

FAIRFIELD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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**Fairfield Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
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
Phil Miller	Board Member	2015
Rich Metcalf	Board Member	2015
<b>School Officials</b>		
Dr. Laurie Noll	Superintendent	2015
Kimberly Sheets	District Secretary/Treasurer and Business Manager	2015
Craig Foss	Attorney	2015
Ahlers & Cooney PC	Attorney	2015

**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, 2015, 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, 2015, 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

## **Emphasis of Matter**

As discussed in Note 15 to the financial statements, Fairfield Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Funding Progress for the Retiree Health Plan and the combining statements for the discretely presented component units on pages 7 through 16 and 48 through 56 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, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, 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 December 23, 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.

December 23, 2015  
Newton, Iowa

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

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Fairfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$19,060,270 in fiscal year 2014 to \$17,573,775 in fiscal year 2015, while General Fund expenditures increased from \$18,161,726 in fiscal year 2014 to \$18,363,180 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$4,851,199 at June 30, 2014 to \$4,061,794 at June 30, 2015, a 16.27% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax revenues received in fiscal year 2015 compared to the prior year. 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

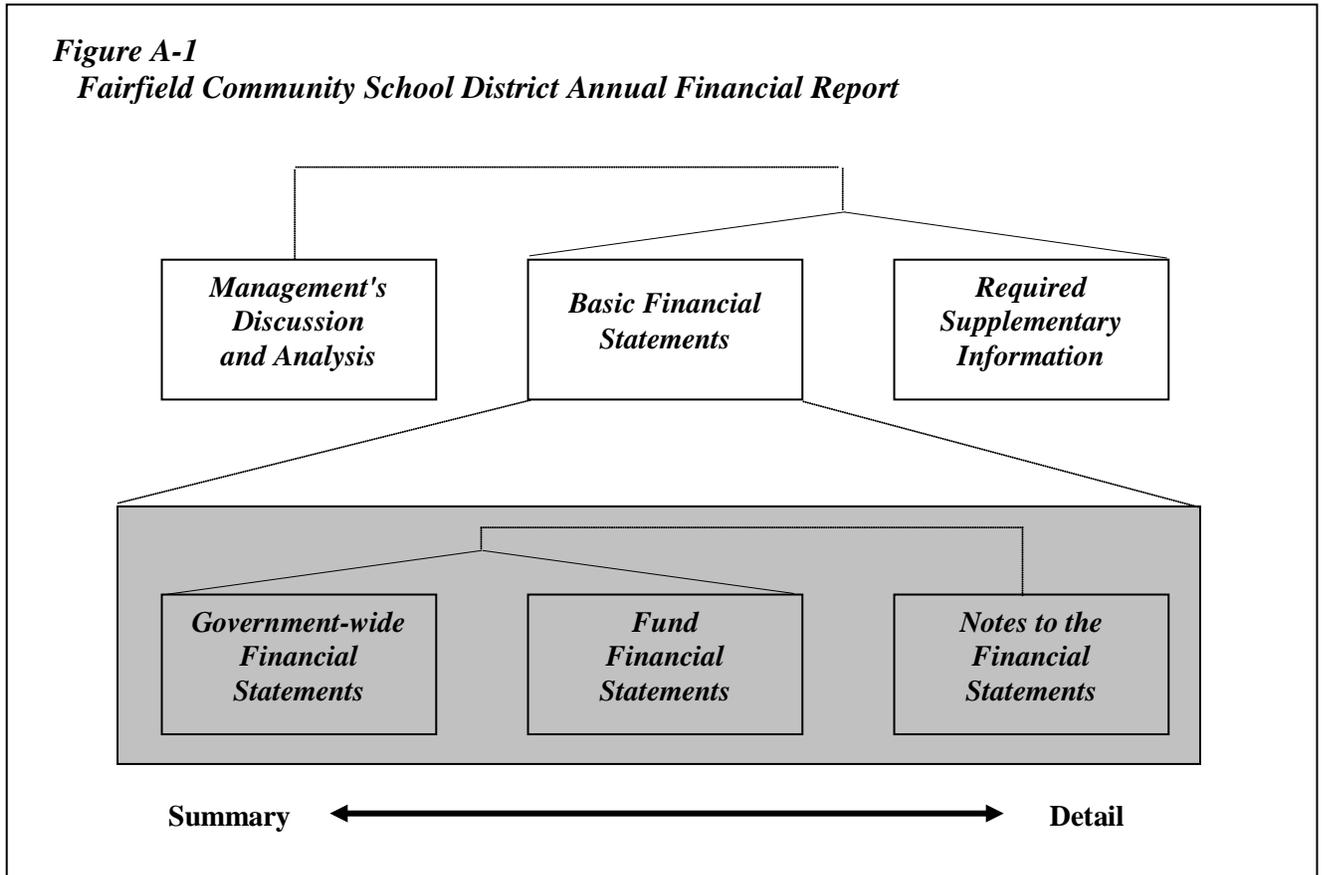


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service	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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
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.

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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 three 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.
- *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.

### **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 money collected by various administrator, alumni, high school faculty, high school memorial and an athletic tournament.

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, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
		(Not Restated)		(Not Restated)		(Not Restated)	
Current and other assets	\$ 24,145,008	30,040,580	38,681	26,241	24,183,689	30,066,821	-19.57%
Capital assets	26,298,196	16,697,067	58,898	77,314	26,357,094	16,774,381	57.13%
Total assets	50,443,204	46,737,647	97,579	103,555	50,540,783	46,841,202	7.90%
Deferred outflows of resources	1,334,136	-	32,709	-	1,366,845	-	100.00%
Long-term liabilities	21,795,532	13,914,200	167,460	-	21,962,992	13,914,200	57.85%
Other liabilities	2,950,479	2,921,965	14,210	11,842	2,964,689	2,933,807	1.05%
Total liabilities	24,746,011	16,836,165	181,670	11,842	24,927,681	16,848,007	47.96%
Deferred inflows of resources	11,665,326	8,907,650	67,757	-	11,733,083	8,907,650	31.72%
Net position:							
Net investment in capital assets	11,013,196	11,809,273	58,898	77,314	11,072,094	11,886,587	-6.85%
Restricted	7,347,149	3,874,937	-	-	7,347,149	3,874,937	89.61%
Unrestricted	(2,994,342)	5,309,622	(178,037)	14,399	(3,172,379)	5,324,021	-159.59%
Total net position	\$ 15,366,003	20,993,832	(119,139)	91,713	15,246,864	21,085,545	-27.69%

The District's combined net position decreased by 27.69%, or \$5,838,681, 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 \$3,472,212 or 89.61% over the prior year. This increase was due to an increase in the fund balances of the Capital Projects: Physical Plant and Equipment Levy Fund and the Management Levy Fund during the year.

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 - decreased \$8,496,400 or 159.59%. The decrease in unrestricted net position was primarily a result of the District's net pension liability and net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$8,225,858 and \$214,382, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to June 30, 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
	(Not Restated)		(Not Restated)		(Not Restated)		
Revenues:							
Program revenues:							
Charges for service	\$ 1,308,844	1,290,681	285,814	303,317	1,594,658	1,593,998	0.04%
Operating grants, contributions and restricted interest	1,939,068	1,881,952	438,512	437,491	2,377,580	2,319,443	2.51%
General revenues:							
Property tax	9,028,032	9,086,117	-	-	9,028,032	9,086,117	-0.64%
Income surtax	529,966	494,891	-	-	529,966	494,891	7.09%
Statewide sales, services and use tax	1,589,469	1,417,566	-	-	1,589,469	1,417,566	12.13%
Unrestricted state grants	8,376,790	8,386,081	-	-	8,376,790	8,386,081	-0.11%
Unrestricted investment earnings	24,684	23,475	21	24	24,705	23,499	5.13%
Other	240,823	182,362	344	-	241,167	182,362	32.25%
Total revenues	23,037,676	22,763,125	724,691	740,832	23,762,367	23,503,957	1.10%
Program expenses:							
Instruction	12,166,899	12,035,117	-	-	12,166,899	12,035,117	1.09%
Support services	6,400,026	6,378,803	12,589	11,016	6,412,615	6,389,819	0.36%
Non-instructional programs	1,978	2,427	709,926	734,439	711,904	736,866	-3.39%
Other expenses	1,869,390	1,874,253	-	-	1,869,390	1,874,253	-0.26%
Total expenses	20,438,293	20,290,600	722,515	745,455	21,160,808	21,036,055	0.59%
Excess(Deficiency) of revenues over(under) expenses:	2,599,383	2,472,525	2,176	(4,623)	2,601,559	2,467,902	5.42%
Transfers	(1,354)	-	1,354	-	-	-	0.00%
Change in net position	2,598,029	2,472,525	3,530	(4,623)	2,601,559	2,467,902	5.42%
Net position beginning of year, as restated	12,767,974	18,521,307	(122,669)	96,336	12,645,305	18,617,643	-32.08%
Net position end of year	\$ 15,366,003	20,993,832	(119,139)	91,713	15,246,864	21,085,545	-27.69%

