

**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, 2011

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Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Mary Beth Sukup	President	2011
Mary Schlichting	Vice President	2013
Mary Amsbaugh	Board Member	2013
Christy Engebretson	Board Member	2013
Betty Jensen	Board Member	2011
Kathy Miller	Board Member	2013
Jim Tuttle	Board Member	2011

School Officials

Darrin Strike	Superintendent	2011
Connie Stadlander	District Secretary/Treasurer and Business Manager	2011
Rick Engel	Attorney	2011

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Christine R. Frideres, C.P.A.
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Jerilyn J. Maher, C.P.A.
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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, 2011, 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.

Except as discussed in the following paragraph, 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.

The financial statements of the West Fork Booster Club have not been audited, and we were not engaged to audit the Booster Club's financial statements as part of our audit of the Sheffield Chapin Meservey Thornton Community School District's basic financial statements. West Fork Booster Club's financial statements are included in the District's financial statements as a discretely presented component unit.

Because West Fork Booster Club's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of the Sheffield Chapin Meservey Thornton Community School District, as of and for the year ended June 30, 2011. In addition, 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, 2011, 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 November 21, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 50 through 53 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, 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.

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

November 21, 2011

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,880,649 in fiscal 2010 to \$5,071,801 in fiscal 2011, while General Fund expenditures decreased from \$4,711,693 in fiscal 2010 to \$4,690,156 in fiscal 2011. The District's General Fund balance increased from \$520,202 in fiscal 2010 to \$902,357 in fiscal 2011, a 73.5% increase.
- The increase in General Fund revenues was attributable to increases in local tax revenues. The decrease in expenditures was due primarily to the District maintaining spending levels equal to those of the prior year to improve the financial condition of the District.

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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Sheffield Chapin Meservey Thornton
Community School District
Annual Financial Report

