2,427	-	-	(2,427)	-	(2,427)	-
Long-term debt interest	436,572	-	-	(436,572)	-	(436,572)	-
Other expenditures:							
AEA flowthrough	688,171	-	688,171	-	-	-	-
Depreciation(unallocated)*	749,510	-	-	(749,510)	-	(749,510)	-
	<u>1,437,681</u>	<u>-</u>	<u>688,171</u>	<u>(749,510)</u>	<u>-</u>	<u>(749,510)</u>	<u>-</u>
Total governmental activities	<u>20,290,600</u>	<u>1,290,681</u>	<u>1,881,952</u>	<u>(17,117,967)</u>	<u>-</u>	<u>(17,117,967)</u>	<u>-</u>
Business type activities:							
Support services							
Instructional staff	3,418	-	-	-	(3,418)	(3,418)	-
Administration	5,232	-	-	-	(5,232)	(5,232)	-
Operation and maintenance of plant	2,366	-	-	-	(2,366)	(2,366)	-
	<u>11,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,016)</u>	<u>(11,016)</u>	<u>-</u>
Non-instructional programs:							
Nutrition services	734,439	303,317	437,491	-	6,369	6,369	-
	<u>745,455</u>	<u>303,317</u>	<u>437,491</u>	<u>-</u>	<u>(4,647)</u>	<u>(4,647)</u>	<u>-</u>
Total primary government	<u>\$ 21,036,055</u>	<u>1,593,998</u>	<u>2,319,443</u>	<u>(17,117,967)</u>	<u>(4,647)</u>	<u>(17,122,614)</u>	<u>-</u>
Total component unit	<u>\$ 53,715</u>	<u>-</u>	<u>20,201</u>				<u>(33,514)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 7,845,353	-	7,845,353	-
Capital outlay				634,483	-	634,483	-
Debt service				606,281	-	606,281	-
Income surtax				494,891	-	494,891	-
Statewide sales, services and use tax				1,417,566	-	1,417,566	-
Unrestricted state grants				8,386,081	-	8,386,081	-
Unrestricted investment earnings				23,475	24	23,499	20,100
Realized gain on investments				-	-	-	9,210
Unrealized gain on investments				-	-	-	171,973
Other general revenues				182,362	-	182,362	7,831
Total general revenues				<u>19,590,492</u>	<u>24</u>	<u>19,590,516</u>	<u>209,114</u>
Change in net position				2,472,525	(4,623)	2,467,902	175,600
Net position beginning of year				18,521,307	96,336	18,617,643	955,237
Net position end of year				<u>\$ 20,993,832</u>	<u>91,713</u>	<u>21,085,545</u>	<u>1,130,837</u>

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

+ The component unit year end is February 28, 2014.

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 6,402,604	11,423,852	274,843	1,477,224	19,578,523
Receivables:					
Property tax:					
Delinquent	109,384	9,630	9,202	9,947	138,163
Succeeding year	5,594,378	638,924	1,724,348	950,000	8,907,650
Income surtax	454,416	-	-	-	454,416
Accounts	17,619	-	-	7,598	25,217
Accrued interest	-	-	-	125	125
Due from other funds	-	-	-	53,000	53,000
Due from other governments	368,567	239,326	-	-	607,893
TOTAL ASSETS	\$ 12,946,968	12,311,732	2,008,393	2,497,894	29,764,987
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 444,746	735,114	-	20,169	1,200,029
Salaries and benefits payable	1,602,229	-	-	-	1,602,229
Total liabilities	2,046,975	735,114	-	20,169	2,802,258
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	5,594,378	638,924	1,724,348	950,000	8,907,650
Income surtax	454,416	-	-	-	454,416
Total deferred inflows of resources	6,048,794	638,924	1,724,348	950,000	9,362,066
Fund balances:					
Restricted for:					
Categorical funding	271,586	-	-	-	271,586
Debt service	-	345,781	284,045	-	629,826
Management levy purposes	-	-	-	1,338,817	1,338,817
Student activities	-	-	-	188,908	188,908
School infrastructure	-	9,893,254	-	-	9,893,254
Physical plant and equipment	-	698,659	-	-	698,659
Unassigned	4,579,613	-	-	-	4,579,613
Total fund balances	4,851,199	10,937,694	284,045	1,527,725	17,600,663
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,946,968	12,311,732	2,008,393	2,497,894	29,764,987