In fiscal year 2015, property tax, statewide sales, services and use tax, operating grants, contributions, and restricted interest, and unrestricted state grants account for 90.87% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$23.76 million of which approximately \$23.04 million was for governmental activities and approximately \$0.72 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.10% increase in revenues and a 0.59% increase in expenses. Increases in Statewide Sales, Services and Use Tax revenue help fund the increase in total revenues while total expenditures remained relatively unchanged from the prior year.

### Governmental Activities

Revenues for governmental activities were \$23,037,676 and expenses were \$20,438,293 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 12,166,899	12,035,117	1.09%	9,629,057	9,565,885	0.66%
Support services	6,400,026	6,378,803	0.33%	6,388,494	6,363,573	0.39%
Non-instructional	1,978	2,427	-18.50%	1,978	2,427	-18.50%
Other expenses	1,869,390	1,874,253	-0.26%	1,170,852	1,186,082	-1.28%
Totals	<u>\$ 20,438,293</u>	<u>20,290,600</u>	<u>0.73%</u>	<u>17,190,381</u>	<u>17,117,967</u>	<u>0.42%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,308,844.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,939,068.
- The net cost of governmental activities was financed with \$9,028,032 in property tax, \$529,966 in income surtax, \$1,589,469 in statewide sales, services and use tax, \$8,376,790 in unrestricted state grants, \$24,684 in interest income and \$240,823 in other general revenues.

### Business Type Activities

Revenues for the District's business type activities during the year ended June 30, 2015 were \$724,691, a 2.18% decrease from the prior year while expenses totaled \$722,515, a 3.08% decrease from the prior year. 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 investment and other income.

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## 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 \$11,498,615, below last year's ending fund balances of \$17,600,663. The primary reason for the decrease in combined fund balances at June 30, 2015 is due to the spending of unspent general obligation bond proceeds from prior year issuances on the High School Addition/Remodel project in fiscal year 2015.

### Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Decreases in local tax revenues received compared to the prior year resulted in a decrease in total revenues from \$19,060,270 in fiscal year 2014 to \$17,573,775 in fiscal year 2015. Expenditures increased compared to fiscal year 2014 primarily due to an increase in negotiated salaries and benefits paid to District employees. Expenditures outpaced revenues during the year resulting in a decrease in fund balance to \$4,061,794 at June 30, 2015.
- The Capital Projects Fund net position decreased from \$10,937,694 at June 30, 2014 to \$4,210,664 at June 30, 2015. The decrease in Capital Projects Fund balance is attributable to increased capital outlay expenses relating to the District's High School addition/renovation project incurred during they year.
- The Debt Service Fund net position increased from \$284,045 at June 30, 2014 to \$1,346,984 at June 30, 2015. This increase in ending net position is primarily due to an increase in local tax revenues received due to the District approving an increase in the debt service tax levy which will be used to advance refund a portion of the District's general obligation bond indebtedness.

### Proprietary Fund Highlights

The School Nutrition Fund net position increased from a restated deficit net position of \$122,669 as of July 1, 2014 to a deficit net position of \$119,139 at June 30, 2015, representing an increase of 2.88%. A reduction in total salaries and benefits paid to School Nutrition Fund staff compared to the prior year was the primary factor contributing to the increase in ending net position.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Fairfield Community School District amended its budget one time to reflect additional expenditures associated with continued construction on the District's high school addition project.

The District's revenues were \$1,055,899 less than budgeted revenues, a variance of 4.26%. Significant variance resulted from the District receiving less in local, state and federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending though 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, 2015, the District had invested \$26,357,094, 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 57.13% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,037,840.

The original cost of the District's capital assets was \$39.52 million. Governmental funds account for \$39.19 million with the remainder of \$0.33 million accounted for 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 \$11,553,965 at June 30, 2015, 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 incurred during the year. The total cost of this project will be added to the District's capital asset listing upon completion.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 149,402	149,402	-	-	149,402	149,402	0.00%
Construction in progress	11,553,965	1,606,407	-	-	11,553,965	1,606,407	619.24%
Buildings	12,053,509	12,612,716	-	-	12,053,509	12,612,716	-4.43%
Land improvements	1,444,000	1,337,250	-	-	1,444,000	1,337,250	7.98%
Machinery and equipment	1,097,320	991,292	58,898	77,314	1,156,218	1,068,606	8.20%
Total	\$ 26,298,196	16,697,067	58,898	77,314	26,357,094	16,774,381	57.13%

### Long-Term Debt

At June 30, 2015, the District had \$21,962,992 in other long-term debt outstanding. This represents a increase of 57.85% from the prior 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 \$9,250,000 at June 30, 2015, payable from the Debt Service Fund.
- The District had total outstanding revenue bonds payable of \$3,810,000 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had total capital loan notes payable of \$2,225,000 at June 30, 2015, payable from the Capital Projects: Physical, Plant and Equipment Levy Fund.
- The District had total outstanding termination benefits payable from the Special Revenue: Management Fund of \$85,099 at June 30, 2015.
- The District had a total net pension liability of \$6,592,893 at June 30, 2015. \$6,425,433 of this total is accounted for in the District's governmental activities while the remaining \$167,470 is accounted for in its business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type		Total		Total Change June 30, 2014-15
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2015	2014	2015	2014	2015	2014	
	(Not Restated)		(Not Restated)		(Not Restated)		
General obligation bonds	\$ 9,250,000	9,655,000	-	-	9,250,000	9,655,000	-4.19%
Revenue bonds	3,810,000	4,005,000	-	-	3,810,000	4,005,000	-4.87%
Capital loan note	2,225,000	-	-	-	2,225,000	-	100.00%
Termination benefits	85,099	254,200	-	-	85,099	254,200	-66.52%
Net pension liability	6,425,433	-	167,460	-	6,592,893	-	100.00%
<b>Total</b>	<b>\$ 21,795,532</b>	<b>13,914,200</b>	<b>167,460</b>	<b>-</b>	<b>21,962,992</b>	<b>13,914,200</b>	<b>57.85%</b>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The City of Fairfield has experienced some recent economic advancements which we feel will have a positive effect on the school district's future. The City built a new outdoor swimming pool that opened during the summer of 2015. There is also a new gymnasium currently in the last phases of construction. Heartland Co-op built a new grain elevator in Fairfield, utilizing easy access to railroad and highway systems.
- Fairfield is also a part of tri-county community action group looking towards economic development within the Jefferson, Henry, and Washington counties.
- The goal is that Fairfield will be a vibrant community and economic force, blending its rich heritage and small town qualities with the diversity, cultural richness, and economic opportunities of a thriving city.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

