

**SHEFFIELD CHAPIN MESERVEY THORNTON COMMUNITY SCHOOL DISTRICT  
SHEFFIELD, IOWA**

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

**YEAR ENDED JUNE 30, 2008**

## Table of Contents

|  |                | <u>Page</u> |
|--|----------------|-------------|
| Officials  |                | 1           |
| Independent Auditor’s Report   |                | 2-3         |
| Management’s Discussion and Analysis   |                | 4-14        |
| Basic Financial Statements:  | <u>Exhibit</u> |             |
| Government-wide Financial Statements:  |                |             |
| Statement of Net Assets  | A              | 15-16       |
| Statement of Activities  | B              | 17-18       |
| Governmental Fund Financial Statements:  |                |             |
| Balance Sheet  | C              | 19-20       |
| Reconciliation of the Balance Sheet – Governmental Funds to<br>the Statement of Net Assets   | D              | 21          |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances  | E              | 22          |
| Reconciliation of the Statement of Revenues, Expenditures<br>and Changes in Fund Balances – Governmental Funds to<br>the Statement of Activities                 | F              | 23-24       |
| Proprietary Fund Financial Statements:   |                |             |
| Statement of Net Assets  | G              | 25          |
| Statement of Revenues, Expenses and Changes in Fund<br>Net Assets  | H              | 26          |
| Statement of Cash Flows  | I              | 27-28       |
| Fiduciary Fund Financial Statements:   |                |             |
| Statement of Fiduciary Net Assets  | J              | 29          |
| Statement of Changes in Fiduciary Net Assets   | K              | 30          |
| Notes to Financial Statements  |                | 31-47       |
| Required Supplementary Information:  |                |             |
| Budgetary Comparison Schedule of Revenues, Expenditures/Expenses<br>and Changes in Balances – Budget and Actual –<br>All Governmental Funds and Proprietary Fund |                | 48-49       |
| Notes to Required Supplementary Information – Budgetary Reporting  |                | 50          |

Table of Contents (continued)

|   | <u>Page</u>     |
|---|-----------------|
| Other Supplementary Information:  | <u>Schedule</u> |
| Nonmajor Special Revenue Funds:   |                 |
| Combining Balance Sheet   | 1      51       |
| Combining Schedule of Revenues, Expenditures<br>and Changes in Fund Balances  | 2      52       |
| Schedule of Changes in Special Revenue Fund, Student Activity<br>Accounts   | 3      53       |
| Schedule of Revenues by Source and Expenditures by Function –<br>All Governmental Funds   | 4      54       |
| Independent Auditor’s Report on Internal Control over Financial<br>Reporting and on Compliance and Other Matters Based on an Audit<br>of Financial Statements Performed in Accordance with <u>Government<br/>Auditing Standards</u> | 55-57           |
| Schedule of Findings  | 58-62           |

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

**Officials**

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

**Board of Education**

|                     |                |      |
|---------------------|----------------|------|
| Lynn Brady          | President      | 2009 |
| Bret Lage           | Vice President | 2008 |
| Michelle Duff       | Board Member   | 2010 |
| Christy Engebretson | Board Member   | 2009 |
| Mick Pals           | Board Member   | 2008 |
| Jill Rowe           | Board Member   | 2010 |
| Mary Beth Sukup     | Board Member   | 2010 |

**School Officials**

|                   |  |      |
|-------------------|--|------|
| Darrin Strike     | Superintendent                                       | 2008 |
| Connie Stadlander | District Secretary/Treasurer and<br>Business Manager | 2008 |
| Rick Engel        | Attorney   | 2008 |

## Independent Auditor's Report

To the Board of Education of  
Sheffield Chapin Meservey Thornton 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 Meservey Thornton Community School District, Sheffield, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements 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 Meservey Thornton Community School District at June 30, 2008, 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 19, 2009 on our consideration of Sheffield Chapin Meservey Thornton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 47 through 49 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 required 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 Meservey Thornton Community School District's basic 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.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 19, 2009

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

Sheffield Chapin Meservey Thornton 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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Sheffield Chapin Meservey Thornton Community School District was formed on July 1, 2007 as a result of a reorganization of the Sheffield-Chapin Community School District and the Meservey-Thornton Community School District. Therefore, information is not easily comparable to prior years. In future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2008 FINANCIAL HIGHLIGHTS**

- Voters approved a reorganization of the Sheffield-Chapin Community School District and the Meservey-Thornton Community School District on August 8, 2006, which was effect on July 1, 2007. Each district approved the transfer of all assets and liabilities to the Sheffield Chapin Meservey Thornton Community School District.
- Unless noted, the following financial information for FY07 is calculated by adding together FY07 results for Sheffield-Chapin CSD and Meservey-Thornton CSD less inter-district transactions.
- General Fund revenues increased from \$3,996,996 in fiscal 2007 to \$4,192,311 in fiscal 2008, while General Fund expenditures increased from \$4,260,743 in fiscal 2007 to \$4,437,792 in fiscal 2008. The District's General Fund balance decreased from \$340,718 in fiscal 2007 to \$95,453 in fiscal 2008, a 72% decrease.
- The increase in General Fund revenues was attributable to a increase in state grant revenue in fiscal 2008. 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 Meservey Thornton 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 Meservey Thornton 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 Meservey Thornton Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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 Special Revenue Funds.

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

Figure A-1

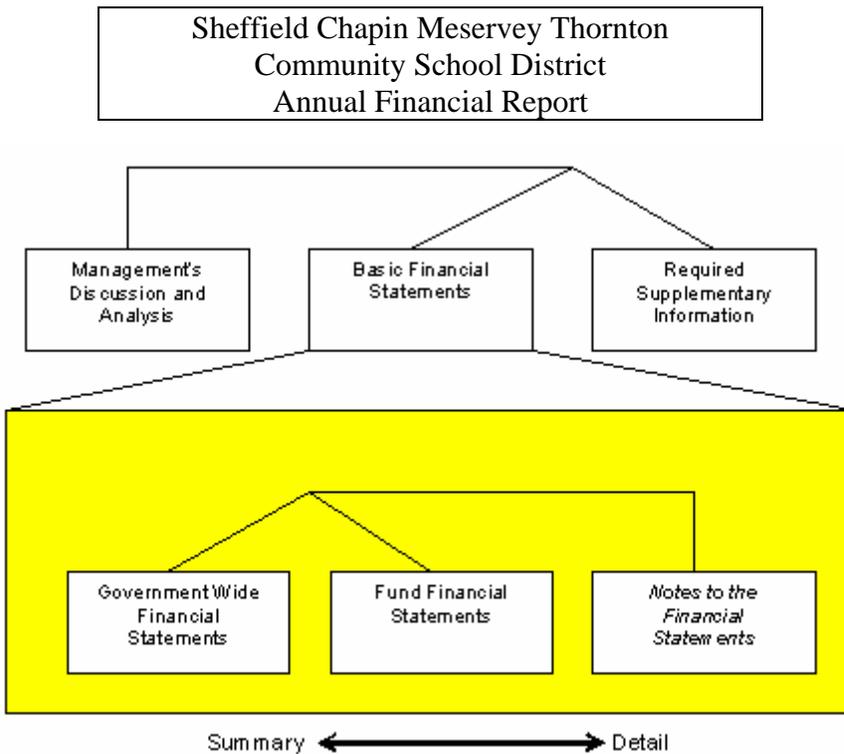


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| <b>Figure A-2:<br/>Major Features of the Government Wide and Fund Financial Statements</b> |  |   |   |   |
|--|--|---|---|---|
|  | 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  | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>                                    | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> <li>• Statement of revenues, expenses and changes in net assets</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul> |
| Accounting Basis and measurement focus   | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial 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   |

## 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:

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

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the 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 the Private-Purpose Trust Fund.
  - 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 includes 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, 2008.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

|  | Governmental<br>Activities | Business type<br>Activities | Total<br>District |
|--|----------------------------|-----------------------------|-------------------|
|  | June 30, 2008              | June 30, 2008               | June 30, 2008     |
| Current and other assets                           | \$ 4,501                   | 40                          | 4,541             |
| Capital assets                                     | <u>3,480</u>               | <u>17</u>                   | <u>3,497</u>      |
| Total assets                                       | <u>7,981</u>               | <u>57</u>                   | <u>8,038</u>      |
| Long-term liabilities                              | 1,623                      | ---                         | 1,623             |
| Other liabilities                                  | <u>2,946</u>               | <u>4</u>                    | <u>2,950</u>      |
| Total liabilities                                  | <u>4,569</u>               | <u>4</u>                    | <u>4,573</u>      |
| Net assets:  |                            |                             |                   |
| Invested in capital assets,<br>net of related debt | 1,945                      | 17                          | 1,962             |
| Restricted   | 224                        | ---                         | 224               |
| Unrestricted                                       | <u>1,243</u>               | <u>36</u>                   | <u>1,279</u>      |
| Total net assets                                   | \$ 3,412                   | 53                          | 3,465             |
|  | =====                      | =====                       | =====             |

The District's combined net assets approximated \$3,465,000. 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.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets consist primarily of fund balances in the Management Levy, Physical Plant and Equipment Levy and Student Activity funds.

Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008.

**Figure A-4**  
**Changes in Net Asset**  
**(Expressed in Thousands)**

|  | Governmental<br>Activities | Business type<br>Activities | Total School<br>District |
|--|----------------------------|-----------------------------|--------------------------|
|  | <u>2008</u>                | <u>2008</u>                 | <u>2008</u>              |
| Revenues:  |                            |                             |                          |
| Program revenues:  |                            |                             |                          |
| Charges for service  | \$ 281                     | 111                         | 392                      |
| Operating grants, contributions and<br>restricted interest | 570                        | 78                          | 648                      |
| General revenues:  |                            |                             |                          |
| Property tax   | 1,824                      | ---                         | 1,824                    |
| Local option sales and service tax                         | 400                        | ---                         | 400                      |
| Income surtax  | 321                        | ---                         | 321                      |
| Unrestricted state grants                                  | 1,864                      | ---                         | 1,864                    |
| Unrestricted investment earnings                           | 18                         | ---                         | 18                       |
| Other  | 5                          | ---                         | 5                        |
| Loss on sale of capital assets                             | (8)                        | ---                         | (8)                      |
| Total revenues   | <u>5,275</u>               | <u>189</u>                  | <u>5,464</u>             |
| Program expenses:  |                            |                             |                          |
| Governmental activities:                                   |                            |                             |                          |
| Instruction  | 3,203                      | ---                         | 3,203                    |
| Support services   | 1,379                      | ---                         | 1,379                    |
| Non-instructional programs                                 | ---                        | 169                         | 169                      |
| Other expenses   | 326                        | ---                         | 326                      |
| Total expenses   | <u>4,908</u>               | <u>169</u>                  | <u>5,077</u>             |
| <br>Increase in net assets                                 | <br>\$ 367                 | <br>20                      | <br>387                  |

In fiscal 2008, property tax and unrestricted state grants account for 67% of the total revenue from governmental activities while charges for service and operating grants account for 100% of the revenue from business type activities. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

### **Governmental Activities**

Revenues for governmental activities were \$5,274,697 and expenses were \$4,907,391 for the year ended June 30, 2008.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses for the year ended June 30, 2008.

| <b>Figure A-5</b>                                    |                        |                      |
|--|------------------------|----------------------|
| <b>Total and Net Cost of Governmental Activities</b> |                        |                      |
| <b>(Expressed in Thousands)</b>                      |                        |                      |
|  | Total Cost of Services | Net Cost of Services |
|  | <u>2008</u>            | <u>2008</u>          |
| Instruction  | \$ 3,203               | 2,524                |
| Support services                                     | 1,379                  | 1,378                |
| Other expenses                                       | <u>326</u>             | <u>154</u>           |
| Total  | \$ 4,908               | 4,056                |
|  | =====                  | =====                |

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$281,179.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$570,583.
- The net cost of governmental activities was financed with \$2,544,795 in property and other taxes and \$1,863,614 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2008 were \$189,682, while expenses totaled \$169,534. 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 Meservey Thornton 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 \$1,270,986, below last year's ending fund balances of \$1,303,974.

## **Governmental Fund Highlights**

- The General Fund balance decreased from \$339,237 in fiscal year 2007 to \$95,453 in fiscal year 2008.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$152,779 in fiscal 2007 to \$63,659 in fiscal 2008.
- The Capital Projects Fund increased from \$657,085 in fiscal 2007 to \$901,592 in fiscal 2008.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$33,174 at June 30, 2007 to \$53,322 at June 30, 2008, representing an increase of approximately 61%.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$87,066 less than total budgeted revenues, a variance of 1.6%.

Total expenditures were less than budgeted by \$293,962, due primarily to the District's budget for the General Fund.

The certified budget was exceeded in the support services functional area.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2008, the District had invested \$3,497,000, 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) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$174,293.

The original cost of the District's capital assets was \$5.9 million. Governmental funds accounted for the majority of this.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

|                                      | Governmental<br>Activities | Business type<br>Activities | Total<br>District       |
|--------------------------------------|----------------------------|-----------------------------|-------------------------|
|                                      | June 30,<br><u>2008</u>    | June 30,<br><u>2008</u>     | June 30,<br><u>2008</u> |
| Land                                 | \$ 51                      | ---                         | 51                      |
| Construction in progress             | 140                        | ---                         | 140                     |
| Buildings                            | 2,955                      | ---                         | 2,955                   |
| Improvements other than<br>buildings | 18                         | ---                         | 18                      |
| Furniture and equipment              | <u>316</u>                 | <u>17</u>                   | <u>333</u>              |
| Totals                               | <u>\$3,480</u><br>=====    | <u>17</u><br>=====          | <u>3,497</u><br>=====   |

### Long-Term Debt

At June 30, 2008 the District had \$1,622,693 in long-term debt outstanding. (See Figure A-7). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

|                          | Total<br>District       |
|--------------------------|-------------------------|
|                          | June 30,<br><u>2008</u> |
| General obligation bonds | \$1,535                 |
| Early retirement         | <u>88</u>               |
| Totals                   | <u>\$1,623</u><br>===== |

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District voted January 16, 2008, to whole grade share with Rockwell-Swaledale Community School beginning 2008-2009 school year.

The District did close the Thornton School building on July 1, 2008 and eliminated 11.5 positions.

Transportation costs decreased due to eliminating the transportation of high school students to and from Rockwell-Swaledale Community School to take classes before the whole grade sharing agreement started.

One bus route was eliminated due to whole grade sharing. At the end of this fiscal year, we will eliminate another bus route due to a retiring bus driver.

Three teachers have been approved for voluntary early retirement. This result will be the hiring of first year teachers at a base salary. One of these teacher's positions will not be filled.

Pre-School enrollment has dropped. At the end of this fiscal year, we will eliminate one pre-school aide.

## **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 Connie Stadlander, District Secretary/Treasurer, Sheffield Chapin Meservey Thornton Community School District, 504 Park Street, Sheffield, Iowa 50475.