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	17,600,663
 <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.		16,697,067
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		33,221
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		454,416
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.		(119,707)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		242,372
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.		(13,914,200)
Net position of governmental activities(page 18)	\$	<u>20,993,832</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 7,648,536	634,483	606,281	651,233	9,540,533
Tuition	917,017	-	-	-	917,017
Other	287,735	20,736	386	348,005	656,862
State sources	9,194,887	1,417,566	-	-	10,612,453
Federal sources	995,785	-	-	-	995,785
TOTAL REVENUES	19,043,960	2,072,785	606,667	999,238	22,722,650
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,879,114	-	-	365,541	7,244,655
Special	3,152,370	-	-	-	3,152,370
Other	1,583,534	-	-	354,313	1,937,847
	11,615,018	-	-	719,854	12,334,872
Support services:					
Student	481,710	-	-	5,337	487,047
Instructional staff	852,360	131,192	-	16,964	1,000,516
Administration	1,808,777	9,474	-	102,565	1,920,816
Operation and maintenance of plant	1,710,579	36,041	-	225,829	1,972,449
Transportation	1,005,111	207,176	-	29,897	1,242,184
	5,858,537	383,883	-	380,592	6,623,012
Non-instructional programs:					
Food service operations	-	-	-	2,427	2,427
Capital outlay	-	1,885,312	-	-	1,885,312
Long-term debt:					
Principal	-	-	520,000	-	520,000
Interest and fiscal charges	-	-	393,557	-	393,557
	-	-	913,557	-	913,557
Other expenditures:					
AEA flowthrough	688,171	-	-	-	688,171
TOTAL EXPENDITURES	18,161,726	2,269,195	913,557	1,102,873	22,447,351
Excess(Deficiency) of revenues over(under) expenditures	882,234	(196,410)	(306,890)	(103,635)	275,299
Other financing sources(uses):					
Transfer in	-	-	341,608	-	341,608
Transfer out	-	(341,608)	-	-	(341,608)
Sale of capital assets	16,310	-	-	-	16,310
Total other financing sources(uses)	16,310	(341,608)	341,608	-	16,310
Change in fund balances	898,544	(538,018)	34,718	(103,635)	291,609
Fund balances beginning of year	3,952,655	11,475,712	249,327	1,631,360	17,309,054
Fund balances end of year	\$ 4,851,199	10,937,694	284,045	1,527,725	17,600,663

