

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

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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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 at June 30, 2007, 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2008, 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, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 38 through 39 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. 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, 2006, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary 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

March 14, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sheffield-Chapin Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Fiscal year 2007 was the final year for the Sheffield-Chapin Community School District. On July 1, 2007 the Sheffield Chapin and Meservey-Thornton school districts merged to form the Sheffield-Chapin-Meservey-Thornton Community School District.
- General Fund revenues increased from \$2,835,380 in fiscal 2006 to \$2,906,679 in fiscal 2007, while General Fund expenditures increased from \$2,800,290 in fiscal 2006 to \$2,938,757 in fiscal 2007. The District's General Fund balance decreased from \$256,002 in fiscal 2006 to \$209,252 in fiscal 2007, a 18% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax, federal sources, other local sources in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sheffield-Chapin Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sheffield-Chapin Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sheffield-Chapin Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

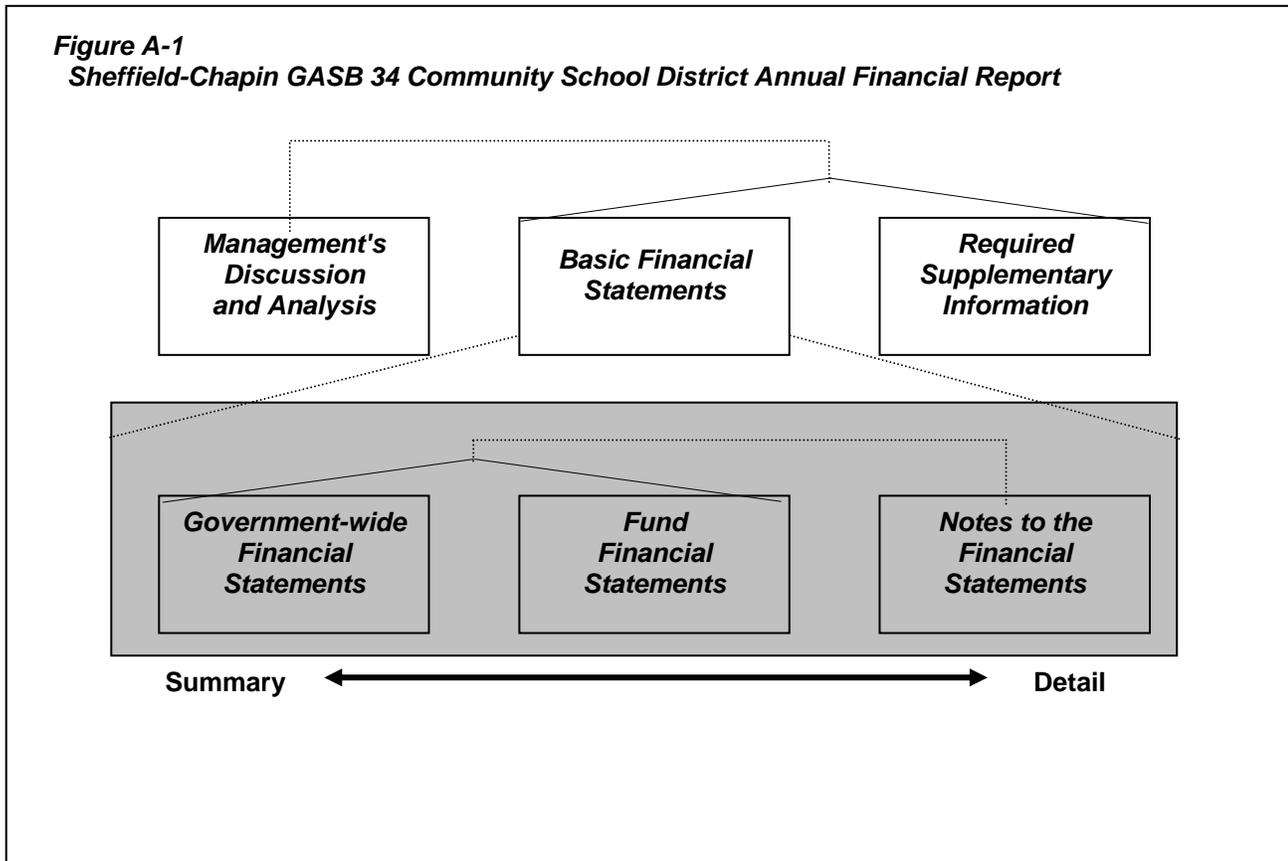


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of 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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health,

additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds: *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	854,545	2,347,659	9,295	10,683	863,840	2,358,342	-63.4%
Capital assets	2,979,585	2,866,465	23,604	27,085	3,003,189	2,893,550	3.8%
Total assets	3,834,130	5,214,124	32,899	37,768	3,867,029	5,251,892	-26.3%
Long-term liabilities	1,725,252	1,842,162	0	0	1,725,252	1,842,162	-6.3%
Other liabilities	24,070	1,494,259	3,392	2,761	27,462	1,497,020	-99%
Total liabilities	1,749,322	3,336,421	3,392	2,761	1,752,714	3,339,182	-47.5%
Net Assets:							
Invested in capital assets, net of related debt	1,309,585	1,111,465	23,604	27,085	1,333,189	1,138,550	17%
Restricted	456,917	500,305	0	0	456,917	500,305	-8.6%
Unrestricted	318,306	265,933	5,903	7,922	324,209	273,855	18%
TOTAL NET ASSETS	2,084,808	1,877,703	29,507	35,007	2,114,315	1,912,710	11%

The District's combined net assets increased by nearly 11%, or approximately \$201,605, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$43,388 or 8.6% over the prior year. The decrease was primarily a result of increased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$52,373, or 18%.

Current assets and other liabilities are significantly lower at June 30, 2007 because, due to the July 1, 2007 school merger, we did not have a succeeding year property tax receivable or the related deferred revenue liability at year-end.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	376,334	379,212	46,552	62,556	422,886	441,768	-4.2%
Operating grants & contributions	344,136	302,557	54,360	57,081	398,496	359,638	10.8%
Capital grants & contributions	6,930	0	0	0	6,930	0	100%
General Revenues:							
Property taxes	1,284,853	1,198,475	0	0	1,284,853	1,198,475	7.2%
Income Surtax	198,520	162,151	0	0	198,520	162,151	22.5%
Local option sales tax	211,484	180,013	0	0	211,484	180,013	17.5%
Unrestricted state grants	1,207,132	1,241,997	0	0	1,207,132	1,241,997	-2.8%
Unrestricted investment earnings	10,609	15,234	40	74	10,649	15,308	-30.4%
Other revenue	6,573	30,425	0	0	6,573	30,425	-78.4%
Total Revenues	3,646,571	3,510,064	100,952	119,711	3,747,523	3,629,775	3.3%
Expenses:							
Instruction	2,097,222	2,092,718	0	0	2,097,222	2,092,718	.3%
Support services	994,432	857,103	0	0	994,432	857,103	16.1%
Non-instructional programs	0	0	121,824	128,464	121,824	128,464	-5.1%
Other expenditures	332,440	295,713	0	0	332,440	295,713	12.5%
Total expenses	3,424,094	3,245,534	121,824	128,464	3,545,918	3,373,998	5.1%
Change in net assets before transfers	222,477	264,530	(20,872)	(8,753)	201,605	255,777	-21.1%
Transfers	(15,372)	0	15,372	0	0	0	0%
CHANGE IN NET ASSETS	207,105	264,530	(5,500)	(8,753)	201,605	255,777	-21.1%
Net assets beginning of year	1,877,703	1,613,173	35,007	43,760	1,912,710	1,656,933	15.5%
Net assets end of year	2,084,808	1,877,703	29,507	35,007	2,114,315	1,912,710	10.6%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,919,171 and expenses were \$3,424,094.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
	\$	\$		\$	\$	
Instruction	2,097,222	2,092,718	4,504	1,493,826	1,516,797	(22,971)
Support Services	994,432	857,103	137,329	993,678	854,873	138,805
Other Expenses	332,440	295,713	36,727	209,190	192,095	17,095
TOTAL	3,424,094	3,245,534	178,560	2,696,694	2,563,765	132,929

- The cost financed by users of the District’s programs was \$376,334.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$351,066.
- The net cost of governmental activities was financed with \$1,694,857 in property and other taxes and \$1,207,132 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$100,952, representing at 15.7% decrease from the prior year while expenses totaled \$121,824, a 5.2% decrease from the prior year. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$660,990, below last year’s ending fund balance of \$727,165. The primary reason for the decrease in combined fund balances in fiscal 2007 is due to increase expenditures in instruction and support services.