## **Basic Financial Statements**

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Exhibit A

Statement of Net Assets

June 30, 2008

|   | <u>Governmental</u><br><u>Activities</u> | <u>Business Type</u><br><u>Activities</u> | <u>Total</u>     |
|---|--|---|------------------|
| <b>Assets</b>                                   |  |   |                  |
| Cash and cash equivalents:                      |  |   |                  |
| ISCAP   | \$ 712,990                               | -   | 712,990          |
| Other   | 1,180,908                                | 31,064                                    | 1,211,972        |
| Receivables:                                    |  |   |                  |
| Property tax:                                   |  |   |                  |
| Delinquent                                      | 28,697                                   | -   | 28,697           |
| Succeeding year                                 | 2,077,000                                | -   | 2,077,000        |
| Accounts  | 526                                      | 337                                       | 863              |
| Accrued interest:                               |  |   |                  |
| ISCAP   | 3,900                                    | -   | 3,900            |
| Due from other governments                      | 391,296                                  | -   | 391,296          |
| Prepaid expenses                                | 76,630                                   | 1,476                                     | 78,106           |
| Inventories                                     | -  | 6,816                                     | 6,816            |
| Unamortized bond issue costs                    | 29,166                                   | -   | 29,166           |
| Capital assets, net of accumulated depreciation | 3,480,425                                | 17,074                                    | 3,497,499        |
| <b>Total assets</b>                             | <b>7,981,538</b>                         | <b>56,767</b>                             | <b>8,038,305</b> |
| <br><b>Liabilities</b>                          |  |   |                  |
| Accounts payable                                | 129,639                                  | 3,445                                     | 133,084          |
| Salaries and benefits payable                   | 9,259                                    | -   | 9,259            |
| Accrued interest payable                        | 9,442                                    | -   | 9,442            |
| Deferred revenue - succeeding year property tax | 2,077,000                                | -   | 2,077,000        |
| ISCAP warrants payable                          | 708,000                                  | -   | 708,000          |
| ISCAP accrued interest payable                  | 13,063                                   | -   | 13,063           |
| Long-term liabilities:                          |  |   |                  |
| Portion due within one year:                    |  |   |                  |
| General obligation bonds payable                | 145,000                                  | -   | 145,000          |
| Early retirement payable                        | 22,700                                   | -   | 22,700           |
| Portion due after one year:                     |  |   |                  |
| General obligation bonds payable                | 1,390,000                                | -   | 1,390,000        |
| Early retirement payable                        | 64,993                                   | -   | 64,993           |
| <b>Total liabilities</b>                        | <b>4,569,096</b>                         | <b>3,445</b>                              | <b>4,572,541</b> |

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Exhibit A

Statement of Net Assets

June 30, 2008

|   | <u>Governmental<br/>Activities</u> | <u>Business Type<br/>Activities</u> | <u>Total</u>     |
|---|------------------------------------|-------------------------------------|------------------|
| <b>Net assets</b>                               |                                    |                                     |                  |
| Invested in capital assets, net of related debt | 1,945,425                          | 17,074                              | 1,962,499        |
| Restricted for:                                 |                                    |                                     |                  |
| Management levy                                 | 107,104                            | -                                   | 107,104          |
| Physical plant and equipment levy               | 63,659                             | -                                   | 63,659           |
| Other special revenue purposes                  | 53,247                             | -                                   | 53,247           |
| Unrestricted                                    | 1,243,007                          | 36,248                              | 1,279,255        |
| <b>Total net assets</b>                         | <u>\$ 3,412,442</u>                | <u>53,322</u>                       | <u>3,465,764</u> |

See notes to financial statements.

Sheffield Chapin Meservey Thornton Community School District  
 Sheffield, Iowa  
 Statement of Activities  
 Year ended June 30, 2008

|                                    |                        | Program Revenues   |  |   |
|------------------------------------|------------------------|--|--|---|
| Expenses                           | Charges for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Capital Grants,<br>Contributions<br>and Restricted<br>Interest |   |
| <b>Functions/Programs:</b>         |                        |  |  |   |
| Governmental activities:           |                        |  |  |   |
| Instruction:                       |                        |  |  |   |
| Regular instruction                | \$ 2,255,246           | 104,683  | 301,336  | - |
| Special instruction                | 481,208                | 5,128  | 50,115   | - |
| Other instruction                  | 466,833                | 171,343  | 46,596   | - |
|                                    | 3,203,287              | 281,154  | 398,047  | - |
| Support services:                  |                        |  |  |   |
| Student                            | 42,684                 | -  | -  | - |
| Instructional staff                | 87,672                 | -  | -  | - |
| Administration                     | 619,664                | -  | 750  | - |
| Operation and maintenance of plant | 369,347                | 25   | -  | - |
| Transportation                     | 259,140                | -  | -  | - |
|                                    | 1,378,507              | 25   | 750  | - |
| Other expenditures:                |                        |  |  |   |
| Facilities acquisition             | 3,520                  |  |  |   |
| Long-term debt interest            | 55,720                 | -  | -  | - |
| AEA flowthrough                    | 171,786                | -  | 171,786  | - |
| Depreciation (unallocated)*        | 94,571                 | -  | -  | - |
|                                    | 325,597                | -  | 171,786  | - |
| Total governmental activities      | 4,907,391              | 281,179  | 570,583  | - |
| Business type activities:          |                        |  |  |   |
| Non-instructional programs:        |                        |  |  |   |
| Food service operations            | 169,534                | 111,128  | 78,448   | - |
| Total                              | \$ 5,076,925           | 392,307  | 649,031  | - |

**General Revenues:**

|   |
|---|
| Property tax levied for:                  |
| General purposes                          |
| Debt service                              |
| Capital outlay                            |
| Local option sales and services tax       |
| Income surtax                             |
| Unrestricted state grants                 |
| Unrestricted investment earnings          |
| Other                                     |
| Loss on sale of capital assets            |
| 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 expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

| Governmental<br>Activities | Business Type<br>Activities | Total              |
|----------------------------|-----------------------------|--------------------|
| (1,849,227)                | -                           | (1,849,227)        |
| (425,965)                  | -                           | (425,965)          |
| (248,894)                  | -                           | (248,894)          |
| <u>(2,524,086)</u>         | <u>-</u>                    | <u>(2,524,086)</u> |
| (42,684)                   | -                           | (42,684)           |
| (87,672)                   | -                           | (87,672)           |
| (618,914)                  | -                           | (618,914)          |
| (369,322)                  | -                           | (369,322)          |
| (259,140)                  | -                           | (259,140)          |
| <u>(1,377,732)</u>         | <u>-</u>                    | <u>(1,377,732)</u> |
| (3,520)                    | -                           | (3,520)            |
| (55,720)                   | -                           | (55,720)           |
| -                          | -                           | -                  |
| <u>(94,571)</u>            | <u>-</u>                    | <u>(94,571)</u>    |
| <u>(153,811)</u>           | <u>-</u>                    | <u>(153,811)</u>   |
| (4,055,629)                | -                           | (4,055,629)        |
| -                          | 20,042                      | 20,042             |
| <u>(4,055,629)</u>         | <u>20,042</u>               | <u>(4,035,587)</u> |
| \$ 1,544,356               | -                           | 1,544,356          |
| 211,231                    | -                           | 211,231            |
| 68,856                     | -                           | 68,856             |
| 399,681                    | -                           | 399,681            |
| 320,671                    | -                           | 320,671            |
| 1,863,614                  | -                           | 1,863,614          |
| 17,827                     | 106                         | 17,933             |
| 4,843                      | -                           | 4,843              |
| (8,144)                    | -                           | (8,144)            |
| <u>4,422,935</u>           | <u>106</u>                  | <u>4,423,041</u>   |
| 367,306                    | 20,148                      | 387,454            |
| 3,045,136                  | 33,174                      | 3,078,310          |
| <u>\$ 3,412,442</u>        | <u>53,322</u>               | <u>3,465,764</u>   |

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Balance Sheet  
Governmental Funds

June 30, 2008

|  | <u>General</u>      | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
|--|---------------------|-------------------------|-----------------------------|
| <b>Assets</b>                              |                     |                         |                             |
| Cash and pooled investments:               |                     |                         |                             |
| ISCAP                                      | \$ 712,990          | -                       | -                           |
| Other                                      | 13,479              | 45,928                  | 901,099                     |
| Receivables:                               |                     |                         |                             |
| Property tax:                              |                     |                         |                             |
| Delinquent                                 | 22,110              | 4,003                   | -                           |
| Succeeding year                            | 1,661,000           | 211,000                 | -                           |
| Accounts                                   | 526                 | -                       | -                           |
| Accrued interest                           |                     |                         |                             |
| ISCAP                                      | 3,900               | -                       | -                           |
| Due from other governments                 | 207,292             | -                       | 96,004                      |
| Prepaid expenses                           | 68,122              | -                       | -                           |
| <b>Total assets</b>                        | <u>\$ 2,689,419</u> | <u>260,931</u>          | <u>997,103</u>              |
| <b>Liabilities and Fund Balances</b>       |                     |                         |                             |
| Liabilities:                               |                     |                         |                             |
| Accounts payable                           | \$ 26,644           | -                       | 95,511                      |
| Salaries and benefits payable              | 9,259               | -                       | -                           |
| ISCAP warrents payable                     | 708,000             | -                       | -                           |
| ISCAP accrued interest payable             | 13,063              | -                       | -                           |
| Deferred revenue:                          |                     |                         |                             |
| Succeeding year property tax               | 1,661,000           | 211,000                 | -                           |
| Other                                      | 176,000             | -                       | -                           |
| Total liabilities                          | <u>2,593,966</u>    | <u>211,000</u>          | <u>95,511</u>               |
| Fund balances:                             |                     |                         |                             |
| Reserved for prepaid expenses              | 68,122              | -                       | -                           |
| Reserved for teacher salary improvement    | 1,587               | -                       | -                           |
| Reserved for debt service                  | -                   | 49,931                  | -                           |
| Unreserved                                 | 25,744              | -                       | 901,592                     |
| Total fund balances                        | <u>95,453</u>       | <u>49,931</u>           | <u>901,592</u>              |
| <b>Total liabilities and fund balances</b> | <u>\$ 2,689,419</u> | <u>260,931</u>          | <u>997,103</u>              |

See notes to financial statements.