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, 2014

Change in fund balances - total governmental funds(page 22)	\$	291,609
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>Capital outlay 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:</p>		
Capital outlay	\$ 2,275,051	
Depreciation expense	<u>(931,210)</u>	1,343,841
<p>Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		520,000
<p>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.</p>		
		(43,015)
<p>Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.</p>		
		(4,171)
<p>Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.</p>		
		40,475
<p>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.</p>		
Termination benefits	\$ 324,954	
Other postemployment benefits	<u>(1,168)</u>	<u>323,786</u>
Change in net position of governmental activities(page 19)	\$	<u><u>2,472,525</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 18,937	33,221
Accounts receivable	7,576	-
Inventories	41,599	-
Total current assets	<u>68,112</u>	<u>33,221</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	77,314	-
Net OPEB asset	11,129	-
Total non-current assets	<u>88,443</u>	<u>-</u>
TOTAL ASSETS	<u>156,555</u>	<u>33,221</u>
LIABILITIES		
Current liabilities:		
Due to other funds	53,000	-
Accounts payable	1,205	-
Salaries and benefits payable	956	-
Unearned revenue	9,681	-
Total current liabilities	<u>64,842</u>	<u>-</u>
TOTAL LIABILITIES	<u>64,842</u>	<u>-</u>
NET POSITION		
Invested in capital assets	77,314	-
Unrestricted	14,399	33,221
TOTAL NET POSITION	<u>\$ 91,713</u>	<u>33,221</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 303,317	-
Donations	7,516	-
Miscellaneous	-	43,046
Total operating revenues	<u>310,833</u>	<u>43,046</u>
Operating expenses:		
Support services:		
Instructional staff:		
Supplies	3,418	-
Administration:		
Services	5,038	-
Supplies	194	-
	<u>5,232</u>	<u>-</u>
Operation and maintenance of plant:		
Services	2,366	-
	<u>11,016</u>	<u>-</u>
Non-instructional programs:		
Food service programs:		
Salaries	277,421	-
Benefits	114,945	47,217
Services	306	-
Supplies	325,323	-
Depreciation	14,456	-
	<u>732,451</u>	<u>47,217</u>
Total operating expenses	<u>743,467</u>	<u>47,217</u>
Operating loss	<u>(432,634)</u>	<u>(4,171)</u>
Non-operating revenues(expenses):		
Interest income	24	-
State sources	6,332	-
Federal sources	423,643	-
On demand line of credit interest expense	(613)	-
Loss on disposal of capital assets	(1,375)	-
Total non-operating revenues(expenses)	<u>428,011</u>	<u>-</u>
Increase(Decrease) in net position	(4,623)	(4,171)
Net position beginning of year	<u>96,336</u>	<u>37,392</u>
Net position end of year	<u>\$ 91,713</u>	<u>33,221</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type	
	Enterprise Fund	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 294,446	-
Cash received from donations	7,516	-
Cash received from miscellaneous operating activities	-	43,046
Cash payments to employees for services	(394,916)	(47,217)
Cash payments to suppliers for goods or services	(291,875)	-
Net cash used in operating activities	<u>(384,829)</u>	<u>(4,171)</u>
Cash flows from non-capital financing activities:		
State grants received	6,332	-
Federal grants received	369,308	-
Transfers from the Management Levy Fund	53,000	-
Net cash provided by non-capital financing activities	<u>428,640</u>	<u>-</u>
Cash flows from capital financing activities:		
Payment on line of credit	(53,000)	-
Interest paid for on demand line of credit	(613)	-
Acquisition of capital assets	(9,275)	-
Net cash used in capital financing activities	<u>(62,888)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investment	24	-
Net decrease in cash and cash equivalents	(19,053)	(4,171)
Cash and cash equivalents at beginning of year	37,990	37,392
Cash and cash equivalents at end of year	<u>\$ 18,937</u>	<u>33,221</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (432,634)	(4,171)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	54,335	-
Depreciation	14,456	-
Increase in inventories	(6,877)	-
Increase in accounts receivable	(7,545)	-
Decrease in other postemployment benefits asset	53	-
Decrease in accounts payable	(2,688)	-
Decrease in salaries and benefits payable	(2,603)	-
Decrease in unearned revenue	(1,326)	-
Net cash used in operating activities	<u>\$ (384,829)</u>	<u>(4,171)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$54,335 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
ASSETS		
Cash and pooled investments	\$ 1,750	5,068
LIABILITIES		
Accounts payable	350	-
Due to other groups	-	5,068
TOTAL LIABILITIES	<u>350</u>	<u>5,068</u>
NET POSITION		
Restricted for scholarships	<u>\$ 1,400</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Contributions	\$ 3,297
DEDUCTIONS:	
Non-instructional programs:	
Scholarships awarded	<u>2,550</u>
Change in net position	747
Net position beginning of year	<u>653</u>
Net position end of year	<u>\$ 1,400</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories:

Net Investment in capital assets 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 Debt Service Fund is used to account for property tax and other revenues to be used for the payment of principal and interest on the District's general long-term debt.

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, Deferred Inflows of Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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
Land improvements	20
Intangibles	2 or more
Machinery and equipment	5-15

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 Inflows of Resources - 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 inflows of resources 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 inflows of resources consists of succeeding year property tax receivable and income surtax receivables not collected within sixty days after year end.

Deferred inflows of resources on the Statement of Position consists of succeeding year property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is collected.

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, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$13,549,043 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. Due From and Due To Other Funds

The detail of interfund loans for the year ended June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
Management Levy	Enterprise: School Nutrition	\$ 53,000

The Enterprise: School Nutrition Fund is repaying the Management Levy Fund for an on-demand line of credit loan paid from the Management Levy Fund.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 341,608

