

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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Independent Auditor's Report

To the Board of Education of
[Sheffield-Chapin](#) Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of [Sheffield-Chapin](#) Community School District, [Sheffield](#), Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of [Sheffield-Chapin](#) Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, [Sheffield-Chapin](#) Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated [September 14, 2004](#), on our consideration of [Sheffield-Chapin](#) Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 17 and 44 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise [Sheffield-Chapin](#) Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

[September 14, 2004](#)

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT
504 PARK
Sheffield, Iowa 50475

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Sheffield-Chapin Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

For fiscal year 2003-2004, Governmental entities are required to meet the new reporting guidelines as promulgated by the Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments." (GASB-34). Because the School District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial positions and results of operations.

FINANCIAL HIGHLIGHTS

- General fund revenues increased from \$2,611,388 in fiscal year 2003 to \$2,640,870 in 2004. General Fund expenditures increased from \$2,482,012 in fiscal year 2003 to \$2,594,861 in fiscal year 2004 which resulted in an increase of \$47,259 in the General Fund balance from \$241,743 in fiscal year 2003 to \$289,002 in fiscal 2004 or a 19.5 percent increase in fund balance.
- The increase in General Fund revenues was attributable to an increase in property taxes received, and extra sharing monies received from M-T.
- The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and insurance costs.
- The first year of receiving local option sales tax has allowed us to begin to look at plans to replace the elementary school flat roof with a pitched roof.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- The *proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The *fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

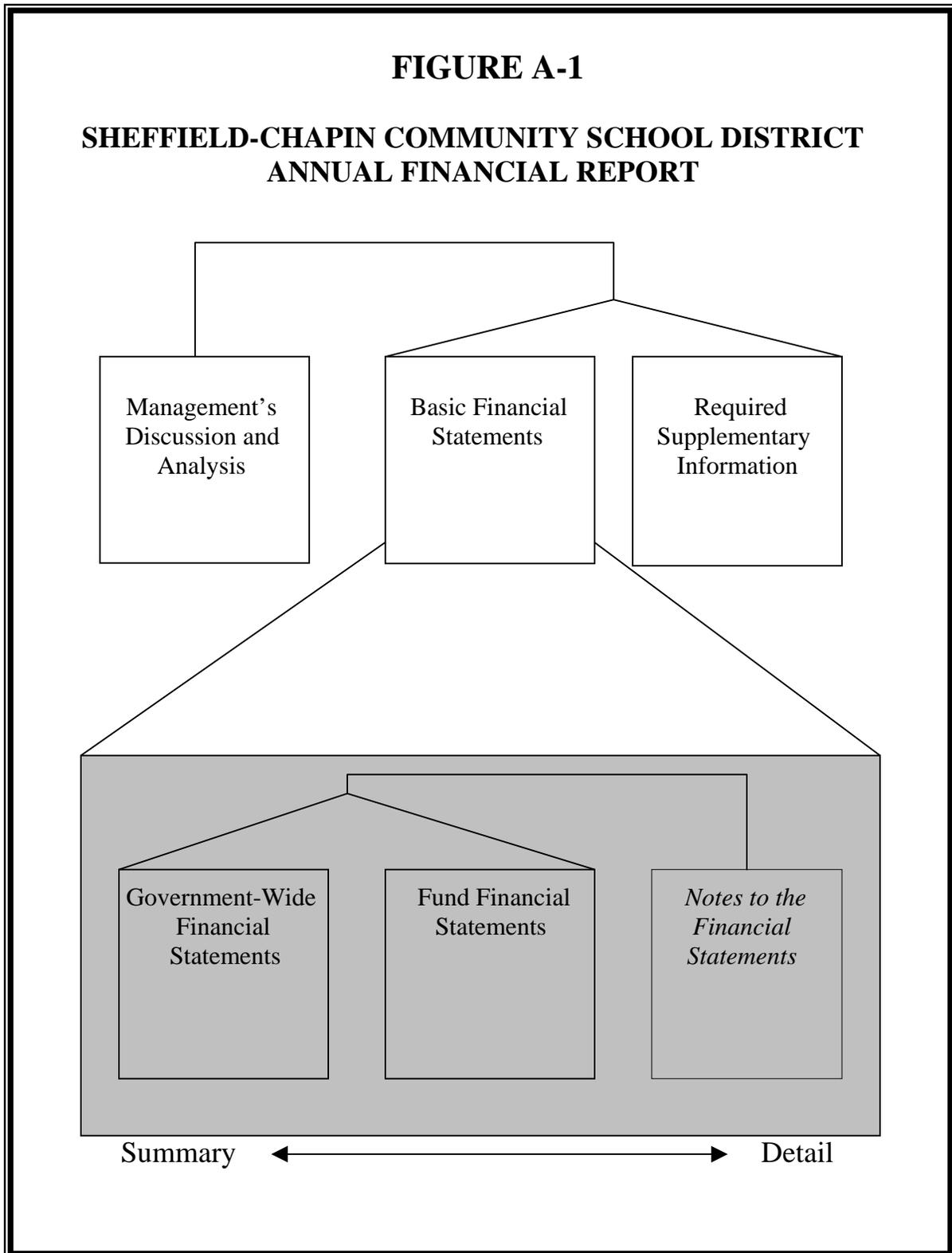


Figure A-2 summarizes the major features of the School District’s financial statements, including the portion of the School District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2: Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of cash flows Statement of revenues, expenses and changes in net assets	Statement of fiduciary net assets Statement of changes changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ Outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	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

GOVERNMENT-WIDE STATEMENTS

The Government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the School District's net *assets* and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or *position*.