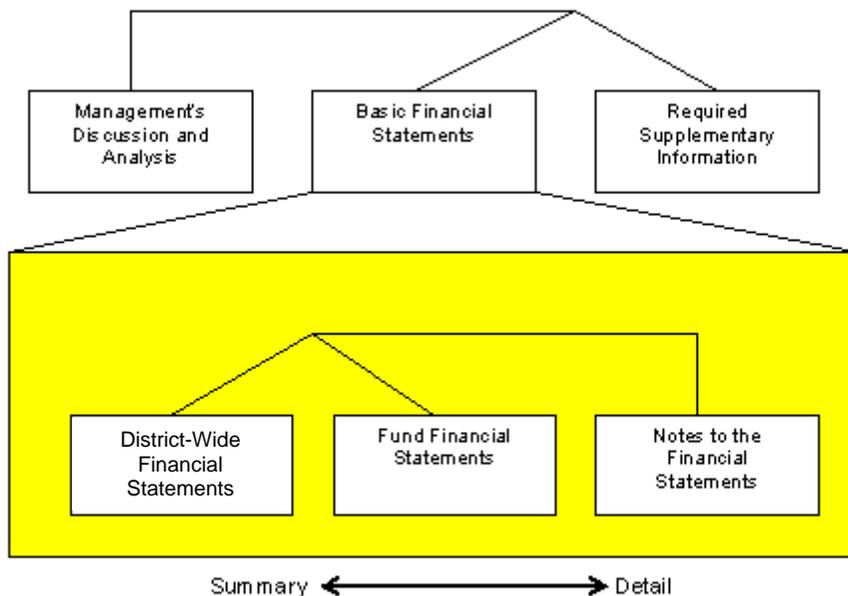


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows • Statement of revenues, expenses and changes in fund net assets 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- 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 Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is 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 include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 2,820	4,639	37	40	2,857	4,679	-38.9%
Capital assets	<u>4,067</u>	<u>3,767</u>	<u>19</u>	<u>21</u>	<u>4,086</u>	<u>3,788</u>	<u>7.9%</u>
Total assets	<u>6,887</u>	<u>8,406</u>	<u>56</u>	<u>61</u>	<u>6,943</u>	<u>8,467</u>	<u>-18.0%</u>
Long-term liabilities	1,204	1,371	---	---	1,204	1,371	-12.2%
Other liabilities	<u>194</u>	<u>2,480</u>	<u>3</u>	<u>3</u>	<u>197</u>	<u>2,483</u>	<u>-92.1%</u>
Total liabilities	<u>1,398</u>	<u>3,851</u>	<u>3</u>	<u>3</u>	<u>1,401</u>	<u>3,854</u>	<u>-63.6%</u>
Net assets:							
Invested in capital assets, net of related debt	2,986	2,525	19	21	3,005	2,546	18.0%
Restricted	568	504	---	---	568	504	12.7%
Unrestricted	<u>1,935</u>	<u>1,526</u>	<u>34</u>	<u>37</u>	<u>1,969</u>	<u>1,563</u>	<u>26.0%</u>
Total net assets	<u>\$ 5,489</u>	<u>4,555</u>	<u>53</u>	<u>58</u>	<u>5,542</u>	<u>4,613</u>	<u>20.1%</u>

The District's combined net assets increased 20%, or approximated \$929,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

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 increased approximately \$64,000, or 13%, over the prior year. The increase was primarily a result of the Physical Plant and Equipment Levy having more revenues than expenditures.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$406,000, or 26%. This increase was due the District receiving more revenues and keeping expenditures about the same as the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental		Business Type		Total		Total
	Activities	Activities	Activities	Activities	District	Change	
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 795	855	79	76	874	931	-6.1%
Operating grants, contributions and restricted interest	867	947	64	58	931	1,005	-7.4%
Capital grants, contributions and restricted interest	---	---	---	---	---	---	0.0%
General revenues:							
Property tax	2,336	2,198	---	---	2,336	2,198	6.3%
Statewide sales, services and use tax	379	339	---	---	379	339	11.8%
Income surtax	360	382	---	---	360	382	-5.8%
Unrestricted state grants	1,480	1,282	---	---	1,480	1,282	15.4%
Unrestricted investment earnings	6	15	---	---	6	15	-60.0%
Other	3	1	---	---	3	1	200.0%
Gain on sale of capital assets	1	13	---	---	1	13	-92.3%
Total revenues	<u>6,227</u>	<u>6,032</u>	<u>143</u>	<u>134</u>	<u>6,370</u>	<u>6,166</u>	<u>3.3%</u>
Program expenses:							
Governmental activities:							
Instruction	3,699	3,688	---	---	3,699	3,688	0.3%
Support services	1,190	1,154	---	---	1,190	1,154	3.1%
Non-instructional programs	---	---	148	137	148	137	8.0%
Other expenses	404	432	---	---	404	432	-6.5%
Total expenses	<u>5,293</u>	<u>5,274</u>	<u>148</u>	<u>137</u>	<u>5,441</u>	<u>5,411</u>	<u>0.6%</u>
Excess (deficiency) of revenues over (under) expenses before special items	<u>934</u>	<u>758</u>	<u>(5)</u>	<u>(3)</u>	<u>929</u>	<u>755</u>	<u>23.0%</u>
Special item (building impairment loss)	---	(381)	---	---	---	(381)	100.0%
Total special items	---	(381)	---	---	---	(381)	100.0%
Increase (decrease) in net assets	934	377	(5)	(3)	929	374	148.4%
Net assets beginning of year, as restated	<u>4,555</u>	<u>4,178</u>	<u>58</u>	<u>61</u>	<u>4,613</u>	<u>4,239</u>	<u>8.8%</u>
Net assets end of year	<u>\$ 5,489</u>	<u>4,555</u>	<u>53</u>	<u>58</u>	<u>5,542</u>	<u>4,613</u>	<u>20.1%</u>

In fiscal 2011, property tax and unrestricted state grants account for 61.3% of the total governmental activities revenue while charges for service and operating grants account for 100% of business type activities revenue.

The District's total revenues were approximately \$6.4 million, of which approximately \$6.2 million was for governmental activities and less than \$1 million was for business type activities.