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, 2014 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	138,638	1,467,769	-	1,606,407
Total capital assets not being depreciated	288,040	1,467,769	-	1,755,809
Capital assets being depreciated:				
Buildings	20,526,679	369,519	27,235	20,868,963
Land improvements	1,973,786	34,102	-	2,007,888
Machinery and equipment	3,822,420	403,661	130,478	4,095,603
Total capital assets being depreciated	26,322,885	807,282	157,713	26,972,454
Less accumulated depreciation for:				
Buildings	7,628,651	654,831	27,235	8,256,247
Land improvements	575,959	94,679	-	670,638
Machinery and equipment	3,053,089	181,700	130,478	3,104,311
Total accumulated depreciation	11,257,699	931,210	157,713	12,031,196
Total capital assets being depreciated, net	15,065,186	(123,928)	-	14,941,258
Governmental activities capital assets, net	\$ 15,353,226	1,343,841	-	16,697,067
Business type activities:				
Machinery and equipment	\$ 324,954	9,275	5,500	328,729
Less accumulated depreciation	241,084	14,456	4,125	251,415
Business Type activities capital assets, net	\$ 83,870	(5,181)	1,375	77,314

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 9,557
Other	5,506
Support services:	
Instructional staff	1,318
Administration	17,179
Operation and maintenance	14,433
Transportation	133,707
	<u>181,700</u>
Unallocated depreciation	<u>749,510</u>
Total governmental activities depreciation expense	<u><u>\$ 931,210</u></u>
Business type activities:	
Food services operations	<u><u>\$ 14,456</u></u>

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 10,000,000	-	345,000	9,655,000	405,000
Revenue bonds	4,180,000	-	175,000	4,005,000	195,000
Termination benefits	579,154	-	324,954	254,200	254,200
Total	<u>\$ 14,759,154</u>	<u>-</u>	<u>844,954</u>	<u>13,914,200</u>	<u>854,200</u>

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	General obligation bond dated June 27, 2013				
	Interest Rate	Principal	Interest	Total	
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	2.00	435,000	249,548	684,548	
2020-2024	2.00-3.00	2,340,000	1,085,387	3,425,387	
2025-2029	3.00-3.30	2,710,000	716,998	3,426,998	
2030-2033	3.45-3.80	2,505,000	235,274	2,740,274	
Total		<u>\$ 9,655,000</u>	<u>3,369,497</u>	<u>13,024,497</u>	

Revenue Bonds

Details of the District's June 30, 2014 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
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	3.00		220,000	120,831	340,831
2020-2024	3.00-4.00		1,210,000	486,352	1,696,352
2025-2029	4.00-4.25		1,435,000	225,307	1,660,307
2030	4.375		325,000	7,109	332,109
Total			<u>\$ 4,005,000</u>	<u>1,382,773</u>	<u>5,387,773</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 24 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,387,773. For the current year, principal of \$175,000 and interest of \$146,881 was paid on the bonds and total statewide sales, services, and use tax revenues were \$1,417,566.

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 two percent of 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, 2014, totaled \$324,954.

Note 7. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 279 active and 21 retired members in the plan. Retired 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, 2014, 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	(11,462)
Adjustment to annual required contribution	9,683
Annual OPEB cost	<u>150,221</u>
Contributions made	<u>(149,000)</u>
Increase in net OPEB obligation	1,221
Net OPEB obligation beginning of year	<u>(254,722)</u>
Net OPEB obligation end of year	<u><u>\$ (253,501)</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, 2014.

For the year ended June 30, 2014, the District contributed \$149,000 to the medical and explicit plans. Plan members eligible for benefits contributed \$222,000, or 59.84% 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2012	\$ 116,278	129.86%	\$ 289,722
2013	150,000	76.67%	254,722
2014	150,221	99.18%	253,501

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$9,964,277, and the ratio of the UAAL to covered payroll was 12.94%. As of June 30, 2014, 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, 2013 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2013.

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 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$971,404 \$932,097 and \$862,609 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 \$688,171 for the year ended June 30, 2014 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, 2014 the District has entered into various contracts for a High School addition and renovation project, dugouts and a parking lot resurfacing project totaling \$12,456,475. Costs of \$1,606,407 had been incurred by the District against these contracts. The remaining \$10,850,068 will be paid as work on the projects progresses.