- Over time, increase or decreases in the School District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the School District's activities are divided into two categories.

- *Governmental activities:* Most of the School 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 School District charges fees to help cover the costs of certain services it provides. The School District's school nutrition program is included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds – not the School District as a whole. Funds are accounting devices the School 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 School 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 School District has three kinds of funds:

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 School District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

- The School District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

Proprietary Funds: Services for which the School District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements.

- The School 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 School District currently has one enterprise fund, the School Nutrition Fund.

Fiduciary Funds: The School District is the trustee, or fiduciary, for assets that belong to others. These funds include one Scholarship Fund.

- Scholarship Funds – The District accounts for outside donations for scholarships for individual students in this fund.

The School 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 School District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets – Figure A-3 below provides a summary of the School District’s net assets for the year ended June 30, 2004.

FIGURE A-3

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business Type Activities		Total School District	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$2,323,855	\$2,312,624	\$24,977	\$19,584	\$2,348,832	\$2,332,208
Capital assets	<u>2,923,816</u>	<u>2,915,929</u>	<u>17,269</u>	<u>19,335</u>	<u>2,941,085</u>	<u>2,935,264</u>
TOTAL ASSETS	<u>\$5,247,671</u>	<u>\$5,228,553</u>	<u>\$42,246</u>	<u>\$20,919</u>	<u>\$5,289,917</u>	<u>5,267,472</u>
Long-term obligations	\$2,091,071	\$2,155,798	\$0	\$0	\$2,091,071	\$2,155,798
Other liabilities	<u>1,710,055</u>	<u>1,768,190</u>	<u>1,684</u>	<u>1,434</u>	<u>1,711,739</u>	<u>1,769,624</u>
TOTAL LIABILITIES	<u>\$3,801,126</u>	<u>\$3,923,988</u>	<u>\$ 1,684</u>	<u>\$1,434</u>	<u>\$3,802,810</u>	<u>\$3,925,422</u>
Net assets:						
Invested in capital assets Net of related debt	\$ 893,026	\$813,955	\$17,269	\$19,335	\$ 910,295	\$ 833,290
Restricted	195,559	143,461	0	0	195,559	143,461
Unrestricted	<u>357,960</u>	<u>347,149</u>	<u>23,293</u>	<u>18,150</u>	<u>381,253</u>	<u>365,299</u>
TOTAL NET ASSETS	<u>\$1,446,545</u>	<u>\$1,304,565</u>	<u>\$40,562</u>	<u>\$37,485</u>	<u>\$1,487,107</u>	<u>\$1,342,050</u>

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

FIGURE A-4

**SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT
CHANGES IN NET ASSETS**

	Government Activities	Business Type Activities	Total School District
REVENUES:			
Program revenues:			
Charges for service and sales	\$ 417,810	\$ 67,706	\$ 485,516
Operating grants and contributions	263,257	46,234	309,491
Capital grants and contributions	7,603	0	7,603
General revenues:			
Property tax	1,182,528	0	1,182,528
Unrestricted state grants	1,073,228	0	1,073,228
Unrestricted investment earnings	8,266	69	8,335
Income Surtax	133,804	0	133,804
Local Option Sales & Service Tax	77,984	0	77,984
Other	<u>1,261</u>	<u>0</u>	<u>1,261</u>
TOTAL REVENUES	\$3,165,741	\$114,009	\$3,279,750
PROGRAM EXPENSES:			
Governmental activities:			
Instruction	\$1,862,918	0	\$1,862,918
Support Services	860,586	0	860,586
Non-instructional programs	8,709	\$110,932	119,641
Other expenses	<u>291,548</u>	<u>0</u>	<u>291,548</u>
TOTAL EXPENSES	\$3,023,761	\$110,932	\$3,134,693
 CHANGE IN NET ASSETS	 \$ 141,980	 \$ 3,077	 \$ 145,057
Net assets beginning of year, as restated	<u>\$1,304,565</u>	<u>37,485</u>	<u>1,342,050</u>
Net assets end of year	<u>\$1,446,545</u>	<u>\$ 40,562</u>	<u>\$1,487,107</u>

Property tax and unrestricted state grants account for 68.8 percent of the total revenue. The School District's expenses primarily relate to instruction and support services which account for 86.9 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,165,741 and expense were \$3,023,761 which amounted to an increase in net assets of \$141,980. Over half of the increase in net assets was created by local option sales tax revenues that were not spent during fiscal year 2004.

The following table presents the total and net cost of the School District's major governmental activities: Instruction, support services, non-instructional programs and other expenses.

FIGURE A-5

**SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services
Instruction	\$1,862,918	\$1,280,560
Support Services	860,586	851,571
Non-instructional programs	8,709	8,709
Other expenses	<u>291,548</u>	<u>194,251</u>
TOTALS	<u>\$3,023,761</u>	<u>\$2,335,091</u>

- The cost financed by users of the School District's programs was \$417,810.
- Federal and State governments subsidized certain programs with grants and contributions totaling \$263,257.
- The net cost of governmental activities was financed with \$1,182,528 in property tax, \$1,073,228 in unrestricted state grants, \$8,266 in interest income, \$133,804 in income surtax, and \$77,984 in local option sales tax.

Business Type Activities

Revenues of the School District's business-type activities were \$114,009 and expenses were \$110,932. The School District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges of service, rebates, federal and state reimbursements and investment income.