Exhibit C

| Nonmajor<br>Special<br><u>Revenue</u> | <u>Total</u>     |
|---------------------------------------|------------------|
| -                                     | 712,990          |
| 220,402                               | 1,180,908        |
| 2,584                                 | 28,697           |
| 205,000                               | 2,077,000        |
| -                                     | 526              |
| -                                     | 3,900            |
| 88,000                                | 391,296          |
| 8,508                                 | 76,630           |
| <u>524,494</u>                        | <u>4,471,947</u> |
| 7,484                                 | 129,639          |
| -                                     | 9,259            |
| -                                     | 708,000          |
| -                                     | 13,063           |
| 205,000                               | 2,077,000        |
| 88,000                                | 264,000          |
| <u>300,484</u>                        | <u>3,200,961</u> |
| -                                     | 68,122           |
| -                                     | 1,587            |
| -                                     | 49,931           |
| 224,010                               | 1,151,346        |
| <u>224,010</u>                        | <u>1,270,986</u> |
| <u>524,494</u>                        | <u>4,471,947</u> |

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

June 30, 2008

|  |                            |
|--|----------------------------|
| <b>Total fund balances of governmental funds (page 20)</b>   | \$ 1,270,986               |
| <i>Amounts reported for governmental activities in the<br/>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.                                       | 3,480,425                  |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.  | 264,000                    |
| Bond issue cost are capitalized and expensed over the life of the bonds and , therefore, are not reported as assets in the governmental funds.   | 29,166                     |
| 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.               | (9,442)                    |
| Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the governemntal funds. | <u>(1,622,693)</u>         |
| <b>Net assets of governmental activities (page 16)</b>   | <u><u>\$ 3,412,442</u></u> |

See notes to financial statements.

Sheffield Chapin Meservey Thornton Community School District  
 Sheffield, Iowa  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 Year ended June 30, 2008

Exhibit E

|  | <u>General</u>   | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Special<br/>Revenue</u> | <u>Total</u>     |
|--|------------------|-------------------------|-----------------------------|---|------------------|
| Revenues:  |                  |                         |                             |   |                  |
| Local sources:   |                  |                         |                             |   |                  |
| Local tax  | \$ 1,627,106     | 211,231                 | 399,681                     | 258,834                                 | 2,496,852        |
| Tuition  | 97,443           | -                       | -                           | -                                       | 97,443           |
| Other  | 33,806           | 304                     | 2,936                       | 169,361                                 | 206,407          |
| State sources  | 2,342,943        | 130                     | -                           | 110                                     | 2,343,183        |
| Federal sources  | <u>91,013</u>    | <u>-</u>                | <u>-</u>                    | <u>-</u>                                | <u>91,013</u>    |
| Total revenues   | <u>4,192,311</u> | <u>211,665</u>          | <u>402,617</u>              | <u>428,305</u>                          | <u>5,234,898</u> |
| Expenditures:  |                  |                         |                             |   |                  |
| Current:   |                  |                         |                             |   |                  |
| Instruction:   |                  |                         |                             |   |                  |
| Regular  | 2,219,638        | -                       | -                           | 20,462                                  | 2,240,100        |
| Special  | 481,208          | -                       | -                           | -                                       | 481,208          |
| Other  | <u>317,305</u>   | <u>-</u>                | <u>-</u>                    | <u>149,528</u>                          | <u>466,833</u>   |
|  | <u>3,018,151</u> | <u>-</u>                | <u>-</u>                    | <u>169,990</u>                          | <u>3,188,141</u> |
| Support services:  |                  |                         |                             |   |                  |
| Student  | 42,684           | -                       | -                           | -                                       | 42,684           |
| Instructional staff  | 86,518           | -                       | 6,559                       | -                                       | 93,077           |
| Administration   | 578,523          | -                       | -                           | 46,100                                  | 624,623          |
| Operation and maintenance<br>of plant                        | 323,970          | -                       | 11,780                      | 228,440                                 | 564,190          |
| Transportation   | <u>216,160</u>   | <u>-</u>                | <u>-</u>                    | <u>-</u>                                | <u>216,160</u>   |
|  | <u>1,247,855</u> | <u>-</u>                | <u>18,339</u>               | <u>274,540</u>                          | <u>1,540,734</u> |
| Other expenditures:  |                  |                         |                             |   |                  |
| Facilities acquisition                                       | -                | -                       | 139,771                     | 27,135                                  | 166,906          |
| Long-term debt:  |                  |                         |                             |   |                  |
| Principal  | -                | 135,000                 | -                           | -                                       | 135,000          |
| Interest and fiscal charges                                  | -                | 67,016                  | -                           | -                                       | 67,016           |
| AEA flowthrough  | <u>171,786</u>   | <u>-</u>                | <u>-</u>                    | <u>-</u>                                | <u>171,786</u>   |
|  | <u>171,786</u>   | <u>202,016</u>          | <u>139,771</u>              | <u>27,135</u>                           | <u>540,708</u>   |
| Total expenditures   | <u>4,437,792</u> | <u>202,016</u>          | <u>158,110</u>              | <u>471,665</u>                          | <u>5,269,583</u> |
| Excess (deficiency) of revenues over (under)<br>expenditures | <u>(245,481)</u> | <u>9,649</u>            | <u>244,507</u>              | <u>(43,360)</u>                         | <u>(34,685)</u>  |
| Other financing sources (uses):                              |                  |                         |                             |   |                  |
| Sale of capital assets                                       | <u>1,697</u>     | <u>-</u>                | <u>-</u>                    | <u>-</u>                                | <u>1,697</u>     |
| Total other financing sources (uses)                         | <u>1,697</u>     | <u>-</u>                | <u>-</u>                    | <u>-</u>                                | <u>1,697</u>     |
| Net change in fund balances                                  | (243,784)        | 9,649                   | 244,507                     | (43,360)                                | (32,988)         |
| Fund balances beginning of year, as restated                 | <u>339,237</u>   | <u>40,282</u>           | <u>657,085</u>              | <u>267,370</u>                          | <u>1,303,974</u> |
| Fund balances end of year                                    | <u>\$ 95,453</u> | <u>49,931</u>           | <u>901,592</u>              | <u>224,010</u>                          | <u>1,270,986</u> |

See notes to financial statements.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2008

**Net change in fund balances - total governmental funds (page 22)** \$ (32,988)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense and remaining book value of capital assets sold in the current year, as follows:

|                                   |            |         |
|-----------------------------------|------------|---------|
| Expenditures for capital assets   | \$ 374,304 |         |
| Depreciation expense              | (170,434)  |         |
| Book value of capital assets sold | (9,841)    | 194,029 |

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 47,943

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

|        |  |         |
|--------|--|---------|
| Repaid |  | 135,000 |
|--------|--|---------|

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. 14,628

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2008

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 | 12,026 |
|------------------|--------|

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

(3,332)

**Change in net assets of governmental activities (page 18)**

**\$ 367,306**

See notes to financial statements.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Exhibit G