As shown in figure A-4, the District as a whole experienced a 3.3% increase in revenues and a 0.6% increase in expenses. Property tax increased approximately \$138,000 to fund increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,226,771 and expenses were \$5,292,985 for the year ended June 30, 2011.

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, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 3,699	3,688	0.3%	2,235	2,083	7.3%
Support services	1,190	1,154	3.1%	1,189	1,153	3.1%
Other expenses	404	432	-6.5%	207	235	-11.9%
Total	\$ 5,293	5,274	0.4%	3,631	3,471	4.6%
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2011:

- The cost financed by users of the District’s programs was \$795,221.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$867,052.
- The net cost of governmental activities was financed with \$3,074,946 in property and other taxes and \$1,479,849 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$143,308, representing a 6.5% increase from the prior year while expenses totaled \$148,117, a 7.9% increase from the prior year. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sheffield Chapin 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 \$2,266,048, above last year's ending fund balances of \$1,812,480.

Governmental Fund Highlights

- The General Fund balance increased from \$520,202 in fiscal year 2010 to \$902,357 in fiscal year 2011.
- The Debt Service Fund balance increased from \$66,593 in fiscal 2010 to \$73,707 in fiscal 2011. Revenues and expenditures did not vary significantly from the prior year.
- The Capital Projects Fund increased from \$1,003,798 in fiscal 2010 to \$1,068,337 in fiscal 2011.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$57,606 at June 30, 2010 to \$52,797 at June 30, 2011, representing a decrease of approximately 8%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$25,337 less than total budgeted revenues, a variance of 0.4%.

Total expenditures were less than budgeted by \$456,347, due primarily to the District's budget for the General Fund. The District was able to reduce expenditures more than anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$4,086,000, 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) This represents a net increase of 7.9% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$197,047.

The original cost of the District's capital assets was approximately \$6.8 million. Governmental funds account for approximately \$6.7 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 195	179	---	---	195	179	8.9%
Construction in progress	---	8	---	---	---	8	-100.0%
Buildings	3,342	3,149	---	---	3,342	3,149	6.1%
Improvements other than buildings	124	21	---	---	124	21	490.5%
Furniture and equipment	406	410	19	21	425	431	-1.4%
Totals	\$ 4,067	3,767	19	21	4,086	3,788	7.9%
	=====	=====	=====	=====	=====	=====	=====

Long-Term Debt

At June 30, 2011, the District had \$1,204,308 in long-term debt outstanding. This represents a decrease of approximately 12.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$14 million.

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

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 1,080	1,240	-12.9%
Lease obligation	2	2	0.0%
Early retirement	122	129	-5.4%
Totals	\$ 1,204	1,371	-12.2%
	=====	=====	=====

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is going to reorganize with a neighboring school district beginning July 1, 2011.

The reorganization will result in the elimination of a superintendent effective January 1, 2011 and a business manager effective July 1, 2011.

The District is looking at more staff retirements.

The District is also working on class size management. They will be utilizing both campuses to provide equity in class size which will hopefully reduce the need for additional faculty.

Enrollment will be decreasing by approximately twenty students in fiscal 2012.

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 and Business Manager, 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, 2011

	Primary Government			Component
	Governmental Activities	Business Type Activities	Total	Unit West Fork Booster Club
Assets				
Cash and cash equivalents	\$ 2,253,027	30,024	2,283,051	20,014
Receivables:				
Property tax:				
Delinquent	25,655	-	25,655	-
Accounts	-	450	450	-
Due from other governments	453,144	-	453,144	-
Prepaid expenses	56,332	1,644	57,976	-
Inventories	-	4,357	4,357	-
Net OPEB asset	12,284	307	12,591	-
Unamortized bond issuance costs	19,170	-	19,170	-
Capital assets, net of accumulated depreciation	4,067,128	19,168	4,086,296	-
Total assets	<u>6,886,740</u>	<u>55,950</u>	<u>6,942,690</u>	<u>20,014</u>
Liabilities				
Accounts payable	136,406	3,153	139,559	-
Accrued interest payable	6,580	-	6,580	-
Deferred revenue:				
Other	50,780	-	50,780	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	160,000	-	160,000	-
Lease purchase obligation	511	-	511	-
Early retirement	43,599	-	43,599	-
Portion due after one year:				
General obligation bonds	920,000	-	920,000	-
Lease purchase obligation	909	-	909	-
Early retirement	79,289	-	79,289	-
Total liabilities	<u>1,398,074</u>	<u>3,153</u>	<u>1,401,227</u>	<u>-</u>