During the year ended June 30, 2004, no major equipment replacement took place.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

As previously noted, the Sheffield-Chapin Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the School District as a whole is reflected in its governmental funds as well. As the School District completed the year, its governmental funds reported combined fund balances of \$490,955 an increase above last year's combine fund balances of \$414,280.

Governmental Fund Highlights

In an effort to reduce expenditures the District entered into an agreement with Rockwell-Swaledale to share two teaching positions.

The General Fund balance increased from \$241,732 in 2003 to \$289,002 in 2004. The School District raised deductibles on health insurance, which resulted in lower insurance premiums.

The General Fund expenditures for salaries increased by \$ 47,040 from 2003 to 2004 whereas benefits increased by \$32,849 from 2003 to 2004. Salaries and benefits make up 74.1 percent of the general fund expenditures.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$82,501 to \$69,667. This decrease was due to the purchase of new playground equipment.

The Capital Projects Fund balance of \$78,043 was entirely due to the one cent local option sales tax being passed in Cerro Gordo County on March 3, 2003 and in Franklin County on June 17, 2003.

The Management Fund balance decreased from \$29,908 to \$8,236. This was the result of an increase in insurance.

The Activity Fund balance decreased from \$56,179 in 2003 to \$42,559 in 2004, because \$15,332 from student fundraisers was transferred to the Physical Plant and Equipment Levy Fund to pay for new playground equipment.

Business Type Fund Highlights

The School Nutrition Fund net assets increased from \$37,485 in 2003 to \$40,562 in 2004, an increase of \$3,077 or an increase of 8 percent. Total revenues increased from \$112,585 in 2003 to \$114,009 in 2004, an increase of \$1,424. Total expenditures increased from \$97,811 in 2003 to \$110,932 in 2004, an increase of \$13,121, which is a 13.4 percent increase. Current year expenditures were kept to a minimum which were less than revenues, resulting in an increase in net assets. Increased revenue was the result of more participation in the lunch program and sales of ala carte items.

Fiduciary Fund Highlights

The Fiduciary Fund net assets decreased from \$13,401 at the beginning of the year to \$13,012 at year end. Scholarships amounting to \$2,150 were awarded in 2004.

BUDGETARY HIGHLIGHTS

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 its private-purpose trust and agency funds. 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 of fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The School District's budget is prepared on the modified accrual basis. A schedule showing the original and final budget amounts compared to the School District's actual financial activity is included in the required supplementary information section of this report.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the district.

Legal Budgetary Highlights

The School District's total actual receipts were \$3,278,957 or \$60,939 more than the total Budgeted receipts, a variance of 1.8 percent.

Total expenditures were less than budgeted due primarily to the School District's budget for the General Fund. It is the School District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The School District then manages or controls General Fund spending through its line-item budget. As a result, the School District's certified budget should always exceed the actual expenditures during the year. The School District's total actual expenditures were \$3,251,245 compared to the budget amount of \$3,251,315 or a difference of \$70.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the School District had invested \$2,941,085, net of accumulated depreciation in a broad range of capital assets, including land, buildings, athletic facilities, buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6). Depreciation expense was \$107,347 for Governmental Activities and \$2,066 for Business-type Activities, which is the School Nutrition Fund.

Governmental funds account for \$2,923,816 for the School District's capital assets with the remainder of \$17,269 in the Proprietary, School Nutrition Fund.

During fiscal year 2004 the District purchased a bus for \$63,700, playground equipment for \$29,100, bleachers for \$12,400.

FIGURE A-6

**SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT
CAPITAL ASSETS, NET OF DEPRECIATION**

	Government Activities	Business Type Activities	Total School District
	2004	2004	2004
Land	\$ 31,372	\$ 0	\$ 31,372
Buildings	2,641,115	0	2,641,115
Improvements other than buildings	12,286	0	12,286
Furniture and equipment	<u>239,043</u>	<u>17,269</u>	<u>256,312</u>
TOTALS	<u>\$2,923,816</u>	<u>\$17,269</u>	<u>\$2,941,085</u>

Long-Term Debt

At June 30, 2004, the School District had \$2,085,000 in general obligation debt outstanding. The School District retired debt in the amount of \$105,000 in school year 2003-2004.

FIGURE A-7

**SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT
OUTSTANDING LONG-TERM OBLIGATIONS**

	Total School District	Total School District	Increase (Decrease)
	2004	2003	2004
General Obligation Bonds	\$1,980,000	\$2,085,000	(\$105,000)

Capital Leases	50,790	16,974	33,816
Early Retirement	60,281	53,824	12,569

FACTORS BEARING ON THE SCHOOL DISTRICT’S FUTURE

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

The School District has experienced declining enrollment in past years. Enrollment went from 347 students in 2003 to 339 students in 2004. As long as the enrollment stays the same or goes up we will see allowable growth depending on what the legislature decides.

In school year 2003-04 the district received no new monies.

Property tax valuation increased from \$91,569,497 in 2003 to \$93,603,499 in 2004.

The district is sharing a Superintendent with Rockwell-Swaledale

The School District has been whole grade sharing middle school with Meservey-Thornton. Several high school programs are being shared with Rockwell-Swaledale in hopes that this will lead to whole grade sharing and a possible consolidation of all three schools.

CONTACTING THE SCHOOL DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District’s citizens, taxpayers, customers, investors and creditors with a general overview of the School District’s finances and to demonstrate the School District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lorna Meyer, Board Secretary/Treasurer, Sheffield-Chapin Community School District, 504 Park St., Sheffield, IA 50475.