Statement of Net Assets  
Proprietary Fund

June 30, 2008

|   | <u>School<br/>Nutrition</u> |
|---|-----------------------------|
| <b>Assets</b>                                   |                             |
| Cash and cash equivalents                       | \$ 31,064                   |
| Accounts receivable                             | 337                         |
| Inventories                                     | 6,816                       |
| Prepaid expenses                                | 1,476                       |
| Capital assets, net of accumulated depreciation | <u>17,074</u>               |
| <b>Total assets</b>                             | <u>56,767</u>               |
| <b>Liabilities</b>                              |                             |
| Accounts payable                                | <u>3,445</u>                |
| <b>Total liabilities</b>                        | <u>3,445</u>                |
| <b>Net Assets</b>                               |                             |
| Invested in capital assets                      | 17,074                      |
| Unrestricted                                    | <u>36,248</u>               |
| <b>Total net assets</b>                         | <u>\$ 53,322</u>            |

See notes to financial statements.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Exhibit H

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

Year ended June 30, 2008

|   | <u>School<br/>Nutrition</u> |
|---|-----------------------------|
| Operating revenues:                           |                             |
| Local sources:                                |                             |
| Charges for service                           | \$ 110,352                  |
| Miscellaneous                                 | 776                         |
| Total operating revenue                       | <u>111,128</u>              |
| <br>Operating expenses:                       |                             |
| Non-instructional programs:                   |                             |
| Food service operations:                      |                             |
| Salaries and benefits                         | 52,974                      |
| Benefits                                      | 18,528                      |
| Purchased services                            | 2,583                       |
| Supplies                                      | 91,590                      |
| Depreciation                                  | 3,859                       |
| Total operating expenses                      | <u>169,534</u>              |
| <br>Operating loss                            | <br><u>(58,406)</u>         |
| <br>Non-operating revenues:                   |                             |
| State sources                                 | 2,461                       |
| Federal sources                               | 75,987                      |
| Interest income                               | 106                         |
| Total non-operating revenues                  | <u>78,554</u>               |
| Net income                                    | 20,148                      |
| <br>Net assets beginning of year, as restated | <br><u>33,174</u>           |
| <br>Net assets end of year                    | <br><u>\$ 53,322</u>        |

See notes to financial statements.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2008

School  
Nutrition

|   |                  |
|---|------------------|
| Cash flows from operating activities:                 |                  |
| Cash received from sale of lunches and breakfasts     | \$ 106,679       |
| Cash received from miscellaneous operating activities | 776              |
| Cash paid to employees for services                   | (71,502)         |
| Cash paid to suppliers for goods or services          | <u>(79,633)</u>  |
| Net cash used by operating activities                 | <u>(43,680)</u>  |
| Cash flows from non-capital financing activities:     |                  |
| State grants received                                 | 2,461            |
| Federal grants received                               | <u>59,798</u>    |
| Net cash provided by non-capital financing activities | <u>62,259</u>    |
| Cash flows from investing activities:                 |                  |
| Interest on investments                               | <u>106</u>       |
| Net increase in cash and cash equivalents             | 18,685           |
| Cash and cash equivalents beginning of year           | <u>12,379</u>    |
| Cash and cash equivalents end of year                 | <u>\$ 31,064</u> |

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2008

School  
Nutrition

**Reconciliation of operating loss to net cash used by  
operating activities:**

|  |                    |
|--|--------------------|
| Operating loss   | \$ (58,406)        |
| Adjustments to reconcile operating loss<br>to net cash used by operating activities: |                    |
| Commodities used   | 16,189             |
| Depreciation   | 3,859              |
| (Increase) in inventories  | (2,964)            |
| (Increase) in accounts receivable  | (281)              |
| (Increase) in prepaid expenses   | (1,476)            |
| Increase in accounts payable   | 2,791              |
| (Decrease) in deferred revenue   | <u>(3,392)</u>     |
| Net cash used by operating activities  | <u>\$ (43,680)</u> |

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2008, the District received \$16,189 of federal commodities.

See notes to financial statements.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Exhibit J

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2008

|                             | <u>Private<br/>Purpose<br/>Trust<br/>Scholarship</u> |
|-----------------------------|--|
| <b>Assets</b>               |  |
| Cash and pooled investments | \$ 16,872  |
| <b>Liabilities</b>          | <u>-</u>   |
| <b>Net Assets</b>           |  |
| Reserved for scholarships   | <u>\$ 16,872</u>                                     |

See notes to financial statements.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2008

|   | <u>Private<br/>Purpose<br/>Trust<br/>Scholarship</u> |
|---|--|
| Additions   |  |
| Local sources:  |  |
| Gifts and contributions                                       | \$ 6,500   |
| Dividend income, net of depreciation in fair value of \$1,314 | <u>(393)</u>   |
| Total additions   | 6,107  |
| Deductions:   |  |
| Support services:   |  |
| Scholarships awarded  | <u>500</u>   |
| Change in net assets  | 5,607  |
| Net assets beginning of year, as restated                     | <u>11,265</u>  |
| Net assets end of year  | <u>\$ 16,872</u>                                     |

See notes to financial statements.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

**(1) Summary of Significant Accounting Policies**

Sheffield Chapin Meservey Thornton 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, Chapin, Meservey and Thornton, Iowa, and the predominate agricultural territory in Cerro Gordo, Hancock, Franklin and Wright counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

On August 8, 2006, voters in the Sheffield-Chapin and Meservey-Thornton school districts voted to reorganize into the new Sheffield Chapin Meservey Thornton Community School District pursuant to the provisions of Iowa Code, Chapter 275, effective July 1, 2007.

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 Meservey Thornton 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. Sheffield Chapin Meservey Thornton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 Franklin County Assessor's Conference Board.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

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 attributable 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.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

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 instructional, support and other costs.

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

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

The District reports the following major proprietary fund:

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.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

Under 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.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

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. Non-negotiable certificates of deposit 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.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, 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.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

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.

| Asset Class                       | Amount |
|-----------------------------------|--------|
| Land                              | \$ 500 |
| Buildings                         | 500    |
| Improvements other than buildings | 500    |
| Furniture and equipment:          |        |
| School Nutrition Fund equipment   | 500    |
| Other furniture and equipment     | 500    |

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

| Asset Class                       | Estimated<br>Useful Lives<br>(In Years) |
|-----------------------------------|---|
| Buildings                         | 50 years                                |
| Improvements other than buildings | 20 years                                |
| Furniture and equipment           | 5-20 years                              |

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

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 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 benefits. Sick leave can only be used for time off for illness or injury. Employees that have accumulated the maximum number of allowable sick days and have used less than half of their yearly allotment and employees that have not used any sick days during the year receive a payment at year end. An accrual for earned but unused sick leave is not recorded in these financial statements because amounts have been paid at year end.

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 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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the support services functional area exceed the amounts budgeted.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 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, 2008, the District had the following investments:

| <u>Investment Type</u> | <u>Fair Value</u> |
|------------------------|-------------------|
| Mutual Funds           | \$13,852          |

Concentration of credit risk: The District places no limit on the amount that may be invested in any one issuer. The District's investment in mutual funds is 100% of the District's total investments.

Market risk: The investment in mutual funds is subject to the risk that the fair value will decline.

**(3) 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 school corporation 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. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

| Series   | Warrant<br>Date | Final<br>Warrant<br>Maturity | Investments    | Accrued<br>Interest<br>Receivable | Warrants<br>Payable | Accrued<br>Interest<br>Payable |
|----------|-----------------|------------------------------|----------------|-----------------------------------|---------------------|--------------------------------|
| 2007-08A | 6/27/07         | 6/27/08                      | \$ ---         | 1,314                             | ---                 | ---                            |
| 2007-08B | 1/23/08         | 1/23/09                      | 158,507        | 2,376                             | 158,000             | 3,420                          |
| 2008-09A | 6/26/08         | 6/25/09                      | <u>554,483</u> | <u>210</u>                        | <u>550,000</u>      | <u>9,643</u>                   |
| Total    |                 |                              | \$ 712,990     | 3,900                             | 708,000             | 13,063                         |
|          |                 |                              | =====          | =====                             | =====               | =====                          |

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 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity during the year ended June 30, 2008.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

|          |        |        |
|----------|--------|--------|
| 2007-08A | 4.500% | 5.455% |
| 2007-08B | 3.750  | 3.451  |
| 2008-09A | 3.50   | 3.469  |