## **BASIC FINANCIAL STATEMENTS**

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Primary Government			Component Unit +
	Governmental Activities	Business Type Activities	Total	Education Foundation of Fairfield Public Schools, Inc.
<b>ASSETS</b>				
Cash and pooled investments:				
U.S. Treasury Securities on deposit with escrow agent	\$ 1,035,000	-	1,035,000	-
Other	12,153,468	34,345	12,187,813	1,230,876
Receivables:				
Property tax:				
Delinquent	121,932	-	121,932	-
Succeeding year	9,065,473	-	9,065,473	-
Income surtax	484,912	-	484,912	-
Accounts	85,320	1,077	86,397	-
Accrued interest	4,835	-	4,835	-
Internal balances	53,000	(53,000)	-	-
Due from other governments	911,686	-	911,686	-
Inventories	-	49,140	49,140	-
Capital assets, net of accumulated depreciation	26,298,196	58,898	26,357,094	-
Net OPEB asset	229,382	7,119	236,501	-
<b>TOTAL ASSETS</b>	<b>50,443,204</b>	<b>97,579</b>	<b>50,540,783</b>	<b>1,230,876</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related deferred outflows	1,334,136	32,709	1,366,845	-
<b>LIABILITIES</b>				
Accounts payable	1,219,882	3,513	1,223,395	-
Salaries and benefits payable	1,612,123	4,307	1,616,430	-
Interest payable	118,474	-	118,474	-
Unearned revenue	-	6,390	6,390	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	410,000	-	410,000	-
Revenue bonds payable	200,000	-	200,000	-
Capital loan note payable	210,000	-	210,000	-
Termination benefits payable	42,550	-	42,550	-
Portion due after one year:				
General obligation bonds payable	8,840,000	-	8,840,000	-
Revenue bonds payable	3,610,000	-	3,610,000	-
Capital loan note payable	2,015,000	-	2,015,000	-
Termination benefits payable	42,549	-	42,549	-
Net pension liability	6,425,433	167,460	6,592,893	-
<b>TOTAL LIABILITIES</b>	<b>24,746,011</b>	<b>181,670</b>	<b>24,927,681</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable property tax revenue	9,065,473	-	9,065,473	-
Pension related deferred inflows	2,599,853	67,757	2,667,610	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>11,665,326</b>	<b>67,757</b>	<b>11,733,083</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	11,013,196	58,898	11,072,094	-
Restricted for:				
Categorical funding	113,901	-	113,901	-
Debt service	1,574,291	-	1,574,291	-
Management levy purposes	1,604,087	-	1,604,087	-
Student activities	189,987	-	189,987	-
School infrastructure	1,871,399	-	1,871,399	-
Physical plant and equipment	1,993,484	-	1,993,484	-
Unrestricted	(2,994,342)	(178,037)	(3,172,379)	1,230,876
<b>TOTAL NET POSITION</b>	<b>\$ 15,366,003</b>	<b>(119,139)</b>	<b>15,246,864</b>	<b>1,230,876</b>

+ Component year end is February 28, 2015.

SEE NOTES TO FINANCIAL STATEMENTS.

**FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	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		
<b>Functions/Programs:</b>							
<b>Governmental activities:</b>							
Instruction:							
Regular	\$ 7,013,168	648,288	165,664	(6,199,216)	-	(6,199,216)	-
Special	3,153,852	293,630	529,414	(2,330,808)	-	(2,330,808)	-
Other	1,999,879	358,891	541,955	(1,099,033)	-	(1,099,033)	-
	<u>12,166,899</u>	<u>1,300,809</u>	<u>1,237,033</u>	<u>(9,629,057)</u>	<u>-</u>	<u>(9,629,057)</u>	<u>-</u>
Support services:							
Student	505,810	-	1,165	(504,645)	-	(504,645)	-
Instructional staff	1,034,693	-	161	(1,034,532)	-	(1,034,532)	-
Administration	1,865,008	-	2,171	(1,862,837)	-	(1,862,837)	-
Operation and maintenance of plant	1,861,917	-	-	(1,861,917)	-	(1,861,917)	-
Transportation	1,132,598	8,035	-	(1,124,563)	-	(1,124,563)	-
	<u>6,400,026</u>	<u>8,035</u>	<u>3,497</u>	<u>(6,388,494)</u>	<u>-</u>	<u>(6,388,494)</u>	<u>-</u>
Non-instructional programs:							
Food service operations	1,978	-	-	(1,978)	-	(1,978)	-
Long-term debt interest	426,796	-	-	(426,796)	-	(426,796)	-
Other expenditures:							
AEA flowthrough	698,538	-	698,538	-	-	-	-
Depreciation(unallocated)*	744,056	-	-	(744,056)	-	(744,056)	-
	<u>1,442,594</u>	<u>-</u>	<u>698,538</u>	<u>(744,056)</u>	<u>-</u>	<u>(744,056)</u>	<u>-</u>
Total governmental activities	<u>20,438,293</u>	<u>1,308,844</u>	<u>1,939,068</u>	<u>(17,190,381)</u>	<u>-</u>	<u>(17,190,381)</u>	<u>-</u>
Business type activities:							
Support services							
Instructional staff	3,420	-	-	-	(3,420)	(3,420)	-
Administration	5,740	-	-	-	(5,740)	(5,740)	-
Operation and maintenance of plant	3,429	-	-	-	(3,429)	(3,429)	-
	<u>12,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,589)</u>	<u>(12,589)</u>	<u>-</u>
Non-instructional programs:							
Nutrition services	709,926	285,814	438,512	-	14,400	14,400	-
	<u>722,515</u>	<u>285,814</u>	<u>438,512</u>	<u>-</u>	<u>1,811</u>	<u>1,811</u>	<u>-</u>
Total primary government	<u>\$ 21,160,808</u>	<u>1,594,658</u>	<u>2,377,580</u>	<u>(17,190,381)</u>	<u>1,811</u>	<u>(17,188,570)</u>	<u>-</u>
Total component unit	<u>\$ 114,367</u>	<u>-</u>	<u>56,007</u>				<u>(58,360)</u>
<b>General Revenues and Transfers:</b>							
Property tax levied for:							
General purposes				\$ 6,634,286	-	6,634,286	-
Capital outlay				647,177	-	647,177	-
Debt service				1,746,569	-	1,746,569	-
Income surtax				529,966	-	529,966	-
Statewide sales, services and use tax				1,589,469	-	1,589,469	-
Unrestricted state grants				8,376,790	-	8,376,790	-
Unrestricted investment earnings				24,684	21	24,705	68,969
Realized gain on investments				-	-	-	89,430
Other general revenues				240,823	344	241,167	-
Transfers				(1,354)	1,354	-	-
Total general revenues and transfers				<u>19,788,410</u>	<u>1,719</u>	<u>19,790,129</u>	<u>158,399</u>
Change in net position				<u>2,598,029</u>	<u>3,530</u>	<u>2,601,559</u>	<u>100,039</u>
Net position beginning of year, as restated				<u>12,767,974</u>	<u>(122,669)</u>	<u>12,645,305</u>	<u>1,130,837</u>
Net position end of year				<u>\$ 15,366,003</u>	<u>(119,139)</u>	<u>15,246,864</u>	<u>1,230,876</u>

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

+ The component unit year end is February 28, 2015 and the beginning net position is not restated.

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments:					
U.S. Treasury Securities on deposit with escow agent	\$ -	-	1,035,000	-	1,035,000
Other	5,347,809	4,689,879	288,523	1,792,636	12,118,847
Receivables:					
Property tax:					
Delinquent	77,136	8,713	23,461	12,622	121,932
Succeeding year	6,302,582	651,643	1,686,248	425,000	9,065,473
Income surtax	484,912	-	-	-	484,912
Accounts	30,968	14,857	-	39,495	85,320
Accrued interest	2,986	-	-	1,849	4,835
Due from other funds	-	-	-	53,000	53,000
Due from other governments	667,480	244,206	-	-	911,686
<b>TOTAL ASSETS</b>	<b>\$ 12,913,873</b>	<b>5,609,298</b>	<b>3,033,232</b>	<b>2,324,602</b>	<b>23,881,005</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 452,462	746,991	-	20,429	1,219,882
Salaries and benefits payable	1,612,123	-	-	-	1,612,123
Total liabilities	2,064,585	746,991	-	20,429	2,832,005
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	6,302,582	651,643	1,686,248	425,000	9,065,473
Income surtax	484,912	-	-	-	484,912
Total deferred inflows of resources	6,787,494	651,643	1,686,248	425,000	9,550,385
Fund balances:					
Restricted for:					
Categorical funding	113,901	-	-	-	113,901
Debt service	-	345,781	1,346,984	-	1,692,765
Management levy purposes	-	-	-	1,689,186	1,689,186
Student activities	-	-	-	189,987	189,987
School infrastructure	-	1,871,399	-	-	1,871,399
Physical plant and equipment	-	1,993,484	-	-	1,993,484
Unassigned	3,947,893	-	-	-	3,947,893
Total fund balances	4,061,794	4,210,664	1,346,984	1,879,173	11,498,615
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 12,913,873</b>	<b>5,609,298</b>	<b>3,033,232</b>	<b>2,324,602</b>	<b>23,881,005</b>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