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Exhibit A

Statement of Net Assets

	June 30, 2011			Component
	Primary Government			Unit
	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>	West Fork <u>Booster Club</u>
Net assets				
Invested in capital assets, net of related debt	2,985,708	19,168	3,004,876	-
Restricted for:				
Categorical funding	81,196	-	81,196	-
Management levy purposes	209,546	-	209,546	-
Physical plant and equipment	270,781	-	270,781	-
Student activities	6,495	-	6,495	-
Booster Club purposes	-	-	-	20,014
Unrestricted	1,934,940	33,629	1,968,569	-
Total net assets	\$ 5,488,666	52,797	5,541,463	20,014

See notes to financial statements.

Sheffield Chapin Meservey Thornton Community School District
 Sheffield, Iowa
 Statement of Activities
 Year ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,136,622	564,386	447,685	-
Special instruction	817,124	692	97,295	-
Other instruction	744,881	230,093	122,996	-
	<u>3,698,627</u>	<u>795,171</u>	<u>667,976</u>	<u>-</u>
Support services:				
Student	52,010	-	-	-
Instructional staff	99,331	-	-	-
Administration	536,322	-	-	-
Operation and maintenance of plant	230,348	50	-	-
Transportation	271,922	-	1,217	-
	<u>1,189,933</u>	<u>50</u>	<u>1,217</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	35,909	-	-	-
Long-term debt interest	47,984	-	-	-
AEA flowthrough	197,859	-	197,859	-
Depreciation (unallocated)*	122,673	-	-	-
	<u>404,425</u>	<u>-</u>	<u>197,859</u>	<u>-</u>
Total governmental activities	5,292,985	795,221	867,052	-
Business type activities:				
Non-instructional programs:				
Food service operations	148,117	79,503	63,547	-
Total	<u>\$ 5,441,102</u>	<u>874,724</u>	<u>930,599</u>	<u>-</u>
Component Unit:				
West Fork Booster Club	<u>\$ 34,481</u>	<u>39,796</u>	<u>5,482</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales, services and use tax				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Gain on sale of capital assets				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

* This amount excludes the depreciation included in the direct expenses of the various programs.
 See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	West Fork Booster Club
(1,124,551)	-	(1,124,551)	-
(719,137)	-	(719,137)	-
(391,792)	-	(391,792)	-
<u>(2,235,480)</u>	<u>-</u>	<u>(2,235,480)</u>	<u>-</u>
(52,010)	-	(52,010)	-
(99,331)	-	(99,331)	-
(536,322)	-	(536,322)	-
(230,298)	-	(230,298)	-
(270,705)	-	(270,705)	-
<u>(1,188,666)</u>	<u>-</u>	<u>(1,188,666)</u>	<u>-</u>
(35,909)	-	(35,909)	-
(47,984)	-	(47,984)	-
-	-	-	-
<u>(122,673)</u>	<u>-</u>	<u>(122,673)</u>	<u>-</u>
<u>(206,566)</u>	<u>-</u>	<u>(206,566)</u>	<u>-</u>
(3,630,712)	-	(3,630,712)	-
-	(5,067)	(5,067)	-
<u>(3,630,712)</u>	<u>(5,067)</u>	<u>(3,635,779)</u>	<u>-</u>
-	-	-	10,797
\$ 1,999,640	-	1,999,640	-
212,533	-	212,533	-
123,690	-	123,690	-
379,248	-	379,248	-
359,835	-	359,835	-
1,479,849	-	1,479,849	-
5,617	108	5,725	36
3,576	150	3,726	-
510	-	510	-
<u>4,564,498</u>	<u>258</u>	<u>4,564,756</u>	<u>36</u>
933,786	(4,809)	928,977	10,833
4,554,880	57,606	4,612,486	9,181
<u>\$ 5,488,666</u>	<u>52,797</u>	<u>5,541,463</u>	<u>20,014</u>