Note 12. Categorical Funding

The District's ending restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 54,341
Dropout and dropout prevention	102,334
Teacher salary supplement	77,945
Textbook aid for nonpublic students	240
Successful progression for early readers	23,231
Teacher salary supplement, profession development, model core	7,613
Market factor incentives	5,218
Teacher leadership grants	664
Total restricted for categorical funding	<u>\$ 271,586</u>

Note 13. Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position:

	<u>Net Investment</u>	<u>Debt</u>	<u>School</u>	<u>Management</u>	<u>Unassigned/</u>
	<u>in Capital</u>	<u>Service</u>	<u>Infrastructure</u>	<u>Levy</u>	<u>Unrestricted</u>
	<u>Assets</u>				
Fund Balance (Exhibit C)	\$ -	629,826	9,893,254	1,338,817	4,579,613
Capital assets	16,697,067	-	-	-	-
General obligation bond capitalized indebtedness	(9,655,000)	-	-	-	-
Revenue bond capitalized indebtedness	(4,005,000)	-	-	-	-
Revenue bond proceeds not expended	8,772,206	-	(8,772,206)	-	-
Income surtax	-	-	-	-	454,416
Blending of internal service fund	-	-	-	-	33,221
Accrued interest payable	-	(119,707)	-	-	-
Termination benefits payable	-	-	-	(254,200)	-
Net OPEB asset	-	-	-	-	242,372
Net position (Exhibit A)	<u>\$ 11,809,273</u>	<u>510,119</u>	<u>1,121,048</u>	<u>1,084,617</u>	<u>5,309,622</u>

Note 14. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amount		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 11,114,412	310,857	11,425,269	13,232,265	13,232,265	(1,806,996)
State sources	10,612,453	6,332	10,618,785	8,865,847	8,865,847	1,752,938
Federal sources	995,785	423,643	1,419,428	1,450,000	1,450,000	(30,572)
Total revenues	<u>22,722,650</u>	<u>740,832</u>	<u>23,463,482</u>	<u>23,548,112</u>	<u>23,548,112</u>	<u>(84,630)</u>
Expenditures/expenses:						
Instruction	12,334,872	-	12,334,872	14,100,000	14,100,000	1,765,128
Support services	6,623,012	11,016	6,634,028	7,241,773	7,241,773	607,745
Non-instructional programs	2,427	734,439	736,866	1,124,902	1,124,902	388,036
Other expenditures	3,487,040	-	3,487,040	8,963,792	8,963,792	5,476,752
Total expenditures/expenses	<u>22,447,351</u>	<u>745,455</u>	<u>23,192,806</u>	<u>31,430,467</u>	<u>31,430,467</u>	<u>8,237,661</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	275,299	(4,623)	270,676	(7,882,355)	(7,882,355)	8,153,031
Other financing sources, net	<u>16,310</u>	<u>-</u>	<u>16,310</u>	<u>-</u>	<u>-</u>	<u>16,310</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	291,609	(4,623)	286,986	(7,882,355)	(7,882,355)	8,169,341
Balances beginning of year	<u>17,309,054</u>	<u>96,336</u>	<u>17,405,390</u>	<u>17,570,464</u>	<u>17,570,464</u>	<u>(165,074)</u>
Balances end of year	<u>\$ 17,600,663</u>	<u>91,713</u>	<u>17,692,376</u>	<u>9,688,109</u>	<u>9,688,109</u>	<u>8,004,267</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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%
2014	July 1, 2012	-	1,289,000	1,289,000	0.0%	9,964,277	12.94%

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, 2014

	Education Foundation of Fairfield Public Schools, Inc.
Assets	
Cash and pooled investments	\$ 1,130,837
Liabilities	-
Net position	\$ 1,130,837

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CASH BASIS
COMPONENT UNIT
YEAR ENDED FEBRUARY 28, 2014

	Education Foundation of Fairfield Public Schools, Inc.
REVENUES:	
Contributions	\$ 20,201
Fundraising	7,831
Interest	20,100
Unrealized gain on investments	171,973
Realized gain on sale of assets	9,210
TOTAL REVENUES	229,315
EXPENSES:	
Grants to organizations	28,983
Grants to individuals	23,424
Accounting services	1,121
Advertising and promotion	95
Office expenses	92
TOTAL EXPENSES	53,715
Change in net position	175,600
Net position beginning of year	955,237
Net position end of year	\$ 1,130,837

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 1,276,750	200,474	1,477,224
Receivables:			
Property tax:			
Delinquent	9,947	-	9,947
Succeeding year	950,000	-	950,000
Interfund	53,000	-	53,000
Accounts	-	7,598	7,598
Accrued interest	125	-	125
TOTAL ASSETS	\$ 2,289,822	208,072	2,497,894
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,005	19,164	20,169
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	950,000	-	950,000
Fund balances:			
Restricted for:			
Management levy purposes	1,338,817	-	1,338,817
Student activities	-	188,908	188,908
Total fund balances	1,338,817	188,908	1,527,725
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,289,822	208,072	2,497,894