<b>Total fund balances of governmental funds(page 20)</b>	\$	11,498,615
 <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.		26,298,196
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		34,621
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		484,912
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.		(118,474)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		229,382
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,334,136	
Deferred inflows of resources	<u>(2,599,853)</u>	(1,265,717)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, capital loan note payable, termination benefits payable and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(21,795,532)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>15,366,003</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 6,172,055	647,177	1,746,569	961,701	9,527,502
Tuition	896,359	-	-	-	896,359
Other	280,038	40,408	1,693	456,183	778,322
State sources	9,207,155	1,589,469	-	-	10,796,624
Federal sources	1,008,373	-	-	-	1,008,373
<b>TOTAL REVENUES</b>	<b>17,563,980</b>	<b>2,277,054</b>	<b>1,748,262</b>	<b>1,417,884</b>	<b>23,007,180</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,935,181	-	-	310,886	7,246,067
Special	3,204,764	-	-	-	3,204,764
Other	1,645,572	-	-	404,115	2,049,687
	<b>11,785,517</b>	<b>-</b>	<b>-</b>	<b>715,001</b>	<b>12,500,518</b>
Support services:					
Student	497,061	-	-	4,350	501,411
Instructional staff	920,184	100,000	-	4,975	1,025,159
Administration	1,885,485	5,406	-	77,123	1,968,014
Operation and maintenance of plant	1,665,534	-	-	225,016	1,890,550
Transportation	910,861	262,294	-	37,993	1,211,148
	<b>5,879,125</b>	<b>367,700</b>	<b>-</b>	<b>349,457</b>	<b>6,596,282</b>
Non-instructional programs:					
Food service operations	-	-	-	1,978	1,978
Capital outlay	-	10,540,147	-	-	10,540,147
Long-term debt:					
Principal	-	-	600,000	-	600,000
Interest and fiscal charges	-	-	428,029	-	428,029
	<b>-</b>	<b>-</b>	<b>1,028,029</b>	<b>-</b>	<b>1,028,029</b>
Other expenditures:					
AEA flowthrough	698,538	-	-	-	698,538
<b>TOTAL EXPENDITURES</b>	<b>18,363,180</b>	<b>10,907,847</b>	<b>1,028,029</b>	<b>1,066,436</b>	<b>31,365,492</b>
Excess(Deficiency) of revenues over(under) expenditures	(799,200)	(8,630,793)	720,233	351,448	(8,358,312)
Other financing sources(uses):					
Transfer in	-	-	342,706	-	342,706
Transfer out	-	(342,706)	-	-	(342,706)
Capital loan note proceeds	-	2,225,000	-	-	2,225,000
Insurance proceeds	-	21,469	-	-	21,469
Sale of capital assets	9,795	-	-	-	9,795
<b>Total other financing sources(uses)</b>	<b>9,795</b>	<b>1,903,763</b>	<b>342,706</b>	<b>-</b>	<b>2,256,264</b>
Change in fund balances	(789,405)	(6,727,030)	1,062,939	351,448	(6,102,048)
Fund balances beginning of year	4,851,199	10,937,694	284,045	1,527,725	17,600,663
Fund balances end of year	\$ 4,061,794	4,210,664	1,346,984	1,879,173	11,498,615

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, 2015

**Change in fund balances - total governmental funds**(page 22) \$ (6,102,048)

*Amounts reported for governmental activities in the  
 Statement of Activities are different because:*

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:

Capital outlay	\$ 10,616,511	
Depreciation expense	<u>(1,015,382)</u>	9,601,129

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

Issued	\$ (2,225,000)	
Repaid	<u>600,000</u>	(1,625,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,233

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 1,400

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 30,496

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 980,735

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.

Termination benefits	\$ 169,101	
Pension expense	(446,027)	
Other postemployment benefits	<u>(12,990)</u>	<u>(289,916)</u>

**Change in net position of governmental activities**(page 19) \$ 2,598,029

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business Type Activities: Enterprise, School Nutrition	Governmental Activities: Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments	\$ 34,345	34,621
Accounts receivable	1,077	-
Inventories	49,140	-
Total current assets	<u>84,562</u>	<u>34,621</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	58,898	-
Net OPEB asset	7,119	-
Total non-current assets	<u>66,017</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>150,579</u>	<u>34,621</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferred outflows	<u>32,709</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Due to other funds	53,000	-
Accounts payable	3,513	-
Salaries and benefits payable	4,307	-
Unearned revenue	6,390	-
Total current liabilities	<u>67,210</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	167,460	-
<b>TOTAL LIABILITIES</b>	<u>234,670</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related deferred inflows	<u>67,757</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	58,898	-
Unrestricted	(178,037)	34,621
<b>TOTAL NET POSITION</b>	<u>\$ (119,139)</u>	<u>34,621</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, 2015

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 285,814	-
Donations	88	-
Miscellaneous	344	49,591
Total operating revenues	<u>286,246</u>	<u>49,591</u>
Operating expenses:		
Support services:		
Instructional staff:		
Supplies	3,420	-
Administration:		
Services	4,516	48,191
Supplies	164	-
Other	1,060	-
	<u>5,740</u>	<u>48,191</u>
Operation and maintenance of plant:		
Services	3,429	-
	<u>12,589</u>	<u>48,191</u>
Non-instructional programs:		
Food service programs:		
Salaries	261,088	-
Benefits	81,149	-
Services	288	-
Supplies	327,005	-
Other	16,617	-
Depreciation	22,458	-
	<u>708,605</u>	<u>-</u>
Total operating expenses	<u>721,194</u>	<u>48,191</u>
Operating income(loss)	<u>(434,948)</u>	<u>1,400</u>
Non-operating revenues(expenses):		
Interest income	21	-
State sources	5,787	-
Federal sources	432,637	-
Loss on disposal of capital assets	(1,321)	-
Total non-operating revenues(expenses)	<u>437,124</u>	<u>-</u>
Change in net position before other financing sources:	2,176	1,400
Other financing sources:		
Capital contributions	1,354	-
Change in net position	3,530	1,400
Net position beginning of year, as restated	<u>(122,669)</u>	<u>33,221</u>
Net position end of year	<u>\$ (119,139)</u>	<u>34,621</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 289,022	-
Cash received from miscellaneous operating activities	432	49,591
Cash payments to employees for services	(346,750)	(48,191)
Cash payments to suppliers for goods or services	(296,034)	-
Net cash provided by(used in) operating activities	(353,330)	1,400
Cash flows from non-capital financing activities:		
State grants received	5,787	-
Federal grants received	366,939	-
Net cash provided by non-capital financing activities	372,726	-
Cash flows from capital financing activities:		
Purchase of capital assets	(4,009)	-
Cash flows from investing activities:		
Interest on investment	21	-
Net increase in cash and pooled investments	15,408	1,400
Cash and pooled investments beginning of year	18,937	33,221
Cash and pooled investments end of year	\$ 34,345	34,621
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (434,948)	1,400
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	65,698	-
Depreciation	22,458	-
Increase in inventories	(7,541)	-
Decrease in accounts receivable	6,499	-
Decrease in other postemployment benefits asset	4,010	-
Increase in accounts payable	2,308	-
Increase in salaries and benefits payable	3,351	-
Decrease in net pension liability	(71,596)	-
Increase in deferred outflows of resources	(8,035)	-
Increase in deferred inflows of resources	67,757	-
Decrease in unearned revenue	(3,291)	-
Net cash provided by(used in) operating activities	\$ (353,330)	1,400

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received \$65,698 of federal commodities.

During the year ended June 30, 2015, the District received contributed capital from the Capital Projects: Statewide, Sales, Services and Use Tax Fund of \$1,354.