BASIC FINANCIAL STATEMENTS

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	493,957	-	493,957
Other	454,386	23,037	477,423
Receivables:			
Property tax:			
Delinquent	15,250	-	15,250
Succeeding year	1,165,476	-	1,165,476
Accounts	3,165	174	3,339
Accrued interest:			
ISCAP	1,167	-	1,167
Due from other governments	175,846	-	175,846
Inventories	14,608	1,766	16,374
Capital assets, net of accumulated depreciation	2,923,816	17,269	2,941,085
Total assets	5,247,671	42,246	5,289,917
Liabilities			
Accounts payable	23,215	-	23,215
Salaries and benefits payable	5,569	-	5,569
Accrued interest payable	18,143	-	18,143
Deferred revenue:			
Succeeding year property tax	1,165,476	-	1,165,476
Other	-	1,684	1,684
ISCAP warrants payable	491,000	-	491,000
ISCAP accrued interest payable	1,769	-	1,769
ISCAP premium	4,883	-	4,883
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	110,000	-	110,000
Capital leases	24,925	-	24,925
Early retirement	17,228	-	17,228
Portion due after one year:			
General obligation bonds payable	1,870,000	-	1,870,000
Capital leases	25,865	-	25,865
Early retirement	43,053	-	43,053
Total Liabilities	3,801,126	1,684	3,802,810

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	893,026	17,269	910,295
Restricted for:			
Phase III	2,893	-	2,893
Gifted and talented program	2,397	-	2,397
Physical plant and equipment levy	69,667	-	69,667
Other special revenue purposes	42,559	-	42,559
Local option sales and services tax	78,043	-	78,043
Unrestricted	357,960	23,293	381,253
Total net assets	<u>1,446,545</u>	<u>40,562</u>	<u>1,487,107</u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	1,109,543	185,605	128,884	-
Special instruction	473,041	101,465	36,074	-
Other instruction	280,334	129,328	1,002	-
	<u>1,862,918</u>	<u>416,398</u>	<u>165,960</u>	<u>-</u>
Support services:				
Student services	39,060	-	-	-
Instructional staff services	77,929	-	-	-
Administration services	382,404	-	-	-
Operation and maintenance of plant services	215,628	1,412	-	7,603
Transportation services	145,565	-	-	-
	<u>860,586</u>	<u>1,412</u>	<u>-</u>	<u>7,603</u>
Non-instructional programs	<u>8,709</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	18,370	-	-	-
Long-term debt interest	109,014	-	122	-
AEA flowthrough	97,175	-	97,175	-
Depreciation (unallocated)*	66,989	-	-	-
	<u>291,548</u>	<u>-</u>	<u>97,297</u>	<u>-</u>
Total governmental activities	<u>3,023,761</u>	<u>417,810</u>	<u>263,257</u>	<u>7,603</u>
Business type activities				
Non-instructional programs:				
Food service operations	<u>110,932</u>	<u>67,706</u>	<u>46,234</u>	<u>-</u>
Total	<u>3,134,693</u>	<u>485,516</u>	<u>309,491</u>	<u>7,603</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(795,054)	-	(795,054)
(335,502)	-	(335,502)
(150,004)	-	(150,004)
<u>(1,280,560)</u>	<u>-</u>	<u>(1,280,560)</u>
(39,060)	-	(39,060)
(77,929)	-	(77,929)
(382,404)	-	(382,404)
(206,613)	-	(206,613)
(145,565)	-	(145,565)
<u>(851,571)</u>	<u>-</u>	<u>(851,571)</u>
(8,709)	-	(8,709)
(18,370)	-	(18,370)
(108,892)	-	(108,892)
-	-	-
(66,989)	-	(66,989)
<u>(194,251)</u>	<u>-</u>	<u>(194,251)</u>
(2,335,091)	-	(2,335,091)
<u>-</u>	<u>3,008</u>	<u>3,008</u>
<u>(2,335,091)</u>	<u>3,008</u>	<u>(2,332,083)</u>
933,967	-	933,967
213,003	-	213,003
35,558	-	35,558
133,804	-	133,804
77,984	-	77,984
1,073,228	-	1,073,228
8,266	69	8,335
1,261	-	1,261
<u>2,477,071</u>	<u>69</u>	<u>2,477,140</u>
141,980	3,077	145,057
<u>1,304,565</u>	<u>37,485</u>	<u>1,342,050</u>
<u>1,446,545</u>	<u>40,562</u>	<u>1,487,107</u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund \$	Physical Plant and Equipment Levy \$	Debt Service \$	Nonmajor Governmental Funds \$	Total \$
Assets					
Cash and pooled investments:					
ISCAP	493,957	-	-	-	493,957
Other	284,344	74,914	705	94,423	454,386
Receivables:					
Property tax:					
Delinquent	11,792	458	2,743	257	15,250
Succeeding year	872,236	30,882	212,358	50,000	1,165,476
Accounts	265	-	-	2,900	3,165
Accrued interest - ISCAP	1,167	-	-	-	1,167
Due from other governments	108,682	47,000	-	20,164	175,846
Inventories	-	-	-	14,608	14,608
Total assets	1,772,443	153,254	215,806	182,352	2,323,855
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	13,996	5,705	-	3,514	23,215
Salaries and benefits payable	5,569	-	-	-	5,569
ISCAP warrants payable	491,000	-	-	-	491,000
ISCAP accrued interest payable	1,769	-	-	-	1,769
ISCAP premium	4,883	-	-	-	4,883
Deferred revenue:					
Succeeding year property tax	872,236	30,882	212,358	50,000	1,165,476
Other	93,988	47,000	-	-	140,988
Total liabilities	<u>1,483,441</u>	<u>83,587</u>	<u>212,358</u>	<u>53,514</u>	<u>1,832,900</u>
Fund balances:					
Reserved for:					
Inventories	-	-	-	14,608	14,608
Phase III	2,893	-	-	-	2,893
Gifted and talented program	2,397	-	-	-	2,397
Debt service	-	-	3,448	-	3,448
Unreserved	283,712	69,667	-	114,230	467,609
Total fund balances	<u>289,002</u>	<u>69,667</u>	<u>3,448</u>	<u>128,838</u>	<u>490,955</u>
Total liabilities and fund balances	1,772,443	153,254	215,806	182,352	2,323,855