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, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 651,233	-	651,233
Other	11,653	336,352	348,005
TOTAL REVENUES	662,886	336,352	999,238
EXPENDITURES:			
Current:			
Instruction:			
Regular	365,541	-	365,541
Other	-	354,313	354,313
Support services:			
Student	5,337	-	5,337
Instructional staff	16,964	-	16,964
Administration	102,565	-	102,565
Operation and maintenance of plant	225,829	-	225,829
Transportation	29,897	-	29,897
Non-instructional programs:			
Food service operations	2,427	-	2,427
TOTAL EXPENDITURES	748,560	354,313	1,102,873
Deficiency of revenues under expenditures	(85,674)	(17,961)	(103,635)
Fund balances beginning of year	1,424,491	206,869	1,631,360
Fund balances end of year	<u>\$ 1,338,817</u>	<u>188,908</u>	<u>1,527,725</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects			
	Statewide Sales, Services and Use Tax	General Obligation Bond Construction	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 1,247,181	9,474,129	702,542	11,423,852
Receivables:				
Property tax:				
Delinquent	-	-	9,630	9,630
Succeeding year	-	-	638,924	638,924
Due from other governments	239,326	-	-	239,326
TOTAL ASSETS	\$ 1,486,507	9,474,129	1,351,096	12,311,732
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 19,678	701,923	13,513	735,114
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	638,924	638,924
Fund balances:				
Restricted for:				
Debt service	345,781	-	-	345,781
School infrastructure	1,121,048	8,772,206	-	9,893,254
Physical plant and equipment	-	-	698,659	698,659
Total fund balances	1,466,829	8,772,206	698,659	10,937,694
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,486,507	9,474,129	1,351,096	12,311,732

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, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	General Obligation Bond Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	634,483	634,483
Other	5,266	13,478	1,992	20,736
State sources	1,417,566	-	-	1,417,566
TOTAL REVENUES	1,422,832	13,478	636,475	2,072,785
EXPENDITURES:				
Current:				
Support services:				
Instructional staff	-	-	131,192	131,192
Administration	-	-	9,474	9,474
Operation and maintenance of plant	23,912	-	12,129	36,041
Transportation	-	-	207,176	207,176
Capital outlay	654,932	1,230,380	-	1,885,312
TOTAL EXPENDITURES	678,844	1,230,380	359,971	2,269,195
Excess(Deficiency) of revenues over(under) expenditures	743,988	(1,216,902)	276,504	(196,410)
Other financing(uses):				
Transfer out	(341,608)	-	-	(341,608)
Change in fund balances	402,380	(1,216,902)	276,504	(538,018)
Fund balances beginning of year	1,064,449	9,989,108	422,155	11,475,712
Fund balance end of year	\$ 1,466,829	8,772,206	698,659	10,937,694