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	Private Purpose Trust	Agency
	Scholarship	
<b>ASSETS</b>		
Cash and pooled investments	\$ 4,911	5,068
Accounts receivable	500	-
<b>TOTAL ASSETS</b>	5,411	5,068
<b>LIABILITIES</b>		
Accounts payable	600	-
Due to other groups	-	5,068
<b>TOTAL LIABILITIES</b>	600	5,068
<b>NET POSITION</b>		
Held in trust for scholarships	\$ 4,811	-

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Contributions	\$ 6,311
DEDUCTIONS:	
Non-instructional programs:	
Scholarships awarded	2,900
Change in net position	3,411
Net position beginning of year	1,400
Net position end of year	\$ 4,811

SEE NOTES TO FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**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 service.

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 the following 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. Enabling legislation did not result in any restricted net position.

*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 non-major proprietary fund:

The Enterprise: School 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

**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.

<u>Asset Class</u>	<u>Amount</u>
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

**Deferred Outflows of Resources** - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

**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.

**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.

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Inflows of Resources** - Deferred inflows of resources represent an acquisition of net position that applies to future periods(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 consist of succeeding year property tax receivable and other 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 levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

*Unassigned* - All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

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, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$5,153,913 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.

At June 30, 2015, the District had investments in U.S. Treasury Securities which are stated at the fair value of \$1,035,000. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**Note 3. Due From and Due To Other Funds**

The detail of interfund loans for the year ended June 30, 2015 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 in a prior year.

**Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 342,706

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, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 149,402	-	-	149,402
Construction in progress	1,606,407	10,195,421	247,863	11,553,965
Total capital assets not being depreciated	<u>1,755,809</u>	<u>10,195,421</u>	<u>247,863</u>	<u>11,703,367</u>
Capital assets being depreciated:				
Buildings	20,868,963	80,155	9,129	20,939,989
Land improvements	2,007,888	211,444	-	2,219,332
Machinery and equipment	4,095,603	377,354	150,676	4,322,281
Total capital assets being depreciated	<u>26,972,454</u>	<u>668,953</u>	<u>159,805</u>	<u>27,481,602</u>
Less accumulated depreciation for:				
Buildings	8,256,247	639,362	9,129	8,886,480
Land improvements	670,638	104,694	-	775,332
Machinery and equipment	3,104,311	271,326	150,676	3,224,961
Total accumulated depreciation	<u>12,031,196</u>	<u>1,015,382</u>	<u>159,805</u>	<u>12,886,773</u>
Total capital assets being depreciated, net	<u>14,941,258</u>	<u>(346,429)</u>	<u>-</u>	<u>14,594,829</u>
Governmental activities capital assets, net	<u>\$ 16,697,067</u>	<u>9,848,992</u>	<u>247,863</u>	<u>26,298,196</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 328,729	5,363	5,660	328,432
Less accumulated depreciation	251,415	22,458	4,339	269,534
Business Type activities capital assets, net	<u>\$ 77,314</u>	<u>(17,095)</u>	<u>1,321</u>	<u>58,898</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 18,857
Other	5,923
Support services:	
Instructional staff	600
Administration	24,171
Operation and maintenance	22,698
Transportation	199,077
	<u>271,326</u>
Unallocated depreciation	<u>744,056</u>
Total governmental activities depreciation expense	<u>\$ 1,015,382</u>
Business type activities:	
Food services operations	<u>\$ 22,458</u>

**Note 6. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,655,000	-	405,000	9,250,000	410,000
Revenue bonds	4,005,000	-	195,000	3,810,000	200,000
Capital loan note	-	2,225,000	-	2,225,000	210,000
Termination benefits	254,200	85,099	254,200	85,099	42,550
Net pension liability	9,172,588	-	2,747,155	6,425,433	-
Total	<u>\$ 23,086,788</u>	<u>2,310,099</u>	<u>3,601,355</u>	<u>21,795,532</u>	<u>862,550</u>
Business type activities:					
Net pension liability	239,056	-	71,596	167,460	-

**General Obligation Bonds**

During the year ended June 30, 2014, the District approved an additional debt service levy tax to advance refund \$1,035,000 in principal of the July 27, 2013 general obligation bond issuance when the bonds become callable. The District levied at a rate of \$2.69648 per \$1,000 taxable valuation for fiscal year 2015. The additional amount of the Debt Service tax levy totaled \$1,035,000 which has been placed in an irrevocable escrow account and has been invested in U.S. Government obligations which have been certified to be sufficient to pay \$660,000 in principal of the May 1, 2033 bond payment, \$375,000 in principal of the May 1, 2032 bond payment and corresponding interest when the bonds become callable on May 1, 2021. The District remains contingently liable in the remote possibility the account is insufficient to repay the refunding bonds.

During the year ended June 30, 2015, the District approved an additional debt service tax levy to advance refund \$1,000,000 in principal of the July 27, 2013 general obligation bond issuance when the bonds become callable. The District levied at a rate of \$2.58539 per \$1,000 taxable valuation for fiscal year 2016. The additional debt service levy is anticipated to be \$1,000,000 and will be used to call \$260,000 in principal of the May 1, 2032 bond payment, \$615,000 in principal of the May 1, 2031 bond payment, and \$260,000 in principal of the May 1, 2030 bond payment and corresponding interest when the bonds become callable on May 1, 2021.

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	High School Addition/Renovation		
		Issued June 27, 2013		
		Principal	Interest	Total
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	2.00	445,000	240,847	685,847
2021-2025	3.00	2,405,000	1,019,638	3,424,638
2026-2030	3.00-3.45	2,795,000	633,132	3,428,132
2031-2033	3.65-3.80	1,910,000	144,042	2,054,042
Total		<u>\$ 9,250,000</u>	<u>3,086,649</u>	<u>12,336,649</u>

**Capital Loan Note**

Details of the District's June 30, 2015 capital loan note indebtedness which will be paid from the Capital Projects: Physical Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	High School Addition/Renovation				
	Interest Rate	Issued June 10, 2015			
		Principal	Interest	Total	
2016	0.40	%	\$ 210,000	28,241	238,241
2017	0.70		215,000	30,832	245,832
2018	1.10		215,000	29,328	244,328
2019	1.30		215,000	26,962	241,962
2020	1.40		220,000	24,168	244,168
2021-2025	1.55-2.10		1,150,000	67,033	1,217,033
Total			<u>\$ 2,225,000</u>	<u>206,564</u>	<u>2,431,564</u>

**Revenue Bonds**

Details of the District's June 30, 2015 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
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	3.00		225,000	114,157	339,157
2021-2025	3.25-4.00		1,250,000	440,039	1,690,039
2026-2030	4.00-4.375		1,495,000	164,572	1,659,572
Total			<u>\$ 3,810,000</u>	<u>1,239,592</u>	<u>5,049,592</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 21 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,049,592. For the current year, principal of \$195,000 and interest of \$143,181 was paid on the bonds and total statewide sales, services, and use tax revenues were \$1,589,469.

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**

In December 2014, the District approved a voluntary early retirement plan for District employees. The plan was offered to employees for only one year with no guarantee that any early retirement program would be offered in future year. Eligible employees must have completed at least ten years of continuous service to the District and have reached the age of fifty-five on or before June 30, 2015. The retirement application was subject to approval by the Board of Education.

Early retirement benefits equal a sum of money that is a product of the employees basic yearly salary, not including pay from extended contracts, overtime pay, extra-curricular pay or other similar payments, times the applicable percentage based on employee's continuous years of service to Fairfield Community School District, not to exceed a maximum benefit of \$20,000.

The plan requires payments to retirees to be made in two equal annual payments over a two year period with the first payment made on approximately September 25, 2015 of the calendar year of retirement. The second payment will be made approximately September 25, 2016. All benefits will be paid to the District's Special Pay Deferral Plan.

At June 30, 2015, the District has obligations to five participants with a total liability of \$85,099. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$254,200.

### **Note 7. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the

reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$1,004,234.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$6,592,893 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.162905 percent, which was a decrease of 0.003320 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$457,652. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 71,652	\$ -
Changes of assumptions	290,959	-
Net difference between projected and actual earnings on pension plan investments	-	2,514,340
Changes in proportion and differences between District contributions and proportionate share of contributions	-	153,270
District contributions subsequent to the measurement date	<u>1,004,234</u>	-
Total	<u>\$ 1,366,845</u>	<u>\$ 2,667,610</u>

\$1,004,234 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (579,674)
2017	(579,674)
2018	(579,674)
2019	(579,674)
2020	13,697
	<u>\$ (2,304,999)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	2	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 12,457,086	\$ 6,592,893	\$ 1,642,907

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$109,136 for legally required employer contributions and \$72,716 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 8. 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 273 active and 15 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.