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet-Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	490,955
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,923,816
--	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	140,988
---	---------

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	(18,143)
---	----------

Long-term liabilities, including bonds payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,091,071)</u>
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Net assets of governmental activities (Exhibit A)	<u><u>1,446,545</u></u>
--	-------------------------

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General Fund	Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,008,440	82,763	213,003	97,920	1,402,126
Tuition	274,005	-	-	-	274,005
Other	22,228	497	122	129,607	152,454
State sources	1,255,061	22	132	12	1,255,227
Federal sources	81,136	-	-	-	81,136
Total revenues	<u>2,640,870</u>	<u>83,282</u>	<u>213,257</u>	<u>227,539</u>	<u>3,164,948</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,084,840	-	-	11,110	1,095,950
Special instruction	473,041	-	-	-	473,041
Other instruction	149,515	-	-	127,822	277,337
	<u>1,707,396</u>	<u>-</u>	<u>-</u>	<u>138,932</u>	<u>1,846,328</u>
Support services:					
Student services	39,060	-	-	-	39,060
Instructional staff services	77,629	-	-	300	77,929
Administration services	374,584	1,504	-	6,316	382,404
Operation and maintenance of plant services	182,207	61,540	-	10,294	254,041
Transportation services	110,601	60,790	-	10,114	181,505
	<u>784,081</u>	<u>123,834</u>	<u>-</u>	<u>27,024</u>	<u>934,939</u>
Non-instructional programs	<u>6,209</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>8,709</u>
Other expenditures:					
Facilities acquisition	-	20,673	-	1,000	21,673
Long-term debt:					
Principal	-	-	121,974	-	121,974
Interest and fiscal charges	-	-	109,515	-	109,515
AEA flowthrough	97,175	-	-	-	97,175
	<u>97,175</u>	<u>20,673</u>	<u>231,489</u>	<u>1,000</u>	<u>350,337</u>
Total expenditures	<u>2,594,861</u>	<u>144,507</u>	<u>231,489</u>	<u>169,456</u>	<u>3,140,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>46,009</u>	<u>(61,225)</u>	<u>(18,232)</u>	<u>58,083</u>	<u>24,635</u>
Other financing sources (uses):					
Proceeds from capital leases	-	50,790	-	-	50,790
Sales of materials and equipment	1,250	-	-	-	1,250
Operating transfers in	-	15,332	17,731	-	33,063
Operating transfers out	-	(17,731)	-	(15,332)	(33,063)
Total other financing sources (uses)	<u>1,250</u>	<u>48,391</u>	<u>17,731</u>	<u>(15,332)</u>	<u>52,040</u>
Net change in fund balances	47,259	(12,834)	(501)	42,751	76,675
Fund balances beginning of year, as restated	<u>241,743</u>	<u>82,501</u>	<u>3,949</u>	<u>86,087</u>	<u>414,280</u>
Fund balances end of year	<u>289,002</u>	<u>69,667</u>	<u>3,448</u>	<u>128,838</u>	<u>490,955</u>

See notes to financial statements.

SHEFFIELD-CHAPIN 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, 2004

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		76,675
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:		
Expenditures for capital assets	107,881	
Depreciation expense	<u>(107,347)</u>	534
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		(7,810)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		121,974
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 funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		501
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, as follows:		
Early retirement		(6,457)
Proceeds of long-term debt provide current financial resources to the governmental funds but increase long-term liabilities in the statement of net activities.		(50,790)
The fair value of donated capital assets is recognized as a revenue in the statement of activity		<u>7,353</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>141,980</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	<u>School Nutrition</u> \$
Assets	
Cash and cash equivalents	23,037
Accounts receivable	174
Inventories	1,766
Capital assets, net of accumulated depreciation	<u>17,269</u>
Total assets	42,246
Liabilities	
Deferred revenue	<u>1,684</u>
Net assets	
Invested in capital assets, net of related debt	17,269
Unrestricted	<u>23,293</u>
Total net assets	<u><u>40,562</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2004