Governmental Fund Highlights

- The General Fund balance decreased from \$256,202 to \$209,252, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$65,808 in fiscal 2006 to \$46,363 in fiscal 2007.
- The Capital Projects Fund balance decreased from \$338,212 in fiscal 2006 to \$329,419 in fiscal 2007.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$35,007 at June 30, 2006 to \$29,507 at June 30, 2007, representing a decrease of approximately 15.7%.

Fiduciary Fund Highlights

The Fiduciary Fund net assets decreased from 11,607 at the beginning of the year to \$11,265 at year end. Scholarships amounting to \$1,500 were awarded in 2007.

BUDGETARY HIGHLIGHTS

The published budget was not amended during fiscal year 2007.

The District's receipts were \$27,028 less than budgeted receipts, a variance of .8%.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$3,003,189, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.8% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$121,444.

The original cost of the District's capital assets was 4.6 million. Governmental funds accounted for the majority of this.

During fiscal year 2007 the District completed a \$140,000 roof project and installed a \$151,000 boiler.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2006-2007
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	44,944	44,944	0	0	44,944	44,944	0%
Construction in progress	0	107,140	0	0	0	107,140	-100%
Buildings	2,750,735	2,508,324	0	0	2,750,735	2,508,324	9.7%
Improvements	18,555	10,946	0	0	18,555	10,946	69.5%
Equipment & Furniture	165,351	195,111	23,604	27,085	188,955	222,196	-15.0%
TOTAL	2,979,585	2,866,465	23,604	27,085	3,003,189	2,893,550	3.8%

Long-Term Debt

At June 30, 2007, the District had \$1,670,000 in general obligation long-term debt outstanding. This represents a decrease of approximately 4.8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District offers a voluntary early retirement plan to its certified employees. Early retirement benefits paid during the year ended June 30, 2007, totaled \$31,910.

April 1, 2007 the District reissued General Obligation refunding bonds. The refunding reduced total debt service payments over the next ten years by \$96,567.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage
	2007	2006	Change
			2006-2007
	\$	\$	
General Obligation Bonds	1,670,000	1,755,000	-4.8%
Early Retirement	55,252	87,162	-36.6%
	<u>1,725,252</u>	<u>1,842,162</u>	<u>-6.3%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District voted on August 8, 2006, to consolidate with the Meservey-Thornton Community School beginning July 1, 2007. The reason for the consolidation was due to declining enrollment in both districts.
- The District voted to whole grade share with Rockwell-Swaledale Community School beginning 2008-2009 school year.
- Transportation costs will decrease due to eliminating high school students being shuttled to classes held at the Rockwell-Swaledale School since all high school classes will be held at SCMT beginning the fall of 2008.
- The District is looking at sharing administration and teachers with the Rockwell-Swaledale Community School. The result may be a decrease in expenditures for both districts.
- A special election was held to expand use of the once cent sales tax monies and to extend the one cent sales tax for another ten years.
- Refinanced the General Obligation Bonds for the S-C High School for the next ten years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	572,904	8,036	580,940
Receivables:			
Property tax:			
Delinquent	17,737	-	17,737
Accounts	3,453	-	3,453
Accrued interest:			
ISCAP	1,133	-	1,133
Due from other governments	226,820	-	226,820
Inventories	-	1,259	1,259
Unamortized bond issue costs	32,498	-	32,498
Capital assets, net of accumulated depreciation	<u>2,979,585</u>	<u>23,604</u>	<u>3,003,189</u>
Total assets	<u>3,834,130</u>	<u>32,899</u>	<u>3,867,029</u>
Liabilities			
Accrued interest payable	24,070	-	24,070
Deferred revenue:			
Other	-	3,392	3,392
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	135,000	-	135,000
Termination benefits	14,522	-	14,522
Portion due after one year:			
General obligation bonds payable	1,535,000	-	1,535,000
Termination benefits	<u>40,730</u>	<u>-</u>	<u>40,730</u>
Total liabilities	<u>1,749,322</u>	<u>3,392</u>	<u>1,752,714</u>
Net assets			
Invested in capital assets, net of related debt	1,309,585	23,604	1,333,189
Restricted for:			
Gifted and talented program	8,909	-	8,909
Physical plant and equipment levy	100,049	-	100,049
Other special revenue purposes	18,541	-	18,541
Capital Projects local option sales and services tax	329,418	-	329,418
Unrestricted	<u>318,306</u>	<u>5,903</u>	<u>324,209</u>
Total net assets	<u><u>2,084,808</u></u>	<u><u>29,507</u></u>	<u><u>2,114,315</u></u>

See notes to financial statements.