**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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 102,000
Interest on net OPEB obligation	(10,000)
Adjustment to annual required contribution	<u>9,000</u>
Annual OPEB cost	101,000
Contributions made	<u>(84,000)</u>
Increase in net OPEB obligation	17,000
Net OPEB obligation beginning of year	<u>(253,501)</u>
Net OPEB obligation end of year	<u><u>\$ (236,501)</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, 2015.

For the year ended June 30, 2015, the District contributed \$84,000 to the medical and explicit plans. Plan members eligible for benefits contributed \$124,000, or 59.62% 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2013	\$ 150,000	76.67%	\$ 254,722
2014	150,221	99.18%	253,501
2015	101,000	83.17%	236,501

**Funded Status and Funding Progress** - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$823,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$823,000. The covered payroll (annual payroll of active employees covered by the plan) was \$10,341,342, and the ratio of the UAAL to covered payroll was 7.96%. As of June 30, 2015, 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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, 2014 actuarial valuation date, the project unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced by .5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP-2014 projected to 2030 using Scale MP-14, 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, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **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 \$698,538 for the year ended June 30, 2015 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, 2015, the District has entered into various contracts for a High School addition and renovation project totaling \$13,357,642. Costs of \$11,553,965 had been incurred by the District against these contracts. The remaining \$1,803,677 will be paid as work on the projects progresses. Upon completion these projects will be capitalized as part of the District official capital asset listing.

#### **Note 12. Deficit Unrestricted/Total Net Position**

The Fairfield Community School District had a deficit unrestricted net position of \$178,037 and a total deficit net position of \$119,139 in the Business Type Activity, Enterprise: School Nutrition Fund and a deficit unrestricted net position in its Governmental Activities of \$2,994,342 at June 30, 2015.

### **Note 13. Categorical Funding**

The District's ending restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Weighted limited english proficiency	\$ 1,765
Home school assistance program	106,108
Teacher salary supplement	6
Textbook aid for nonpublic students	260
Market factor incentives	5,218
Teacher leadership grants	544
Total	<u>\$ 113,901</u>

### **Note 14. 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 in Capital Assets</u>	<u>Debt Service</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund Balance (Exhibit C)	\$ -	1,692,765	1,689,186	3,947,893
Capital assets	26,298,196	-	-	-
General obligation bond capitalized indebtedness	(9,250,000)	-	-	-
Revenue bond capitalized indebtedness	(3,810,000)	-	-	-
Capital loan note capitalized indebtedness	(2,225,000)	-	-	-
Income surtax	-	-	-	484,912
Blending of internal service fund	-	-	-	34,621
Accrued interest payable	-	(118,474)	-	-
Termination benefits payable	-	-	(85,099)	-
Deferred outflows of resources	-	-	-	1,334,136
Net pension liability	-	-	-	(6,425,433)
Deferred inflows of resources	-	-	-	(2,599,853)
Net OPEB asset	-	-	-	229,382
Net position (Exhibit A)	<u>\$ 11,013,196</u>	<u>1,574,291</u>	<u>1,604,087</u>	<u>(2,994,342)</u>

### **Note 15. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 20,993,832	\$ 91,713
Net pension liability at June 30, 2014	(9,172,588)	(239,056)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	946,730	24,674
Net position July 1, 2014, as restated	<u>\$ 12,767,974</u>	<u>\$ (122,669)</u>

# Fairfield Community School District



**REQUIRED SUPPLEMENTARY INFORMATION**

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amount		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 11,202,183	286,267	11,488,450	12,009,150	12,009,150	(520,700)
State sources	10,796,624	5,787	10,802,411	11,203,620	11,203,620	(401,209)
Federal sources	1,008,373	432,637	1,441,010	1,575,000	1,575,000	(133,990)
Total revenues	<u>23,007,180</u>	<u>724,691</u>	<u>23,731,871</u>	<u>24,787,770</u>	<u>24,787,770</u>	<u>(1,055,899)</u>
Expenditures/expenses:						
Instruction	12,500,518	-	12,500,518	14,500,000	14,500,000	1,999,482
Support services	6,596,282	12,589	6,608,871	8,456,281	8,456,281	1,847,410
Non-instructional programs	1,978	709,926	711,904	1,163,635	1,163,635	451,731
Other expenditures	12,266,714	-	12,266,714	11,504,160	13,504,160	1,237,446
Total expenditures/expenses	<u>31,365,492</u>	<u>722,515</u>	<u>32,088,007</u>	<u>35,624,076</u>	<u>37,624,076</u>	<u>5,536,069</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(8,358,312)	2,176	(8,356,136)	(10,836,306)	(12,836,306)	4,480,170
Other financing sources, net	<u>2,256,264</u>	<u>1,354</u>	<u>2,257,618</u>	<u>19,000</u>	<u>19,000</u>	<u>2,238,618</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(6,102,048)	3,530	(6,098,518)	(10,817,306)	(12,817,306)	6,718,788
Balances beginning of year, as restated	<u>17,600,663</u>	<u>(122,669)</u>	<u>17,477,994</u>	<u>15,244,239</u>	<u>15,244,239</u>	<u>2,233,755</u>
Balances end of year	<u>\$ 11,498,615</u>	<u>(119,139)</u>	<u>11,379,476</u>	<u>4,426,933</u>	<u>2,426,933</u>	<u>8,952,543</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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.

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. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$2,000,000.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.162905%
District's proportionate share of the net pension liability	\$ 6,592,893
District's covered-employee payroll	\$ 11,245,614
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.63%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

**Note:** GASB 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYTEM  
LAST TEN FISCAL YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 1,004,233	971,404	932,097	862,609	766,002	763,177	717,222	638,236	589,195	569,192
Contributions in relation to the statutorily required contribution	(1,004,233)	(971,404)	(932,097)	(862,609)	(766,002)	(763,177)	(717,222)	(638,236)	(589,195)	(569,192)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 11,245,614	10,877,984	10,750,830	10,689,083	11,021,612	10,980,964	11,294,835	10,549,355	10,246,870	9,898,991
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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%
2015	July 1, 2014	-	823,000	823,000	0.0%	10,341,342	7.96%

See Note 8 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, 2015

	Education Foundation of Fairfield Public Schools, Inc.
<b>ASSETS</b>	
Cash and pooled investments	\$ 1,230,876
<b>LIABILITIES</b>	-
<b>NET POSITION</b>	\$ 1,230,876

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, 2015

		Education Foundation of Fairfield Public Schools, Inc.
REVENUES:		
Contributions	\$	56,007
Interest		68,969
Realized gain on sale of assets		89,430
TOTAL REVENUES		214,406
EXPENSES:		
Grants to organizations		39,771
Grants to individuals		26,448
Accounting services		1,312
Advertising and promotion		97
Office expenses		98
Unrealized loss on investments		46,641
TOTAL EXPENSES		114,367
Change in net position		100,039
Net position beginning of year		1,130,837
Net position end of year	\$	1,230,876

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **SUPPLEMENTARY INFORMATION**