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
HS Drama	\$ 7,164	4,964	8,734	9,163	12,557
MS Drama	5,193	745	369	336	5,905
HS Vocal Music	5,046	22,610	22,149	2,252	7,759
MS Vocal Music	7,375	1,430	1,767	336	7,374
HS Band 1000	6,669	5,748	6,216	5,178	11,379
MS Band	3,223	4,093	5,524	504	2,296
HS Musical	22,233	8,770	12,833	(5,726)	12,444
HS Athletics	49,805	120,841	142,390	13,191	41,447
MS Athletics	2,983	5,809	7,543	504	1,753
MS Archery	789	-	445	-	344
Cross Country Fundraising	612	848	778	-	682
Boys Basketball Fundraising	642	5,746	3,132	530	3,786
Football Unreserved Fund Balance	3,361	7,675	9,143	-	1,893
Boys Soccer Fund Balance	473	23	-	-	496
Baseball	2,258	4,295	4,561	-	1,992
Boys Track Fund Balance	291	-	64	-	227
Boys Golf	176	-	31	-	145
Wrestling Team	77	425	383	-	119
Girls Basketball Fund Balance	2,242	4,052	2,032	-	4,262
Volleyball Fund Balance	1,379	-	732	-	647
Girls Soccer Fund Balance	261	-	-	-	261
Softball	304	1,355	1,590	-	69
Girls Track Fund Balance	-	358	320	-	38
Girls Tennis Fund Balance	1,176	1,037	813	-	1,400
Girls Golf Fund Balance	-	2,244	2,244	-	-
HS Swim Team	317	307	642	18	-
MS Student Council	961	4,847	3,498	-	2,310
MS Activity Ticket	-	1,680	-	(1,680)	-
MS Cheerleader Org.	2,276	1,349	895	-	2,730
MS Yearbook	2,231	4,290	5,417	-	1,104
HS Interest	31	11	-	(42)	-
FMS Book Club	140	-	-	-	140
HS FBLA Club	3,172	10,870	14,656	1,854	1,240
HS FCA Club	5,555	-	-	-	5,555
HS Bowling	5,925	3,257	580	-	8,602
HS Concessions	-	28,671	19,139	(9,532)	-
HS Cheerleaders	15	3,562	3,511	417	483
HS Los Gringos	2,390	388	1,160	-	1,618
HS FFA	5,526	20,946	24,607	-	1,865
HS Dance-Drill	2,764	4,471	3,874	(417)	2,944
HS Quill	11,315	8,424	9,258	1,589	12,070
HS Student Council	9,346	10,144	12,240	(373)	6,877
HS Torch Club	2,220	-	587	794	2,427
HS Troy Banner Org.	1,003	-	583	794	1,214
HS SADD Club	2,631	-	-	-	2,631
HS Student Assembly	3,059	-	-	-	3,059
HS Class 2018 Org.	1,842	-	-	(1,842)	-
HS Class 2017 Org.	-	-	45	460	415
HS Class 2016 Org.	502	-	52	460	910
HS Class 2015 Org.	567	5,250	5,174	460	1,103
HS Class 2014 Org.	2,804	15	3,061	461	219
Wall of Honor	2,056	420	1,450	-	1,026
HS Wrestling Cheerleading	1,178	180	360	264	1,262
HS Chef Club	75	-	17	-	58
HS French Club	1,319	-	-	-	1,319
HS Speech/Forensics	6,176	2,472	3,906	794	5,536
HS Thespians	66	-	-	-	66
HS Activity Ticket	20	21,130	30	(21,120)	-
HS Renaissance	5,655	600	5,778	373	850
Total	\$ 206,869	336,352	354,313	-	188,908

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>ADMINISTRATOR</u>				
ASSETS				
Cash and pooled investments	\$ 90	-	-	90
Liabilities				
Due to other groups	\$ 90	-	-	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	\$ 5,068	-	-	5,068
Liabilities				
Due to other groups	\$ 5,068	-	-	5,068

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 9,540,533	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
Tuition	917,017	798,838	635,410	541,314	589,988	581,512	519,525	450,666	378,510	325,494
Other	656,862	950,363	687,282	731,756	547,749	744,965	848,043	865,867	635,419	665,816
State sources	10,612,453	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
Federal sources	995,785	987,475	886,655	1,441,658	1,974,552	754,170	673,395	994,655	827,013	751,011
Total	\$ 22,722,650	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
Expenditures:										
Instruction:										
Regular	\$ 7,244,655	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
Special	3,152,370	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
Other	1,937,847	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
Support services:										
Student	487,047	461,271	522,116	575,131	492,078	496,017	521,181	496,424	517,807	314,393
Instructional staff	1,000,516	901,368	954,935	1,124,829	889,937	987,907	828,221	921,414	990,180	889,753
Administration	1,920,816	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
Operation and maintenance of plant	1,972,449	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
Transportation	1,242,184	1,190,210	1,164,165	1,123,555	1,073,776	1,089,731	1,083,803	985,203	908,404	901,805
Non-instructional programs	2,427	14,877	15,075	18,635	14,820	15,262	6,747	4,427	7,161	111,196
Capital outlay	1,885,312	3,606,610	4,018,479	887,264	276,060	788,427	777,547	2,492,954	493,932	35,741
Long-term debt:										
Principal	520,000	150,000	-	55,062	52,557	57,687	6,363	6,099	68,747	79,331
Interest and fiscal charges	393,557	151,631	101,838	2,625	5,130	-	148	411	1,769	4,233
Other expenditures:										
AEA flow-through	688,171	662,475	658,723	734,999	732,377	682,351	673,060	640,646	614,109	590,231
Total	\$ 22,447,351	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

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 14	\$ 50,240
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	366,862
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 14	6,541
			<u>423,643</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	411,451
TITLE I SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 14	35,222
			<u>446,673</u>
SPECIAL EDUCATION - GRANTS TO STATES (IDEA SUBGRANT)	84.027	FY 14	5,500
CAREER AND TECHNICAL EDUCATION - BASIC STATE GRANTS	84.048	FY 14	25,719
RURAL EDUCATION ACHIEVEMENT PROGRAM(REAP)	84.358	FY 14	30,344
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 14	85,434
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 14	9,091
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	89,366
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 14	6,817
TOTAL			<u>\$ 1,122,587</u>

* -Includes \$54,335 in non-cash awards.