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,180,899	68,439	179,987	-
Special	519,955	184,835	16,033	-
Other	396,368	122,306	31,796	-
	<u>2,097,222</u>	<u>375,580</u>	<u>227,816</u>	<u>-</u>
Support services:				
Student	37,616	-	-	-
Instructional staff	145,944	-	-	-
Administration	383,796	-	-	-
Operation and maintenance of plant	250,965	630	-	-
Transportation	176,111	124	-	-
	<u>994,432</u>	<u>754</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	40,414	-	-	6,930
Long-term debt interest	98,553	-	6,680	-
AEA flowthrough	109,640	-	109,640	-
Depreciation (unallocated)*	83,833	-	-	-
	<u>332,440</u>	<u>-</u>	<u>116,320</u>	<u>6,930</u>
Total governmental activities	3,424,094	376,334	344,136	6,930
Business type activities:				
Non-instructional programs:				
Food service operations	121,824	46,552	54,360	-
Total	<u>3,545,918</u>	<u>422,886</u>	<u>398,496</u>	<u>6,930</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				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(932,473)	-	(932,473)
(319,087)	-	(319,087)
(242,266)	-	(242,266)
<u>(1,493,826)</u>	<u>-</u>	<u>(1,493,826)</u>
(37,616)	-	(37,616)
(145,944)	-	(145,944)
(383,796)	-	(383,796)
(250,335)	-	(250,335)
(175,987)	-	(175,987)
<u>(993,678)</u>	<u>-</u>	<u>(993,678)</u>
(33,484)	-	(33,484)
(91,873)	-	(91,873)
-	-	-
(83,833)	-	(83,833)
<u>(209,190)</u>	<u>-</u>	<u>(209,190)</u>
(2,696,694)	-	(2,696,694)
-	(20,912)	(20,912)
<u>(2,696,694)</u>	<u>(20,912)</u>	<u>(2,717,606)</u>
1,039,099	-	1,039,099
209,456	-	209,456
36,298	-	36,298
198,520	-	198,520
211,484	-	211,484
1,207,132	-	1,207,132
10,609	40	10,649
6,573	-	6,573
2,919,171	40	2,919,211
(15,372)	15,372	-
<u>2,903,799</u>	<u>15,412</u>	<u>2,919,211</u>
207,105	(5,500)	201,605
<u>1,877,703</u>	<u>35,007</u>	<u>1,912,710</u>
<u>2,084,808</u>	<u>29,507</u>	<u>2,114,315</u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General Fund	Capital Projects Local Option Sales Tax	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	179,728	279,470	44,962	68,744	572,904
Receivables:					
Property tax:					
Delinquent	13,376	-	501	3,860	17,737
Accounts	-	100	-	3,353	3,453
Accrued interest - ISCAP	1,133	-	-	-	1,133
Interfund receivable	-	-	900	-	900
Due from other governments	123,286	49,848	53,686	-	226,820
Total assets	317,523	329,418	100,049	75,957	822,947
Liabilities and Fund Balances					
Liabilities:					
Interfund payable	900	-	-	-	900
Deferred revenue:					
Other	107,371	-	53,686	-	161,057
Total liabilities	108,271	-	53,686	-	161,957
Fund balances:					
Reserved for:					
Gifted and talented program	8,909	-	-	-	8,909
Debt service	-	-	-	15,218	15,218
Unreserved reported in:					
General Fund	200,343	-	-	-	200,343
Special Revenue Funds	-	-	46,363	60,739	107,102
Capital Projects Fund	-	329,418	-	-	329,418
Total fund balances	209,252	329,418	46,363	75,957	660,990
Total liabilities and fund balances	317,523	329,418	100,049	75,957	822,947