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,593,150	199,486	1,792,636
Receivables:			
Property tax:			
Delinquent	12,622	-	12,622
Succeeding year	425,000	-	425,000
Due from other funds	53,000	-	53,000
Accounts	28,731	10,764	39,495
Accrued interest	1,683	166	1,849
<b>TOTAL ASSETS</b>	<b>\$ 2,114,186</b>	<b>210,416</b>	<b>2,324,602</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	20,429	20,429
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	425,000	-	425,000
Fund balances:			
Restricted for:			
Management levy purposes	1,689,186	-	1,689,186
Student activities	-	189,987	189,987
Total fund balances	1,689,186	189,987	1,879,173
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,114,186</b>	<b>210,416</b>	<b>2,324,602</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 961,701	-	961,701
Other	50,831	405,352	456,183
<b>TOTAL REVENUES</b>	<b>1,012,532</b>	<b>405,352</b>	<b>1,417,884</b>
EXPENDITURES:			
Current:			
Instruction:			
Regular	310,886	-	310,886
Other	-	404,115	404,115
Support services:			
Student	4,350	-	4,350
Instructional staff	4,975	-	4,975
Administration	77,123	-	77,123
Operation and maintenance of plant	224,858	158	225,016
Transportation	37,993	-	37,993
Non-instructional programs:			
Food service operations	1,978	-	1,978
<b>TOTAL EXPENDITURES</b>	<b>662,163</b>	<b>404,273</b>	<b>1,066,436</b>
Change in fund balances	350,369	1,079	351,448
Fund balances beginning of year	1,338,817	188,908	1,527,725
Fund balances end of year	<b>\$ 1,689,186</b>	<b>189,987</b>	<b>1,879,173</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,091,648	2,598,231	4,689,879
Receivables:			
Property tax:			
Delinquent	-	8,713	8,713
Succeeding year	-	651,643	651,643
Accounts	-	14,857	14,857
Due from other governments	244,206	-	244,206
<b>TOTAL ASSETS</b>	<b>\$ 2,335,854</b>	<b>3,273,444</b>	<b>5,609,298</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 118,674	628,317	746,991
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	651,643	651,643
Fund balances:			
Restricted for:			
Debt service	345,781	-	345,781
School infrastructure	1,871,399	-	1,871,399
Physical plant and equipment	-	1,993,484	1,993,484
Total fund balances	2,217,180	1,993,484	4,210,664
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,335,854</b>	<b>3,273,444</b>	<b>5,609,298</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	General Obligation Bond Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	647,177	647,177
Other	18,242	4,991	17,175	40,408
State sources	1,589,469	-	-	1,589,469
<b>TOTAL REVENUES</b>	<b>1,607,711</b>	<b>4,991</b>	<b>664,352</b>	<b>2,277,054</b>
EXPENDITURES:				
Current:				
Support services:				
Instructional staff	-	-	100,000	100,000
Administration	-	-	5,406	5,406
Transportation	-	-	262,294	262,294
Capital outlay	536,123	8,777,197	1,226,827	10,540,147
<b>TOTAL EXPENDITURES</b>	<b>536,123</b>	<b>8,777,197</b>	<b>1,594,527</b>	<b>10,907,847</b>
Excess(Deficiency) of revenues over(under) expenditures	1,071,588	(8,772,206)	(930,175)	(8,630,793)
Other financing sources(uses):				
Transfer out	(342,706)	-	-	(342,706)
Capital loan note proceeds	-	-	2,225,000	2,225,000
Insurance proceeds	21,469	-	-	21,469
<b>Total other financing sources(uses)</b>	<b>(321,237)</b>	<b>-</b>	<b>2,225,000</b>	<b>1,903,763</b>
Change in fund balances	750,351	(8,772,206)	1,294,825	(6,727,030)
Fund balances beginning of year	1,466,829	8,772,206	698,659	10,937,694
Fund balance end of year	\$ 2,217,180	-	1,993,484	4,210,664

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
HS Drama	\$ 12,557	6,604	10,264	1,131	10,028
MS Drama	5,905	964	764	181	6,286
HS Vocal Music	7,759	31,619	33,267	1,020	7,131
MS Vocal Music	7,374	1,308	4,478	181	4,385
HS Band 1000	11,379	8,783	10,679	1,703	11,186
MS Band	2,296	4,738	6,304	272	1,002
HS Musical	12,444	885	4,740	6,190	14,779
HS Athletics	41,447	163,515	179,934	15,876	40,904
MS Athletics	1,753	6,254	7,089	320	1,238
MS Archery	344	-	-	-	344
Cross Country Fundraising	682	1,584	1,146	-	1,120
Boys Basketball Fundraising	3,786	8,954	9,178	228	3,790
Football Unreserved Fund Balance	1,893	3,850	4,448	-	1,295
Boys Soccer Fund Balance	496	741	832	-	405
Baseball	1,992	9,407	4,754	-	6,645
Boys Track Fund Balance	227	-	188	-	39
Boys Golf	145	-	-	-	145
Wrestling Team	119	497	-	683	1,299
Girls Basketball Fund Balance	4,262	4,375	5,779	-	2,858
Volleyball Fund Balance	647	1,133	1,565	135	350
Girls Soccer Fund Balance	261	-	-	-	261
Softball	69	538	-	-	607
Girls Track Fund Balance	38	-	-	-	38
Girls Tennis Fund Balance	1,400	846	1,744	-	502
Girls Golf Fund Balance	-	2,565	2,565	-	-
HS Swim Team	-	1,355	844	456	967
MS Student Council	2,310	3,208	4,804	(614)	100
MS Activity Ticket	-	907	-	(907)	-
MS Goal	-	2,529	-	-	2,529
MS Cheerleader Org.	2,730	171	-	-	2,901
MS Yearbook	1,104	3,570	3,418	-	1,256
HS Interest	-	393	-	(237)	156
FMS Robotics	-	325	-	-	325
FMS Concessions	-	2,087	2,290	431	228
FMS Book Club	140	-	-	-	140
HS FBLA Club	1,240	18,263	20,433	1,935	1,005
HS FCA Club	5,555	-	-	-	5,555
HS Bowling	8,602	1,836	1,203	-	9,235
HS Concessions	-	27,278	18,990	(8,288)	-
HS Cheerleaders	483	796	709	-	570
HS Los Gringos	1,618	91	-	-	1,709
HS FFA	1,865	33,244	27,877	102	7,334
HS Dance-Drill	2,944	4,340	3,559	-	3,725
HS Quill	12,070	8,515	8,785	1,252	13,052
HS Student Council	6,877	9,075	7,099	(3,314)	5,539
HS Torch Club	2,427	-	1,431	456	1,452
HS Troy Banner Org.	1,214	-	-	-	1,214
HS SADD Club	2,631	-	-	-	2,631
HS Student Assembly	3,059	-	-	-	3,059
HS Class 2018 Org.	-	-	18	55	37
HS Class 2017 Org.	415	-	38	54	431
HS Class 2016 Org.	910	5,089	5,050	54	1,003
HS Class 2015 Org.	1,103	-	1,158	55	-
HS Class 2014 Org.	219	-	-	(219)	-
Wall of Honor	1,026	100	1,126	-	-
HS Wrestling Cheerleading	1,262	330	908	683	1,367
HS Chef Club	58	-	-	-	58
HS French Club	1,319	-	1,316	-	3
HS Speech/Forensics	5,536	1,953	2,469	683	5,703
HS Thespians	66	-	-	-	66
HS Activity Ticket	-	20,737	180	(20,557)	-
HS Renaissance	850	-	850	-	-
Total	\$ 188,908	405,352	404,273	-	189,987

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b><u>ADMINISTRATOR</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 90	-	-	90
<b>Liabilities</b>				
Due to other groups	\$ 90	-	-	90
<b><u>ALUMNI</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 776	-	-	776
<b>Liabilities</b>				
Due to other groups	\$ 776	-	-	776
<b><u>HIGH SCHOOL FACULTY</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 570	-	-	570
<b>Liabilities</b>				
Due to other groups	\$ 570	-	-	570
<b><u>ATHLETIC TOURNAMENT</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 445	-	-	445
<b>Liabilities</b>				
Due to other groups	\$ 445	-	-	445
<b><u>HS MEMORIAL</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,187	-	-	3,187
<b>Liabilities</b>				
Due to other groups	\$ 3,187	-	-	3,187
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 5,068	-	-	5,068
<b>Liabilities</b>				
Due to other groups	\$ 5,068	-	-	5,068

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST – SCHOLARSHIP FUNDS  
 JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund		
	Student Council Scholarship	Pepsi Scholarship	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,811	2,100	4,911
Accounts receivable	500	-	500
<b>TOTAL ASSETS</b>	<b>3,311</b>	<b>2,100</b>	<b>5,411</b>
<b>LIABILITIES</b>			
Accounts payable	500	100	600
<b>NET POSITION</b>			
Held in trust for scholarships	\$ 2,811	2,000	4,811

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST – SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund			
	FFA Scholarship	Student Council Scholarship	Pepsi Scholarship	Total
ADDITIONS:				
Local sources:				
Contributions	\$ 750	2,561	3,000	6,311
DEDUCTIONS:				
Instruction:				
Regular:				
Scholarships awarded	750	1,150	1,000	2,900
Change in net position	-	1,411	2,000	3,411
Net position beginning of year	-	1,400	-	1,400
Net position end of year	\$ -	2,811	2,000	4,811