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

|   | Balance<br>Beginning of<br>Year, as restated | Increases      | Decreases      | Balance<br>End<br>of Year |
|---|--|----------------|----------------|---------------------------|
| <b>Governmental activities:</b>             |  |                |                |                           |
| Capital assets not being depreciated:       |  |                |                |                           |
| Land  | \$ 35,421                                    | 16,202         | ---            | 51,623                    |
| Construction in progress                    | <u>---</u>                                   | <u>139,771</u> | <u>---</u>     | <u>139,771</u>            |
| Total capital assets not being depreciated  | <u>35,421</u>                                | <u>155,973</u> | <u>---</u>     | <u>191,394</u>            |
| Capital assets being depreciated:           |  |                |                |                           |
| Buildings                                   | 4,175,845                                    | 195,726        | ---            | 4,371,571                 |
| Improvements other than buildings           | 180,458                                      | ---            | ---            | 180,458                   |
| Furniture and equipment                     | <u>296,850</u>                               | <u>22,606</u>  | <u>53,843</u>  | <u>1,265,613</u>          |
| Total capital assets being depreciated      | <u>5,653,153</u>                             | <u>218,332</u> | <u>53,843</u>  | <u>5,817,642</u>          |
| Less accumulated depreciation for:          |  |                |                |                           |
| Buildings                                   | 1,331,274                                    | 85,464         | ---            | 1,416,738                 |
| Improvements other than buildings           | 160,920                                      | 1,679          | ---            | 162,599                   |
| Furniture and equipment                     | <u>909,985</u>                               | <u>83,291</u>  | <u>44,002</u>  | <u>949,274</u>            |
| Total accumulated depreciation              | <u>2,402,179</u>                             | <u>170,434</u> | <u>44,002</u>  | <u>2,528,611</u>          |
| Total capital assets being depreciated, net | <u>3,250,974</u>                             | <u>47,898</u>  | <u>(9,841)</u> | <u>3,289,031</u>          |
| Governmental activities capital assets, net | <u>\$ 3,286,395</u>                          | <u>203,871</u> | <u>(9,841)</u> | <u>3,480,425</u>          |
|   | =====  | =====          | =====          | =====                     |

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

|  | Balance<br>Beginning of Year,<br>as restated | Increases      | Decreases | Balance<br>End<br>of Year |
|--|--|----------------|-----------|---------------------------|
| <b>Business type activities:</b>             |  |                |           |                           |
| Furniture and equipment                      | \$ 117,561                                   | ---            | ---       | 117,561                   |
| Less accumulated depreciation                | <u>96,628</u>                                | <u>3,859</u>   | ---       | <u>100,487</u>            |
| Business type activities capital assets, net | \$ 20,933                                    | <u>(3,859)</u> | ---       | <u>17,074</u>             |
|  | =====  | =====          | =====     | =====                     |

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular

\$ 22,762

Support services:

Instructional staff

1,154

Administration

6,302

Operation and maintenance of plant

2,665

Transportation

42,980

75,863

Unallocated

94,571

Total depreciation expense – governmental activities

\$ 170,434

=====

Business type activities:

Food service operations

\$ 3,859

=====

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

|                          | Balance<br>Beginning<br>of Year | Additions     | Reductions    | Balance<br>End<br>of Year | Due<br>Within<br>One Year |
|--------------------------|---------------------------------|---------------|---------------|---------------------------|---------------------------|
| General obligation bonds | \$ 1,670,000                    | ---           | 135,000       | 1,535,000                 | 145,000                   |
| Early retirement         | <u>99,720</u>                   | <u>11,498</u> | <u>23,525</u> | <u>87,693</u>             | <u>22,700</u>             |
| Total                    | \$ 1,769,720                    | 11,498        | 158,525       | 1,622,693                 | 167,700                   |
|                          | =====                           | =====         | =====         | =====                     | =====                     |

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

Termination of Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The Board may limit the number of early retirements to two per year.

Early retirement benefits paid to retirees of the former Meservey-Thornton Community School District were equal to a percentage based on age at the time of retirement, of the employee's base salary calculated by using the current year regular salary, less any additional pay.

Early retirement benefits paid to the retirees of the former Sheffield-Chapin Community School District were based on a percentage of annual insurance benefits paid at the time of retirement.

Early retirement benefits paid to retirees of the Sheffield-Chapin-Meservey-Thornton Community School District are equal to two (2%) times years employed within the district times present insurance costs.

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

At June 30, 2008, the District has obligations to eight participants with a total liability of \$87,692. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$23,525.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

General Obligation Bonds

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

| <u>Year Ending</u> | <u>Refunding Bond Issue of April 2007</u> |                  |                 |                |
|--------------------|---|------------------|-----------------|----------------|
| <u>June 30,</u>    | <u>Interest Rates</u>                     | <u>Principal</u> | <u>Interest</u> | <u>Total</u>   |
| 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               | 3.60%                                     | 170,000          | 33,646          | 203,646        |
| 2014-2017          | 3.625-3.70%                               | <u>750,000</u>   | <u>70,539</u>   | <u>820,539</u> |
|                    |   | \$1,535,000      | 295,819         | 1,830,819      |
|                    |   | =====            | =====           | =====          |

**(6) 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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by state statute. The District's contributions to IPERS for the year ended June 30, 2008 was \$166,526 equal to the required contributions for the year.

**(7) Risk Management**

Sheffield Chapin Meservey Thornton 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 for the fiscal year ended June 30, 2008.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

**(8) 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 \$171,786 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Lease Commitment**

The District entered into a five-year operating lease for a copy machine. The amount paid for the fiscal year ended June 30, 2008 was \$8,319. The payments the District will make over the remaining lease term are as follows:

| <u>Year Ended June 30,</u> | <u>Lease Payment</u>   |
|----------------------------|------------------------|
| 2009                       | \$ 8,319               |
| 2010                       | 8,319                  |
| 2011                       | 8,319                  |
| 2012                       | <u>3,466</u>           |
| Total                      | <u>28,423</u><br>===== |

**(10) Construction Commitment**

The District has entered into a contract totaling \$484,000 for the renovation of the Voc Ag/ Industrial Tech building. As of June 30, 2008, cost of \$124,511 had been incurred against the contract. The balance of \$359,489 remaining at June 30, 2008 will be paid as work on the project progresses.

**(11) Subsequent Event**

The District has entered into a whole grade sharing agreement with Rockwell-Swaledale Community School District beginning July 1, 2008, for a period of three years.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

**(12) Combination of Sheffield-Chapin and Meservey-Thornton School Districts**

The Districts of Sheffield-Chapin and Meservey-Thornton combined to form a new district, Sheffield Chapin Meservey Thornton Community School District, effective July 1, 2007. Assets and liabilities were assumed by the newly formed district. The beginning balances of Sheffield Chapin Meservey Thornton Community School District have been derived from the ending balances of the Sheffield-Chapin and Meservey- Thornton districts at June 30, 2007 as follows:

**Government-wide Financial Statements:**

(Governmental activities)

|   | <u>Sheffield-<br/>Chapin</u> | <u>Meservey-<br/>Thornton</u> | <u>Sheffield Chapin<br/>Meservey Thornton</u> |
|---|------------------------------|-------------------------------|---|
| Net assets, June 30, 2007                     | \$ 2,084,808                 | 1,259,387                     | 3,344,195                                     |
| Restate balance for:                          |                              |                               |   |
| Capital Assets                                |                              |                               | (297,578)                                     |
| ISCAP   |                              |                               | <u>(1,481)</u>                                |
| Net assets, July 1, 2007, restated            |                              |                               |   |
| for Sheffield Chapin Meservey Thornton School |                              |                               | \$ 3,045,136                                  |
|   |                              |                               | =====   |

Beginning net assets were restated due to a new capital asset inventory being completed and to record net ISCAP activity issued to the District prior to July 1, 2007.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