	<u>School Nutrition</u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>67,706</u>
Operating expenses:	
Non-instructional programs:	
Salaries	35,272
Benefits	4,858
Purchased services	1,317
Supplies	67,343
Depreciation	2,066
Other	<u>76</u>
	<u>110,932</u>
Operating gain (loss)	<u>(43,226)</u>
Non-operating revenue:	
State sources	1,694
Federal sources	44,540
Interest income	<u>69</u>
Total non-operating revenue	<u>46,303</u>
Change in net assets	3,077
Net assets beginning of year	<u>37,485</u>
Net assets end of year	<u><u>40,562</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	School Nutrition \$
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	67,958
Cash payments to employees for services	(40,130)
Cash payments to suppliers for goods or services	<u>(52,456)</u>
Net cash used by operating activities	<u>(24,628)</u>
Cash flows from non-capital financing activities:	
State grants received	1,694
Federal grants received	<u>33,461</u>
Net cash provided by non-capital financing activities	<u>35,155</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>69</u>
Net increase (decrease) in cash and cash equivalents	10,596
Cash and cash equivalents at beginning of year	<u>12,441</u>
Cash and cash equivalents at end of year	<u><u>23,037</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(43,226)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	11,079
Depreciation	2,066
Decrease (increase) in inventories	5,201
Decrease (increase) in accounts receivable	2
(Decrease) increase in deferred revenue	<u>250</u>
Net cash used in operating activities	<u><u>(24,628)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$11,079 of federal commodities.

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	13,012
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>13,012</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	502
Investment income	1,259
Total additions	<u>1,761</u>
Deductions:	
Support services:	
Scholarships awarded	<u>2,150</u>
Change in net assets	(389)
Net assets beginning of year	<u>13,401</u>
Net assets end of year	<u><u>13,012</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Sheffield-Chapin Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Sheffield and Chapin, Iowa and the predominately agricultural territory in a portion of Cerro Gordo and Franklin 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, Sheffield-Chapin 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. The Sheffield-Chapin Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does 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 County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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 nonmajor governmental funds.

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 revenues 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 expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

The 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.

C. Measurement Focus and Basis of Accounting

The government-wide, propriety and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgements, 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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 governmental and proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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	-
Buildings	2,000
Improvements other than buildings	2,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (in years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in support services function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 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.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The District's investments are all category 1 which means that the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Investments are stated at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The District's investments at [June 30, 2003](#), are as follows:

<u>Type</u>	<u>Fair Value</u> \$
Mutual funds	10,591

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, [2004](#) is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u> \$
Debt Service Fund	Special Revenue: Physical Plant and Equipment Levy Fund	17,731
Special Revenue: Physical Plant and Equipment Levy Fund	Special Revenue: Student Activity Fund	15,331

The \$17,731 transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The \$15,331 transfer was money collected from student fund raisers that was transferred to the Physical Plant and Equipment Levy Fund to buy playground equipment.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each participating entity is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of [June 30, 2004](#), is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u> \$	<u>Accrued Interest Receivable</u> \$	<u>Warrants Payable</u> \$	<u>Accrued Interest Payable</u> \$
2003-04B	1/30/04	1/28/05	214,451	1,167	213,000	1,769
2004-05A	6/30/04	6/30/05	279,506	-	278,000	-
Total			<u>493,957</u>	<u>1,167</u>	<u>491,000</u>	<u>1,769</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, [2004](#), is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	45,000	45,000	-

The warrants bear interest and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2003-04A	2.000	1.050
2003-04B	2.000	1.310
2004-05A	3.000	2.463

5. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	31,372	-	-	31,372
Capital assets being depreciated:				
Buildings	3,427,852	-	-	3,427,852
Improvements other than buildings	116,160	3,303	-	119,463
Furniture and equipment	611,049	111,931	58,676	664,304
Total capital assets being deprec.	4,155,061	115,234	58,676	4,211,619
5. Capital Assets (continued)				
Less accumulated depreciation for:				
Buildings	720,342	66,395	-	786,737
Improvements other than buildings	106,583	594	-	107,177
Furniture and equipment	443,579	40,358	58,676	425,261
Total accumulated depreciation	1,270,504	107,347	58,676	1,319,175
Total capital assets being depreciated, net	2,884,557	7,887	-	2,892,444
Governmental activities capital assets, net	2,915,929	7,887	-	2,923,816

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	42,707	-	441	42,266
Less accumulated depreciation	23,372	2,066	441	24,997
Business type activities capital assets, net	19,335	(2,066)	-	17,269

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	7,136
Other	2,997
Support Services:	
Operation and maintenance of plant services	2,485
Transportation	27,740
	40,358
Unallocated depreciation	66,989
Total depreciation expense – governmental activities	107,347
Business type activities:	
Food services	2,066

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,085,000	-	105,000	1,980,000	110,000
Capital leases	16,974	50,790	16,974	50,790	24,925
Early retirement	53,824	19,026	12,569	60,281	17,228
Total	2,155,798	69,816	134,543	2,091,071	152,153

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age 55 and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which requires approval by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage, based on age when election is made, of the employee's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2003, totaled \$12,569.

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of November, 1997</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2005	6.00	110,000	102,158	212,158
2006	6.00	115,000	95,558	210,558
2007	4.80	120,000	88,658	208,658
2008	4.95	130,000	81,458	211,458
2009	5.00	135,000	75,348	210,348
2010-2014	5.10-5.30	785,000	271,871	1,056,871
2015-2017	5.35-5.45	585,000	61,193	646,193
		<u>1,980,000</u>	<u>776,244</u>	<u>2,756,244</u>

Capital Leases

The District has leased a bus under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2004.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		<u>\$</u>
	2005	26,840
	2006	26,840
Minimum Lease Payments		<u>53,680</u>
Less Amount Representing Interest		<u>2,890</u>
Present Value of Minimum Lease Payments		<u>50,790</u>

7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$87,991, \$85,614, and \$84,401 respectively, equal to the required contributions for each year.