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
Total fund balances of governmental funds (Exhibit C)	660,990
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,979,585
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	161,057
Bond issue costs are expensed when incurred for the governmental funds, but are capitalized and expensed over the life of the bonds for the governmental activities.	32,498
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.	(24,070)
Long-term liabilities, including bonds payable and termination benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,725,252)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,084,808</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Capital Projects Local Option Sales Tax	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,087,941	174,784	95,730	279,656	1,638,111
Tuition	246,500	-	-	-	246,500
Other	27,835	1,210	7,306	121,055	157,406
State sources	1,447,974	36,700	21	164	1,484,859
Federal sources	96,429	-	-	-	96,429
Total revenues	<u>2,906,679</u>	<u>212,694</u>	<u>103,057</u>	<u>400,875</u>	<u>3,623,305</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,196,953	-	-	11,595	1,208,548
Special	519,955	-	-	-	519,955
Other	259,732	-	-	134,984	394,716
	<u>1,976,640</u>	<u>-</u>	<u>-</u>	<u>146,579</u>	<u>2,123,219</u>
Support services:					
Student	37,616	-	-	-	37,616
Instructional staff	78,382	-	67,562	-	145,944
Administration	363,318	-	-	52,976	416,294
Operation and maintenance of plant	228,661	-	9,301	14,552	252,514
Transportation	144,500	-	-	6,215	150,715
	<u>852,477</u>	<u>-</u>	<u>76,863</u>	<u>73,743</u>	<u>1,003,083</u>
Other expenditures:					
Facilities acquisition	-	221,488	45,639	-	267,127
Long-term debt:					
Principal	-	-	-	120,000	120,000
Interest and fiscal charges	-	-	-	89,259	89,259
AEA flowthrough	109,640	-	-	-	109,640
	<u>109,640</u>	<u>221,488</u>	<u>45,639</u>	<u>209,259</u>	<u>586,026</u>
Total expenditures	<u>2,938,757</u>	<u>221,488</u>	<u>122,502</u>	<u>429,581</u>	<u>3,712,328</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,078)</u>	<u>(8,794)</u>	<u>(19,445)</u>	<u>(28,706)</u>	<u>(89,023)</u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Capital Projects Local Option Sales Tax	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Refunding bonds issued	-	-	-	1,670,000	1,670,000
Bond premium	-	-	-	2,720	2,720
Payment to bond escrow agent	-	-	-	(1,635,000)	(1,635,000)
Sales of materials and equipment	500	-	-	-	500
Operating transfers out	(15,372)	-	-	-	(15,372)
Total other financing sources (uses)	<u>(14,872)</u>	<u>-</u>	<u>-</u>	<u>37,720</u>	<u>22,848</u>
Net change in fund balances	(46,950)	(8,794)	(19,445)	9,014	(66,175)
Fund balances beginning of year	<u>256,202</u>	<u>338,212</u>	<u>65,808</u>	<u>66,943</u>	<u>727,165</u>
Fund balances end of year	<u><u>209,252</u></u>	<u><u>329,418</u></u>	<u><u>46,363</u></u>	<u><u>75,957</u></u>	<u><u>660,990</u></u>

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, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(66,175)
<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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	231,083	
Depreciation expense	<u>(117,963)</u>	113,120
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.		20,046
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.		1,755,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		(9,294)
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:		
Termination benefits		31,910
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(1,670,000)
Bond issue costs are expensed when incurred for the governmental funds, but are capitalized and expensed over the life of the bonds for the governmental activities.		<u>32,498</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>207,105</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	8,036
Inventories	1,259
Capital assets, net of accumulated depreciation	<u>23,604</u>
Total assets	32,899
Liabilities	
Deferred revenue	<u>3,392</u>
Net assets	
Invested in capital assets, net of related debt	23,604
Unrestricted	<u>5,903</u>
Total net assets	<u><u>29,507</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>46,552</u>
Operating expenses:	
Non-instructional programs:	
Salaries	36,577
Benefits	12,769
Purchased services	979
Supplies	68,018
Depreciation	<u>3,481</u>
	<u>121,824</u>
Operating gain (loss)	<u>(75,272)</u>
Non-operating revenues:	
State sources	1,536
Federal sources	52,824
Interest income	40
Total non-operating revenues	<u>54,400</u>
Gain (loss) before transfers	(20,872)
Transfers in	<u>15,372</u>
Change in net assets	(5,500)
Net assets beginning of year	<u>35,007</u>
Net assets end of year	<u><u>29,507</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	47,993
Cash payments to employees for services	(49,346)
Cash payments to suppliers for goods or services	(52,665)
Net cash used by operating activities	<u>(54,018)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	15,372
State grants received	1,536
Federal grants received	38,571
Net cash provided by non-capital financing activities	<u>55,479</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>40</u>
Net increase (decrease) in cash and cash equivalents	1,501
Cash and cash equivalents at beginning of year	<u>6,535</u>
Cash and cash equivalents at end of year	<u><u>8,036</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(75,272)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	14,253
Depreciation	3,481
Decrease (increase) in inventories	2,889
(Decrease) increase in accounts payable	(810)
(Decrease) increase in deferred revenue	1,441
Net cash used in operating activities	<u><u>(54,018)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$14,253 of federal commodities.