**Fund Financial Statements:**

|  | <u>Sheffield-<br/>Chapin</u> | <u>Meservey-<br/>Thornton</u> | <u>Restatement</u> | <u>Sheffield Chapin<br/>Meservey Thornton</u> |
|--|------------------------------|-------------------------------|--------------------|---|
| <b>Governmental Funds:</b>             |                              |                               |                    |   |
| General Fund                           | \$ 209,252                   | 131,466                       | (1,481)            | 339,237                                       |
| Student Activity                       | 18,541                       | 19,154                        | ---                | 37,695  |
| Management Levy                        | 42,198                       | 34,698                        | ---                | 76,896  |
| Physical, Plant, and<br>Equipment Levy | 46,363                       | 106,416                       | ---                | 152,779                                       |
| Capital Projects                       | 329,418                      | 327,667                       | ---                | 657,085                                       |
| Debt Service                           | <u>15,218</u>                | <u>25,064</u>                 | <u>---</u>         | <u>40,282</u>                                 |
| Total Governmental Funds               | <u>\$ 660,990</u>            | <u>644,465</u>                | <u>(1,481)</u>     | <u>1,303,974</u>                              |
|  | =====                        | =====                         | =====              | =====   |
| <b>Proprietary Funds:</b>              |                              |                               |                    |   |
| Nutrition Fund                         | \$ 29,507                    | 6,560                         | (2,893)            | 33,174  |
|  | =====                        | =====                         | =====              | =====   |
| <b>Fiduciary Funds:</b>                |                              |                               |                    |   |
| Private Purpose Trust                  | \$ 11,265                    | ---                           | ---                | 11,265  |
|  | =====                        | =====                         | =====              | =====   |

The General Fund balance was restated to record the net ISCAP activity issued to the District prior to July 1, 2007.

The Nutrition Fund balance was restated due to a new capital asset inventory being completed.

**Required Supplementary Information**

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

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

Required Supplementary Information

Year ended June 30, 2008

|   | Governmental<br>Funds<br><u>Actual</u> | Proprietary<br>Fund<br><u>Actual</u> |
|---|--|--------------------------------------|
| Revenues:   |  |                                      |
| Local sources   | \$ 2,800,702                           | 111,234                              |
| State sources   | 2,343,183                              | 2,461                                |
| Federal sources   | <u>91,013</u>                          | <u>75,987</u>                        |
| Total revenues  | <u>5,234,898</u>                       | <u>189,682</u>                       |
| Expenditures/Expenses:  |  |                                      |
| Instruction   | 3,188,141                              | -                                    |
| Support services  | 1,540,734                              | -                                    |
| Non-instructional programs  | -                                      | 169,534                              |
| Other expenditures  | <u>540,708</u>                         | <u>-</u>                             |
| Total expenditures/expenses   | <u>5,269,583</u>                       | <u>169,534</u>                       |
| Excess (deficiency) of revenues over (under) expenditures/expenses                        | (34,685)                               | 20,148                               |
| Other financing sources, net  | <u>1,697</u>                           | <u>-</u>                             |
| Excess of revenues and other financing sources over expenditures and other financing uses | (32,988)                               | 20,148                               |
| Balances beginning of year  | <u>1,303,974</u>                       | <u>33,174</u>                        |
| Balances end of year  | <u>\$ 1,270,986</u>                    | <u>53,322</u>                        |

See accompanying independent auditor's report.

| <u>Total<br/>Actual</u> | <u>Budgeted Amounts</u> |                         | <u>Final to<br/>Actual<br/>Variance</u> |
|-------------------------|-------------------------|-------------------------|---|
|                         | <u>Original</u>         | <u>Final</u>            |   |
| 2,911,936               | 3,028,776               | 3,028,776               | (116,840)                               |
| 2,345,644               | 2,238,870               | 2,238,870               | 106,774                                 |
| <u>167,000</u>          | <u>244,000</u>          | <u>244,000</u>          | <u>(77,000)</u>                         |
| <u>5,424,580</u>        | <u>5,511,646</u>        | <u>5,511,646</u>        | <u>(87,066)</u>                         |
| 3,188,141               | 3,435,000               | 3,435,000               | 246,859                                 |
| 1,540,734               | 1,489,000               | 1,489,000               | (51,734)                                |
| 169,534                 | 220,000                 | 220,000                 | 50,466                                  |
| <u>540,708</u>          | <u>589,079</u>          | <u>589,079</u>          | <u>48,371</u>                           |
| <u>5,439,117</u>        | <u>5,733,079</u>        | <u>5,733,079</u>        | <u>293,962</u>                          |
| (14,537)                | (221,433)               | (221,433)               | 206,896                                 |
| <u>1,697</u>            | <u>-</u>                | <u>-</u>                | <u>1,697</u>                            |
| (12,840)                | (221,433)               | (221,433)               | 208,593                                 |
| <u>1,337,148</u>        | <u>1,719,536</u>        | <u>1,719,536</u>        | <u>(382,388)</u>                        |
| <u><u>1,324,308</u></u> | <u><u>1,498,103</u></u> | <u><u>1,498,103</u></u> | <u><u>(173,795)</u></u>                 |

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

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 Private Purpose Trust 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 functional 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.

During the year ended June 30, 2008, expenditures in the support services function exceed the amounts budgeted.

## **Other Supplementary Information**

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2008

|  | Manage-<br>ment<br><u>Levy</u> | Student<br>Activity<br><u>Activity</u> | Physical Plant<br>and Equipment<br><u>Levy</u> | <u>Total</u>          |
|--|--------------------------------|--|--|-----------------------|
| <b>Assets</b>                              |                                |  |  |                       |
| Cash and pooled investments                | \$ 97,620                      | 53,247                                 | 69,535   | 220,402               |
| Receivables:                               |                                |  |  |                       |
| Property tax:                              |                                |  |  |                       |
| Delinquent                                 | 1,530                          | -                                      | 1,054  | 2,584                 |
| Succeeding year                            | 120,000                        | -                                      | 85,000   | 205,000               |
| Due from other governments                 | -                              | -                                      | 88,000   | 88,000                |
| Prepaid expenses                           | <u>8,508</u>                   | <u>-</u>                               | <u>-</u>                                       | <u>8,508</u>          |
| <b>Total assets</b>                        | <b><u>\$ 227,658</u></b>       | <b><u>53,247</u></b>                   | <b><u>243,589</u></b>                          | <b><u>524,494</u></b> |
| <b>Liabilities and Fund Balances</b>       |                                |  |  |                       |
| Liabilities:                               |                                |  |  |                       |
| Accounts payable                           | \$ 554                         | -                                      | 6,930  | 7,484                 |
| Deferred revenue:                          |                                |  |  |                       |
| Succeeding year property tax               | 120,000                        | -                                      | 85,000   | 205,000               |
| Other                                      | <u>-</u>                       | <u>-</u>                               | <u>88,000</u>                                  | <u>88,000</u>         |
| Total liabilities                          | 120,554                        | -                                      | 179,930  | 300,484               |
| Unreserved fund balances                   | <u>107,104</u>                 | <u>53,247</u>                          | <u>63,659</u>                                  | <u>224,010</u>        |
| <b>Total liabilities and fund balances</b> | <b><u>\$ 227,658</u></b>       | <b><u>53,247</u></b>                   | <b><u>243,589</u></b>                          | <b><u>524,494</u></b> |

See accompanying independent auditor's report.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Schedule 2

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

Year ended June 30, 2008

|  | <u>Manage-<br/>ment<br/>Levy</u> | <u>Student<br/>Activity</u> | <u>Physical Plant<br/>and Equipment<br/>Levy</u> | <u>Total</u>   |
|--|----------------------------------|-----------------------------|--|----------------|
| Revenues:                                    |                                  |                             |  |                |
| Local sources:                               |                                  |                             |  |                |
| Local tax                                    | \$ 99,978                        | -                           | 158,856  | 258,834        |
| Other  | 2,890                            | 165,080                     | 1,391  | 169,361        |
| State sources                                | <u>65</u>                        | <u>-</u>                    | <u>45</u>  | <u>110</u>     |
| Total revenues                               | <u>102,933</u>                   | <u>165,080</u>              | <u>160,292</u>                                   | <u>428,305</u> |
| Expenditures:                                |                                  |                             |  |                |
| Current:                                     |                                  |                             |  |                |
| Instruction:                                 |                                  |                             |  |                |
| Regular                                      | 20,462                           | -                           | -  | 20,462         |
| Other  | -                                | 149,528                     | -  | 149,528        |
| Support services:                            |                                  |                             |  |                |
| Administration                               | 33,841                           | -                           | 12,259   | 46,100         |
| Operation and maintenance of plant           | 18,422                           | -                           | 210,018  | 228,440        |
| Other expenditures:                          |                                  |                             |  |                |
| Facilities acquisition                       | <u>-</u>                         | <u>-</u>                    | <u>27,135</u>                                    | <u>27,135</u>  |
| Total expenditures                           | <u>72,725</u>                    | <u>149,528</u>              | <u>249,412</u>                                   | <u>471,665</u> |
| Net change in fund balances                  | 30,208                           | 15,552                      | (89,120)   | (43,360)       |
| Fund balances beginning of year, as restated | <u>76,896</u>                    | <u>37,695</u>               | <u>152,779</u>                                   | <u>267,370</u> |
| Fund balances end of year                    | <u>\$ 107,104</u>                | <u>53,247</u>               | <u>63,659</u>                                    | <u>224,010</u> |