8. Risk Management

Sheffield-Chapin Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its general fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$211,871.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Sheffield-Chapin 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.

9. 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 \$97,175 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated

to include capital assets, long-term liabilities, and the changes in assets and liabilities at [July 1, 2003](#) caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	General	PPEL	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Net assets, June 30, 2003, as previously reported	241,743	82,501	3,949	83,993	412,186
GASB Interpretation 6 adjustments	-	-	-	2,094	2,094
Net assets, July 1, 2003, as restated for Governmental funds	<u>241,743</u>	<u>82,501</u>	<u>3,949</u>	<u>86,087</u>	414,280
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$1,270,504					2,915,929
Net assets and liabilities of Internal Service Fund					
Long-term liabilities:					
Bonds				(2,085,000)	
Capital leases				(16,974)	
Early retirement				<u>(53,824)</u>	(2,155,798)
Accrued interest payable					(18,644)
Deferred revenue					<u>148,798</u>
Net assets, July 1, 2003, as restated					<u><u>1,304,565</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Revenues:						
Local sources	1,828,585	67,775	1,896,360	1,861,476	1,861,476	34,884
State sources	1,255,227	1,694	1,256,921	1,268,542	1,268,542	(11,621)
Federal sources	81,136	44,540	125,676	88,000	88,000	37,676
Total revenues	<u>3,164,948</u>	<u>114,009</u>	<u>3,278,957</u>	<u>3,218,018</u>	<u>3,218,018</u>	<u>60,939</u>
Expenditures:						
Instruction	1,846,328	-	1,846,328	1,853,500	1,853,500	7,172
Support services	934,939	-	934,939	854,500	854,500	(80,439)
Non-instructional programs	8,709	110,932	119,641	135,500	135,500	15,859
Other expenditures	350,337	-	350,337	407,815	407,815	57,478
Total expenditures	<u>3,140,313</u>	<u>110,932</u>	<u>3,251,245</u>	<u>3,251,315</u>	<u>3,251,315</u>	<u>70</u>
Excess (deficiency) of revenues over (under) expenditures	24,635	3,077	27,712	(33,297)	(33,297)	61,009
Other financing sources (uses) net	<u>52,040</u>	<u>-</u>	<u>52,040</u>	<u>-</u>	<u>-</u>	<u>52,040</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	76,675	3,077	79,752	(33,297)	(33,297)	113,049
Balance beginning of year	<u>414,280</u>	<u>37,485</u>	<u>451,765</u>	<u>425,886</u>	<u>425,886</u>	<u>25,879</u>
Balance end of year	<u><u>490,955</u></u>	<u><u>40,562</u></u>	<u><u>531,517</u></u>	<u><u>392,589</u></u>	<u><u>392,589</u></u>	<u><u>138,928</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

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 same basis of accounting that is used for financial reporting. Encumbrances are not recognized on this basis of accounting and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

During the year ended June 30, 2004, disbursements in the [support services](#) function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity Fund</u>	<u>Local Option Sales and Services Tax</u>	
	\$	\$	\$	\$
Cash and pooled investments	7,979	28,565	57,879	94,423
Receivables:				
Property tax:				
Delinquent	257	-	-	257
Succeeding year	50,000	-	-	50,000
Accounts	-	2,900	-	2,900
Due from other governments	-	-	20,164	20,164
Inventories	-	14,608	-	14,608
Total assets	58,236	46,073	78,043	182,352
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	3,514	-	3,514
Deferred revenue:				
Succeeding year property tax	50,000	-	-	50,000
Total liabilities	50,000	3,514	-	53,514
Fund balances:				
Reserved for inventories	-	14,608	-	14,608
Unreserved fund balance	8,236	27,951	78,043	114,230
Total fund balances	8,236	42,559	78,043	128,838
Total liabilities and fund balances	58,236	46,073	78,043	182,352