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	11,265
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>11,265</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship \$
Additions:	
Local sources:	
Gifts and contributions	1,260
Investment income	<u>1,398</u>
Total additions	2,658
Deductions:	
Support services:	
Scholarships awarded	<u>3,000</u>
Change in net assets	(342)
Net assets beginning of year	<u>11,607</u>
Net assets end of year	<u><u>11,265</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

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 imposed by management which 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 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 instruction, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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 District's 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, proprietary 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 non-operating 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 non-operating 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 financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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 not available for appropriation or 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 are 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, 2007, expenditures in the support services function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had the following investments:

	<u>Fair Value</u>
	\$
First American Strategy Funds:	
Income Strategy Growth & Income Allocation Fund Class A	10,240

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Physical Plant and Equipment Levy	General Fund	900

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Funds: School Nutrition Fund	General Fund	15,372

The transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. 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, 2007, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments \$	Accrued Interest Receivable \$	Warrants Payable \$	Accrued Interest Payable \$
2006-07A	6/28/06	6/28/07	-	1,133	-	-

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, 2007, is as follows:

Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
-	60,000	60,000	-

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2006-07A	4.500	5.676

6. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in process	107,140	-	107,140	-
Land	44,944	-	-	44,944
	<u>152,084</u>	<u>-</u>	<u>107,140</u>	<u>44,944</u>
Capital assets being depreciated:				
Buildings	3,427,852	325,059	-	3,752,911
Improvements other than buildings	119,463	8,794	-	128,257
Furniture and equipment	679,531	4,370	26,438	657,463
Total capital assets being deprec.	<u>4,226,846</u>	<u>338,223</u>	<u>26,438</u>	<u>4,538,631</u>
Less accumulated depreciation for:				
Buildings	919,528	82,648	-	1,002,176
Improvements other than buildings	108,517	1,185	-	109,702
Furniture and equipment	484,420	34,130	26,438	492,112
Total accumulated depreciation	<u>1,512,465</u>	<u>117,963</u>	<u>26,438</u>	<u>1,603,990</u>
Total capital assets being depreciated, net	<u>2,714,381</u>	<u>220,260</u>	<u>-</u>	<u>2,934,641</u>
Governmental activities capital assets, net	<u>2,866,465</u>	<u>220,260</u>	<u>107,140</u>	<u>2,979,585</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	58,839	-	-	58,839
Less accumulated depreciation	31,754	3,481	-	35,235
Business type activities capital assets, net	<u>27,085</u>	<u>(3,481)</u>	<u>-</u>	<u>23,604</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	4,261
Other	1,652
Support Services:	
Operation and maintenance of plant services	2,821
Transportation	25,396
	34,130
Unallocated depreciation	83,833
	117,963
 Business type activities:	
Food services	3,481

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	1,755,000	1,670,000	1,755,000	1,670,000	135,000
Termination Benefits	87,162	-	31,910	55,252	14,522
Total	1,842,162	1,670,000	1,786,910	1,725,252	149,522

Termination Benefits

The District offered a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education. The board may limit the number of early retirements to two per year.

Early retirement benefits include the District paying a limited portion of the retiree's health insurance premiums until the retiree is eligible for Medicare.

At June 30, 2007, the District has obligations to five participants with a total liability of \$55,252. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$31,910.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Refunding Bond Issue of April, 2007

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	4.00	135,000	67,053	202,053
2009	4.00	145,000	56,495	201,495
2010	3.75	150,000	50,695	200,695
2011	3.56	160,000	45,070	205,070
2012	3.58	160,000	39,374	199,374
2013-2017	3.60-3.70	920,000	104,185	1,024,185
		1,670,000	362,872	2,032,872

Debt Defeasance

On April 1, 2007, the District issued \$1,670,000 of general obligation refunding bonds with interest rates ranging between 3.56% to 4.0%. The District issued the bonds to refund \$1,635,000 of the outstanding November, 1997 general obligation refunding bonds with interest rates of 4.95% to 5.45%. The District used the net proceeds to call and pay the balance of the 1997 issue.