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 9,527,502	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
Tuition	896,359	917,017	798,838	635,410	541,314	589,988	581,512	519,525	450,666	378,510
Other	778,322	656,862	950,363	687,282	731,756	547,749	744,965	848,043	865,867	635,419
State sources	10,796,624	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
Federal sources	1,008,373	995,785	987,475	886,655	1,441,658	1,974,552	754,170	673,395	994,655	827,013
<b>Total</b>	<b>\$ 23,007,180</b>	<b>22,722,650</b>	<b>22,772,095</b>	<b>21,769,041</b>	<b>21,472,062</b>	<b>19,913,493</b>	<b>20,264,256</b>	<b>19,780,167</b>	<b>19,600,978</b>	<b>18,064,471</b>
Expenditures:										
Instruction:										
Regular	\$ 7,246,067	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
Special	3,204,764	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
Other	2,049,687	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
Support services:										
Student	501,411	487,047	461,271	522,116	575,131	492,078	496,017	521,181	496,424	517,807
Instructional staff	1,025,159	1,000,516	901,368	954,935	1,124,829	889,937	987,907	828,221	921,414	990,180
Administration	1,968,014	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
Operation and maintenance of plant	1,890,550	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
Transportation	1,211,148	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
Non-instructional programs	1,978	2,427	14,877	15,075	18,635	14,820	15,262	6,747	4,427	7,161
Capital outlay	10,540,147	1,885,312	3,606,610	4,018,479	887,264	276,060	788,427	777,547	2,492,954	493,932
Long-term debt:										
Principal	600,000	520,000	150,000	-	55,062	52,557	57,687	6,363	6,099	68,747
Interest and fiscal charges	428,029	393,557	151,631	101,838	2,625	5,130	-	148	411	1,769
Other expenditures:										
AEA flow-through	698,538	688,171	662,475	658,723	734,999	732,377	682,351	673,060	640,646	614,109
<b>Total</b>	<b>\$ 31,365,492</b>	<b>22,447,351</b>	<b>22,988,841</b>	<b>22,865,085</b>	<b>20,420,775</b>	<b>19,312,886</b>	<b>20,268,406</b>	<b>19,234,994</b>	<b>19,942,374</b>	<b>17,296,796</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

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 15	\$ 46,872
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	377,615 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	8,150
			<u>432,637</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 15	<u>359,199</u>
CAREER AND TECHNICAL EDUCATION - BASIC STATE GRANTS	84.048	FY 15	<u>25,933</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 15	<u>86,778</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 15	<u>8,215</u>
GREAT PRAIRIE AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 15	<u>84,707</u>
TOTAL			<u>\$ 997,469</u>

\* -Includes \$65,698 in non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fairfield Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fairfield Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 23, 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.

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.

**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, 2015 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.

December 23, 2015  
Newton, Iowa

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

**Independent Auditor's Report on Compliance  
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, 2015. 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, 2015.

**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. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

December 23, 2015  
Newton, Iowa

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses over internal control over financial reporting were noted.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An 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:
    - Child 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
  - Individual Programs:
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Fairfield Community School District did not qualify as a low-risk auditee.

FAIRFIELD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**OTHER MATTERS:**

II-A-15 Deficit Lunch Account Balances - We noted during the audit that the Enterprise, School Nutrition Fund is carrying numerous deficit student and adult lunch account balances as of June 30, 2015.

Recommendation - The District should develop policies regarding the treatment of negative account balances aimed at discouraging accounts from becoming excessively negative. The District may also wish to investigate alternatives to bring negative accounts back to a positive balance.

Response - The District engaged Credit Bureau Services of Iowa, Inc. to help collect negative accounts of non-current students. The results have been minimal, but we will continue to work on this. The district has followed the DE guidelines and procedures to calculate annual lunch price increases. The district has also continued to send low and negative balance notices both electronically and written.

Conclusion - Response accepted.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

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

IV-A-15 Certified Budget - District disbursements for the year ended June 30, 2015, did not exceed the amount budgeted.

IV-B-15 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-15 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-15 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	\$ 717

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-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-15 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-15 Financial Condition - The District had the following deficit balances at June 30, 2015. The District had a deficit unrestricted net position of \$178,037 and a deficit total net position of \$119,139 in the School Nutrition Fund. The District also had a deficit unrestricted net position in the District’s Governmental Activities of \$2,994,342. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District’s administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District’s financials moving forward.

Response - The District’s governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District’s total net pension liability was \$6,592,893 at June 30, 2015.

Conclusion - Response accepted.

IV-M-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,466,829
Revenues:		
Statewide sales, services and use tax	\$ 1,589,469	
Other local revenues	18,242	
Insurance proceeds	21,469	1,629,180
		<u>3,096,009</u>
Expenditures:		
School infrastructure construction	536,123	
Transfers to other funds		
Debt service fund	342,706	878,829
		<u>878,829</u>
Ending balance		<u>\$ 2,217,180</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-N-15 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281- 12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

**Scholarships:** We noted that the District expensed scholarships from the FFA club and Student Council accounts within the Student Activity Fund to move money raised to be awarded as scholarships to the District's Private Purpose Trust Fund to pay out the scholarships.

**Recommendation** - When fundraising takes place, the District should deposit the proceeds into the appropriate fund. Moneys fundraised for scholarships should be receipted directly to and expensed from the Private Purpose Trust Fund. Furthermore, scholarships should not be paid from the Student Activity Fund as those expenses as not extracurricular or co-curricular in nature.

**Response** - Activity sponsors, administrators, and clerical staff have been notified of this audit comment. In the future, fundraising revenue will be set aside for student scholarships when first received. Those funds will be deposited into Fund #81 accounts.

**Conclusion** - Response accepted.

**Inactive Accounts:** We noted several accounts within the student activity which have appear to be inactive during the prior one or two fiscal years. These include the MS Archery, Boys Golf, Girls Track, HS Troy Banner and HS Chef's Club, Girls soccer, FMS Book Club, HS FCA Club, HS SADD, HS Student Assembly, and HS Thespians accounts within the Student Activity Fund. Each of these accounts has not been used in the prior one or two fiscal years by the District but each is still carrying a balance at year end.

Recommendation - The purpose of these inactive accounts should be reviewed by the District. If the District determines that these accounts are inactive and no longer used by the District should determine where to reallocate the remaining balance to another account within the Student Activity Fund with the approval of the Board of Education.

Response - After discussions with the activities director and various activity sponsors the following actions were taken: MS Archery - fairly new club, keep open with the intention that student participation will increase. Boys Golf - fundraising account for ongoing sport/activity. Keep account active. Girls Track - fundraising account for ongoing sport/activity. Keep account active. HS Troy Banner - Student newspaper - no student participation in 14-15 but hopefully this year due to new teacher leadership. HS Chef's Club - Key participant instrumental in starting the club has since graduated. Younger students coming up have shown interest to start it up again. Girls Soccer - fundraising account for ongoing sport/activity. Keep account active. FMS Book Club - operations are funded by parent group. Funds will be transferred to parent group and account closed. HS FCA Club - student participation and interest seems to have increased lately. Keep account active at this time. HS SADD - this account can be closed out - funds transferred to HS Athletics, #6601. HS Student Assembly - this account can be closed out - funds transferred to HS Athletics, #6601. HS Thespians - this account can be closed out - funds transferred to HS Drama, #6110.

Conclusion - Response accepted.

IV-O-15 Interfund Loans - We noted during our audit that the District has an interfund loan which was on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2015, the Enterprise, School Nutrition Fund still owes the Special Revenue, Management Levy Fund \$53,000 which was outstanding from the prior year. According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek outside funding to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should take steps to ensure compliance with the declaratory order issued April 11, 2008. It appears the District has adequate funds to repay the interfund loan and suggest the District take the appropriate action to repay the loan.

Response - The District will continue to monitor the Nutrition fund carefully. Cash flow is a monthly problem. Other cost saving measures have been implemented such as lower staffing ratios, increased use of commodities, attention to student account balances. When the loan can be repaid to Management without the need for short term bank loans to meet payroll each month, we will do so promptly.

Conclusion - Response accepted.