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2004

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity Fund</u>	<u>Local Option Sales and Services Tax</u>	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	19,936	-	77,984	97,920
Other	14	129,534	59	129,607
State sources	12	-	-	12
Total revenues	<u>19,962</u>	<u>129,534</u>	<u>78,043</u>	<u>227,539</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	11,110	-	-	11,110
Other instruction	-	127,822	-	127,822
Support services:				
Instructional staff services	300	-	-	300
Administration services	6,316	-	-	6,316
Operation and maintenance of plant services	10,294	-	-	10,294
Transportation services	10,114	-	-	10,114
Non-instructional programs	2,500	-	-	2,500
Other expenditures:				
Facilities acquisition	1,000	-	-	1,000
Total expenditures	<u>41,634</u>	<u>127,822</u>	<u>-</u>	<u>169,456</u>
Excess (deficiency) of revenues over (under) expenditures	(21,672)	1,712	78,043	58,083
Other financing sources (uses):				
Operating transfers out	-	(15,332)	-	(15,332)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(21,672)	(13,620)	78,043	42,751
Fund balances beginning of year, as restated	<u>29,908</u>	<u>56,179</u>	<u>-</u>	<u>86,087</u>
Fund balances end of year	<u>8,236</u>	<u>42,559</u>	<u>78,043</u>	<u>128,838</u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Athletics	9,153	54,749	58,807	-	5,095
Cheerleaders	427	3,753	1,166	-	3,014
Cheerleading merchandise	-	-	2,861	-	(2,861)
Band club	898	632	1,264	-	266
Track	1,029	110	114	-	1,025
Annual	5,153	7,642	10,404	-	2,391
Drama	3,264	548	596	-	3,216
Science club	2,503	2,931	5,672	-	(238)
Science club merchandise	-	2,333	-	-	2,333
Speech	135	99	60	-	174
Class of 2003	445	-	-	-	445
Class of 2004	6,175	5,089	10,691	-	573
Class of 2005	3,495	11,210	9,413	-	5,292
Class of 2006	7,307	8	291	-	7,024
Class of 2007	-	3,509	552	-	2,957
Student council	7,523	5,527	5,203	-	7,847
Student council merchandise	-	517	-	-	517
Student awards	1,758	204	570	32	1,424
Elementary student council	12,066	30,673	37,128	(32)	5,579
Beginning accounts payable	(5,152)	-	(5,152)	-	-
Ending accounts payable	-	-	3,514	-	(3,514)
Totals	<u>56,179</u>	<u>129,534</u>	<u>143,154</u>	<u>-</u>	<u>42,559</u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,402,126	1,324,652	1,270,891	1,264,609
Tuition	274,005	213,805	180,735	114,940
Other	152,454	226,052	227,505	200,119
State sources	1,255,227	1,261,865	1,217,192	1,223,016
Federal sources	81,136	82,796	44,418	42,487
Total revenues	<u>3,164,948</u>	<u>3,109,170</u>	<u>2,940,741</u>	<u>2,845,171</u>
Expenditures:				
Instruction:				
Regular instruction	1,095,950	1,068,733	1,089,231	1,028,229
Special instruction	473,041	409,489	382,717	349,869
Other instruction	277,337	346,965	329,550	315,437
Support services:				
Student services	39,060	62,616	76,148	57,920
Instructional staff services	77,929	85,856	72,122	74,375
Administration services	382,404	344,820	354,637	337,146
Operation and maintenances of plant services	254,041	178,200	165,415	179,358
Transportation services	181,505	86,494	145,645	116,507
Central support services	-	31,216	20,779	18,459
Non-instructional programs	8,709	-	-	-
Other expenditures:				
Facilities acquisition	21,673	41,963	62,364	39,055
Long-term debt:				
Principal	121,974	111,243	106,539	101,754
Interest and other charges	109,515	114,521	117,975	122,930
AEA flowthrough	97,175	101,144	100,326	105,252
Total expenditures	<u>3,140,313</u>	<u>2,983,260</u>	<u>3,023,448</u>	<u>2,846,291</u>

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the
Sheffield-Chapin Community School District

We have audited the financial statements of the Sheffield-Chapin Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 14, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Sheffield-Chapin 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 grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved except for item 04-II-B.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Sheffield-Chapin Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items [04-I-A](#) and [04-I-B](#) are material weaknesses. Prior year reportable conditions have all been resolved except for item [04-I-A](#).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Sheffield-Chapin](#) Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of [Sheffield-Chapin](#) 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

[September 14, 2004](#)

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

04-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

04-I-B Fund Raising Activities: We noted that the board did not have a formal process for approving all fund raising activities. During December, 2003 the District ordered approximately \$27,610 of clothing for resale. At June 30, 2004 the District still had approximately \$14,600 of the clothing in inventory. It appears that this large order was made without prior board approval.

Recommendation: The board should approve all fund raising activities. This allows the board to control the types of fund raising and the timing of the fund raisers. The board should also consider setting a dollar limit on the amount of materials for resale that can be purchased without taking orders in advance.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted.

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

04-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the support services functional area.

Recommendation: The budget for the support services functional area should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

District Response: We will amend future budgets before disbursements exceed the budget.

Conclusion: Response accepted.

04-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D Travel Expenses: 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.

04-II-E Business Transactions: We noted no transactions between the District and District officials or employees.

04-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

04-II-G Board Minutes: Except as explained in comment 04-I-B we noted no transactions requiring Board approval that had not been approved by the Board.

04-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

04-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

04-II-J Certified Annual Report (CAR): We reviewed a draft copy of the CAR, and noted no significant deficiencies in the amounts reported.

04-II-K Sale of Property: During the year ended June 30, 2004 the District sold a bus. The District did not publish notice of the sale for two consecutive weeks in accordance with Chapter 297.22 of the Code of Iowa.

Recommendation: The District should publish the required notices for sale of District property.

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (Continued):

District Response: We will comply with Chapter 297.22 of the Code of Iowa in the future.

Conclusion: Response accepted.

0-II-L Physical Plant and Equipment Levy Fund: We noted that expenditures from this fund included \$4,728 of purchases for individual items of equipment with a cost of less than \$500. Each piece of equipment must have an individual purchase price of over \$500 to be an allowable Physical Plant and Equipment Levy Fund purchase.

Recommendation: The District should have the General Fund reimburse the Physical Plant and Equipment Levy Fund for these items.

District Response: We will make the reimbursement.

Conclusion: Response accepted.

04-II-M Retention of Electronic Records: The District receives copies of the front of cancelled checks in the monthly bank statements. The District's bank maintains electronic copies of the front and back of each cancelled check. Chapter 554D.114 of the Code of Iowa allows the retention of checks in electronic format, however the electronic image must remain accessible to the District for later reference.

Recommendation: The District should determine how long the bank's electronic images will be readily accessible by the District. If the period of time is shorter than that specified by the District's record retention policy, the District should obtain printed copies of the backs of the cancelled checks.

District Response: We will discuss record retention with the bank.

Conclusion: Response accepted.