The refunding reduced total debt service payments over the next ten years by \$96,567. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$79,407.

8. Pension and Retirement Benefits

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

Plan members are required to contribute 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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$97,845, \$93,270, and \$91,894 respectively, equal to the required contributions for each year.

9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$109,640 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Lease Commitment

The District entered into a five-year operating lease for a copy machine. The payments the District will make over the remaining lease term are as follows:

Year Ended June 30	Lease Payment
	\$
2008	8,316
2009	8,316
2010	8,316
2011	8,316
2012	3,465

12. Subsequent Events

On July 1, 2007 the Sheffield-Chapin and Meservey-Thornton Community School Districts merged to form the Sheffield-Chapin-Meservey-Thornton Community School District.

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, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,042,017	46,592	2,088,609	2,097,121	2,097,121	(8,512)
State sources	1,484,859	1,536	1,486,395	1,504,064	1,504,064	(17,669)
Federal sources	96,429	52,824	149,253	150,100	150,100	(847)
Total revenues	<u>3,623,305</u>	<u>100,952</u>	<u>3,724,257</u>	<u>3,751,285</u>	<u>3,751,285</u>	<u>(27,028)</u>
Expenditures:						
Instruction	2,123,219	-	2,123,219	2,180,555	2,180,555	57,336
Support services	1,003,083	-	1,003,083	852,599	852,599	(150,484)
Non-instructional programs	-	121,824	121,824	123,200	123,200	1,376
Other expenditures	586,026	-	586,026	875,477	875,477	289,451
Total expenditures	<u>3,712,328</u>	<u>121,824</u>	<u>3,834,152</u>	<u>4,031,831</u>	<u>4,031,831</u>	<u>197,679</u>
Excess (deficiency) of revenues over (under) expenditures	(89,023)	(20,872)	(109,895)	(280,546)	(280,546)	170,651
Other financing sources (uses) net	<u>22,848</u>	<u>15,372</u>	<u>38,220</u>	<u>17,508</u>	<u>17,508</u>	<u>20,712</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(66,175)	(5,500)	(71,675)	(263,038)	(263,038)	191,363
Balance beginning of year	<u>727,165</u>	<u>35,007</u>	<u>762,172</u>	<u>939,385</u>	<u>939,385</u>	<u>(177,213)</u>
Balance end of year	<u><u>660,990</u></u>	<u><u>29,507</u></u>	<u><u>690,497</u></u>	<u><u>676,347</u></u>	<u><u>676,347</u></u>	<u><u>14,150</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 function level, not by fund. The Code of Iowa also provides 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, 2007, expenditures 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, 2007

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Debt Service	
	\$	\$	\$	\$
Cash and pooled investments	37,876	18,541	12,327	68,744
Receivables:				
Property tax:				
Delinquent	969	-	2,891	3,860
Accounts	3,353	-	-	3,353
Total assets	42,198	18,541	15,218	75,957
Liabilities & Fund Balances				
Liabilities:	-	-	-	-
Fund balances:				
Reserved for debt service	-	-	15,218	15,218
Unreserved fund balance reported in:				
Special Revenue Funds	42,198	18,541	-	60,739
Total fund balances	42,198	18,541	15,218	75,957
Total liabilities and fund balances	42,198	18,541	15,218	75,957

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	70,200	-	209,456	279,656
Other	3,415	110,960	6,680	121,055
State sources	41	-	123	164
Total revenues	<u>73,656</u>	<u>110,960</u>	<u>216,259</u>	<u>400,875</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,595	-	-	11,595
Other	-	134,984	-	134,984
Support services:				
Administration	19,358	-	33,618	52,976
Operation and maintenance of plant	14,552	-	-	14,552
Transportation	6,215	-	-	6,215
Other expenditures:				
Long-term debt:				
Principal	-	-	120,000	120,000
Interest and fiscal charges	-	-	89,259	89,259
Total expenditures	<u>51,720</u>	<u>134,984</u>	<u>242,877</u>	<u>429,581</u>
Excess (deficiency) of revenues over (under) expenditures	21,936	(24,024)	(26,618)	(28,706)
Other financing sources (uses):				
Refunding bonds issued	-	-	1,670,000	1,670,000
Bond premium	-	-	2,720	2,720
Payments to bond escrow agent	-	-	(1,635,000)	(1,635,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>37,720</u>	<u>37,720</u>
Net change in fund balances	21,936	(24,024)	11,102	9,014
Fund balances beginning of year	<u>20,262</u>	<u>42,565</u>	<u>4,116</u>	<u>66,943</u>
Fund balances end of year	<u><u>42,198</u></u>	<u><u>18,541</u></u>	<u><u>15,218</u></u>	<u><u>75,957</u></u>