** - Total of the Special Education Cluster (IDEA) is \$94,866

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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2015.

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

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-14 and II-B-14 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, 2014 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.

February 17, 2015
Newton, Iowa

NOLTE, CORNMAN & JOHNSON, P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50209-3040
Telephone (641) 792-1910

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control Over Compliance
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, 2014. 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, 2014.

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

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-14 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.

February 17, 2015
Newton, Iowa

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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:
 - Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Title I Cluster:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.010 - Title I Schools in Need of Assistance (SINA)
- (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-14 Receipting Procedures- We noted during our audit an instance of money being collected from gate receipts two weeks prior to the money being recorded into the accounting system.

Recommendation - The District should review its policies and procedures regarding the receipting process. Money collected should be turned in to the central office on the same day or the morning following the event for the accounting staff to enter receipts into the system.

Response - District staff was reminded of the need to follow designated procedures to ensure the safe keeping of money collected at the various buildings and/or events. Appropriate methods of transfer to the business office were also discussed. We will strive to get receipts entered and deposited in a more timely manner.

Conclusion - Response accepted.

- II-B-14 Nutrition Food Inventory - We noted during our test count of food inventory three items that were not counted accurately. We noted downward adjustments of 10 ham turkeys, 11 grape jelly peanut butter sandwiches and 1 dried cherry cases. These adjustments were made by the District and are reflected in ending inventory.

Recommendation - The District should review procedures to ensure an accurate end of year inventory count. Two employees should count the end of year inventory with one person counting items and a second person recording and verifying the count.

Response - The District will adopt the practice of having two employees perform inventory counts.

Conclusion - Response accepted.

Other Matters:

- II-C-14 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 will increase attempts to collect on negative account balances by securing the services of a collection agency.

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 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559 - Summer Food Service Program for Children
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

- III-A-14 Nutrition Food Inventory - We noted during our test count of food inventory three items (2014-001) that were not counted accurately. We noted downward adjustments of 10 ham turkey's, 11 grape jelly peanut butter sandwiches and 1 dried cherry cases. These adjustments were made by the District and are reflected in ending inventory.

Recommendation - The District should review procedures to ensure an accurate end of year inventory count. Two employees should count the end of year inventory with one person counting items and a second person recording and verifying the count.

Response - The District will adopt the practice of having two employees perform inventory counts.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014, did not exceed the amount budgeted.

IV-B-14 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-14 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-14 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	Auto parts	\$ 115

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-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-14 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

IV-H-14 Supplementary Weighting - We noted a variances regarding the supplementary weighting certified to the Iowa Department of Education. Supplementary weighting certified to the state was understated by 0.09 students.

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-I-14 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-14 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-14 Categorical Funding - We noted during our audit that the District coded health and dental insurance as an expense to its teacher salary supplement categorical funding. Health and dental insurance is not an allowable expense for teacher salary supplement funding, we question these expenses totaling \$776.61. The following table shows the adjustment made by the District to the ending restricted balance for the teacher salary supplement program:

	<u>Restricted Balance on District's CAR</u>	<u>Amount of Expense Adjustment</u>	<u>Audited Ending Restricted Balance</u>
Teacher Salary Supplement	\$ 77,168	\$ 777	\$ 77,945

Recommendation - The District should review their procedures to ensure expenditures coded to teacher salary supplement are allowable per Chapter 281-98.25 of the Code of Iowa.

Response - This coding error has now been corrected.

Conclusion - Response accepted.

- IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,064,449
Revenues:		
Statewide sales, services and use tax	\$ 1,417,566	
Other local revenues	<u>5,266</u>	<u>1,422,832</u>
		2,487,281
Expenditures:		
School infrastructure construction	631,095	
Equipment	47,749	
Transfers to other funds		
Debt service fund	<u>341,608</u>	<u>1,020,452</u>
Ending balance		<u><u>\$ 1,466,829</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.