See accompanying independent auditor's report.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

| <u>Account</u>                  | <u>Balance<br/>Beginning<br/>of Year</u> | <u>Revenues<br/>and Interfund<br/>Transfers</u> | <u>Expenditures</u> | <u>Intra-<br/>Fund<br/>Transfers</u> | <u>Balance<br/>End<br/>of Year</u> |
|---------------------------------|--|---|---------------------|--------------------------------------|------------------------------------|
| Annual                          | \$ (4,329)                               | 5,655   | 6,938               | 180                                  | (5,432)                            |
| Athletics - Middle School       | 113                                      | 2,591   | 2,704               | -                                    | -                                  |
| Athletics - High School         | (19,197)                                 | 91,507  | 80,494              | (1,869)                              | (10,053)                           |
| Band Club                       | 404                                      | 7,518   | 5,157               | -                                    | 2,765                              |
| Cheerleaders                    | (123)                                    | 1,449   | 1,183               | -                                    | 143                                |
| Drama                           | 3,183                                    | 310   | 164                 | -                                    | 3,329                              |
| Class of 2006                   | (1,663)                                  | -   | -                   | 1,681                                | 18                                 |
| Class of 2007                   | 128                                      | -   | (36)                | -                                    | 164                                |
| Class of 2008                   | 5,547                                    | 3,155   | 5,440               | 8                                    | 3,270                              |
| Class of 2009                   | 5,203                                    | 10,285  | 9,042               | -                                    | 6,446                              |
| Class of 2010                   | 1,418                                    | 319   | 652                 | -                                    | 1,085                              |
| Class of 2011                   | 2,150                                    | 2,001   | 1,973               | -                                    | 2,178                              |
| Class of 2012                   | 2,612                                    | -   | -                   | -                                    | 2,612                              |
| Class of 2013                   | 1,260                                    | 1,890   | -                   | -                                    | 3,150                              |
| Class of 2014                   | -  | 1,503   | -                   | -                                    | 1,503                              |
| Field Trips and Assemblies      | 7,074                                    | 832   | 6,454               | -                                    | 1,452                              |
| Interest - Middle School        | -  | 59  | 59                  | -                                    | -                                  |
| Interest - High School          | -  | 163   | -                   | -                                    | 163                                |
| Music Fundraiser                | 5,160                                    | 4,994   | 4,938               | -                                    | 5,216                              |
| Science Club                    | 131                                      | -   | -                   | -                                    | 131                                |
| Speech                          | 1,702                                    | 75  | 1,055               | -                                    | 722                                |
| Student Awards                  | 26                                       | 200   | 1,068               | -                                    | (842)                              |
| Student Council - Elementary    | 9,469                                    | 24,650  | 17,127              | -                                    | 16,992                             |
| Student Council - Middle School | 785                                      | 2,483   | 2,492               | -                                    | 776                                |
| Student Council - High School   | 16,642                                   | 3,381   | 2,578               | -                                    | 17,445                             |
| Track                           | -  | 60  | 46                  | -                                    | 14                                 |
| Total                           | <u>\$ 37,695</u>                         | <u>165,080</u>                                  | <u>149,528</u>      | <u>-</u>                             | <u>53,247</u>                      |

See accompanying independent auditor's report.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Schedule 4

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

For the Year Ended June 30, 2008

|                                    | Modified<br><u>Accrual Basis</u><br><u>2008</u> |
|------------------------------------|---|
| Revenues:                          |   |
| Local sources:                     |   |
| Local tax                          | \$ 2,496,852                                    |
| Tuition                            | 97,443  |
| Other                              | 206,407   |
| State sources                      | 2,343,183                                       |
| Federal sources                    | <u>91,013</u>                                   |
| Total                              | <u>\$ 5,234,898</u>                             |
| Expenditures:                      |   |
| Instruction:                       |   |
| Regular                            | \$ 2,240,100                                    |
| Special                            | 481,208   |
| Other                              | 466,833   |
| Support services:                  |   |
| Student                            | 42,684  |
| Instructional staff                | 93,077  |
| Administration                     | 624,623   |
| Operation and maintenance of plant | 564,190   |
| Transportation                     | 216,160   |
| Other expenditures:                |   |
| Facilities acquisition             | 166,906   |
| Long-term debt:                    |   |
| Principal                          | 135,000   |
| Interest and other charges         | 67,016  |
| AEA flowthrough                    | <u>171,786</u>                                  |
| Total                              | <u>\$ 5,269,583</u>                             |

See accompanying independent auditor's report.

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 Meservey Thornton 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 Meservey Thornton Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2009. 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 Meservey Thornton 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 Meservey Thornton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sheffield Chapin Meservey Thornton 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 have identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including 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 Meservey Thornton 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 Meservey Thornton Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sheffield Chapin Meservey Thornton Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiencies in the 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 Meservey Thornton 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 item I-A-08 and I-B-08 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sheffield Chapin Meservey Thornton 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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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 Meservey Thornton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sheffield Chapin Meservey Thornton 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 Meservey Thornton Community School District and other parties to whom Sheffield Chapin Meservey Thornton Community School District may report, including federal awarding agencies and pass-through entities. 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 Meservey Thornton 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.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 19, 2009

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Schedule of Findings

Year ended June 30, 2008

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

**SIGNIFICANT DEFICIENCIES:**

I-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We are doing everything we can within our situation and make improvements as the situation changes. We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-08 Financial Reporting – During the audit, we identified material amounts of capital assets additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements. Financial statement preparation is the responsibility of the District. 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.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Schedule of Findings

Year ended June 30, 2008

Recommendation – The District should implement procedures to ensure all capital assets additions are identified and included in the District’s financial statements. 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.

Response – We will try to identify these in the future. 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.

I-C-08 Disbursement Approval – For two transactions tested there was no evidence of Board approval. For four transactions, there was insufficient documentation to determine the date the Superintendent approved routine expenditures for advance payment in accordance with the District’s policy.

Recommendation – The District should ensure all expenditures are properly approved. For payments made in advance of Board meetings, the District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval. The District should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having the Superintendent initial and date the claims.

Conclusion – Response accepted.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Schedule of Findings

Year ended June 30, 2008

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**Other Findings Related To Required Statutory Reporting:**

II-A-08 Certified Budget – Expenditures for the year ended June 30, 2008 exceeded the certified budget amounts in the support services function.

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.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-08 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Schedule of Findings

Year ended June 30, 2008

II-F-08 Board Minutes - As previously noted, two transactions requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa and an additional four transactions had insufficient documentation they had been approved for payment by the Superintendent in advance of the Board meeting as allowed in Chapter 279.30 of the Code of Iowa.

Recommendation – All expenditures should be approved by the Board and sufficient documentation should be maintained to evidence proper Superintendent approval of expenditures paid in advance of Board approval.

Response – All expenditures will be approved by the Board and procedures have been revised to ensure the Superintendent’s approval of expenditures prior to Board meetings is adequately documented.

Conclusion – Response accepted.

II-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted. However, the District had investments in Mutual Funds (open end management investment companies) that were not authorized by the District’s investment policy.

Recommendation – the District should update its investment policy to authorize investments in open end management investment companies.

Response – We will update the investment policy.

Conclusion – Response accepted.

II-I-08 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

Sheffield Chapin Meservey Thornton Community School District  
Sheffield, Iowa

Notes to Financial Statements

June 30, 2008

II-J-08 Deficit Balances – A few student activity accounts had deficit balances at June 30, 2008.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.