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Athletics	(5,562)	68,821	89,173	6,717	(19,197)
Cheerleaders	4,090	1,267	521	-	4,836
Cheerleading merchandise	(4,583)	-	376	-	(4,959)
Band club	266	480	342	-	404
Track	(294)	-	-	294	-
Annual	3,920	5,857	8,308	(5,798)	(4,329)
Drama	3,256	435	508	-	3,183
Science club	(2,307)	20	431	-	(2,718)
Science club merchandise	2,849	-	-	-	2,849
Speech	1,366	3,596	3,311	51	1,702
Class of 2003	445	-	-	(445)	-
Class of 2004	103	-	-	(103)	-
Class of 2005	1,170	-	-	(1,170)	-
Class of 2006	418	-	300	(1,781)	(1,663)
Class of 2007	2,859	3,382	5,618	(495)	128
Class of 2008	5,370	9,626	9,591	142	5,547
Class of 2009	5,765	-	562	-	5,203
Class of 2010	-	1,669	251	-	1,418
Student council	9,995	3,824	2,508	1,552	12,863
Student council merchandise	3,463	316	-	-	3,779
Student awards	935	5	1,094	180	26
Elementary student council	11,117	11,662	14,166	856	9,469
Beginning accounts payable	(2,076)	-	(2,076)	-	-
Totals	<u>42,565</u>	<u>110,960</u>	<u>134,984</u>	<u>-</u>	<u>18,541</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			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,638,111	1,520,534	1,515,234	1,402,126
Tuition	246,500	221,632	198,946	274,005
Other	157,406	203,096	180,919	152,454
State sources	1,484,859	1,469,269	1,342,162	1,255,227
Federal sources	96,429	94,282	100,808	81,136
Total revenues	<u>3,623,305</u>	<u>3,508,813</u>	<u>3,338,069</u>	<u>3,164,948</u>
Expenditures:				
Instruction:				
Regular instruction	1,208,548	1,107,096	1,190,441	1,095,950
Special instruction	519,955	501,168	520,540	473,041
Other instruction	394,716	451,928	313,484	277,337
Support services:				
Student services	37,616	40,773	39,173	39,060
Instructional staff services	145,944	45,784	76,954	77,929
Administration services	416,294	387,417	359,744	382,404
Operation and maintenances of plant services	252,514	228,406	199,226	254,041
Transportation services	150,715	153,284	118,945	181,505
Non-instructional programs	-	-	4,130	8,709
Other expenditures:				
Facilities acquisition	267,127	144,174	51,415	21,673
Long-term debt:				
Principal	120,000	140,865	134,925	121,974
Interest and other charges	89,259	96,847	104,373	109,515
AEA flowthrough	109,640	103,409	96,523	97,175
Total expenditures	<u>3,712,328</u>	<u>3,401,151</u>	<u>3,209,873</u>	<u>3,140,313</u>

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

To the Board of Education of
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 as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sheffield-Chapin Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sheffield-Chapin Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sheffield-Chapin Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sheffield-Chapin Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sheffield-Chapin Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sheffield-Chapin Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sheffield-Chapin Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A and 07-I-B are material weaknesses.

Compliance and Other Matters

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sheffield-Chapin Community School District and other parties to whom Sheffield-Chapin Community School 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

March 14, 2008

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-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 and posting of general journal entries, 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 and investigate methods to increase monitoring activities 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.

07-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, exceeded the amount budgeted in the support services functional area.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the unspent authorized budget issue.

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

Conclusion: Response accepted.

07-II-B 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.

07-II-C 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.

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

07-II-E 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.

07-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

07-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

07-II-H 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.

07-II-I Certified Annual Report: The Certified Annual Report was not certified to the Iowa Department of Education until after the due date.

Recommendation: In the future, the District should ensure the Certified Annual Report is timely certified to the Iowa Department of Education.

District Response: We will do so in the future.

Conclusion: Response accepted.

SHEFFIELD-CHAPIN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

07-II-J Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. We noted accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.

07-II-K Deficit Balances: The Student Activity Fund has several accounts with deficit balances at June 30, 2007.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.