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Balance Sheet
Governmental Funds

June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets			
Cash and pooled investments	\$ 895,804	71,416	1,067,261
Receivables:			
Property tax:			
Delinquent	20,960	2,290	1,359
Due from other governments	242,789	-	210,355
Prepaid expenses	<u>50,726</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,210,279</u>	<u>73,706</u>	<u>1,278,975</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 41,833	-	91,022
Deferred revenue:			
Other	<u>266,089</u>	<u>-</u>	<u>119,616</u>
Total liabilities	<u>307,922</u>	<u>-</u>	<u>210,638</u>
Fund balances:			
Nonspendable for:			
Prepaid expenditures	50,726	-	-
Restricted for:			
Categorical funding	81,196	-	-
Debt service	-	73,706	-
Management levy purposes	-	-	-
Student activities	-	-	-
School infrastructure	-	-	797,556
Physical plant and equipment	-	-	270,781
Unassigned	<u>770,435</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>902,357</u>	<u>73,706</u>	<u>1,068,337</u>
Total liabilities and fund balances	<u>\$ 1,210,279</u>	<u>73,706</u>	<u>1,278,975</u>

See notes to financial statements.

Exhibit C

Nonmajor Special <u>Revenue</u>	<u>Total</u>
218,546	\$ 2,253,027
1,046	25,655
-	453,144
<u>5,606</u>	<u>56,332</u>
<u>225,198</u>	<u>2,788,158</u>
3,551	136,406
<u>-</u>	<u>385,705</u>
<u>3,551</u>	<u>522,111</u>
-	50,726
-	81,196
-	73,706
209,546	209,546
6,495	6,495
-	797,556
-	270,781
<u>5,606</u>	<u>776,041</u>
<u>221,647</u>	<u>2,266,047</u>
<u>225,198</u>	<u>2,788,158</u>

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

June 30, 2011

Total fund balances of governmental funds (page 20)	\$ 2,266,047
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,067,128
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	334,925
Bond issuance costs are capitalized and expensed over the life of the bonds and, therefore, are not reported as assets in the governmental funds.	19,170
Other postemployment benefits are not available to pay current period expenditures and, therefore are not reported in the governmental funds.	12,284
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.	(6,580)
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 governmental funds.	<u>(1,204,308)</u>
Net assets of governmental activities (page 16)	<u><u>\$ 5,488,666</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, 2011

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,138,371	212,533	619,832	95,055	3,065,791
Tuition	562,972	-	-	-	562,972
Other	37,406	-	2,856	214,813	255,075
State sources	2,037,539	101	65	50	2,037,755
Federal sources	295,513	-	-	-	295,513
Total revenues	5,071,801	212,634	622,753	309,918	6,217,106
Expenditures:					
Current:					
Instruction:					
Regular	2,111,021	-	-	33,820	2,144,841
Special	821,594	-	-	-	821,594
Other	519,261	-	-	227,107	746,368
	3,451,876	-	-	260,927	3,712,803
Support services:					
Student	52,196	-	-	-	52,196
Instructional staff	98,177	-	12,545	-	110,722
Administration	451,610	-	20,815	18,207	490,632
Operation and maintenance of plant	208,634	-	238,520	25,029	472,183
Transportation	229,804	-	30,375	5,995	266,174
	1,040,421	-	302,255	49,231	1,391,907
Other expenditures:					
Facilities acquisition	-	-	255,389	-	255,389
Long-term debt:					
Principal	-	160,486	-	-	160,486
Interest and fiscal charges	-	45,604	-	-	45,604
AEA flowthrough	197,859	-	-	-	197,859
	197,859	206,090	255,389	-	659,338
Total expenditures	4,690,156	206,090	557,644	310,158	5,764,048
Excess (deficiency) of revenues over (under) expenditures	381,645	6,544	65,109	(240)	453,058
Other financing sources (uses):					
Sale of capital assets	510	-	-	-	510
Operating transfers in	-	570	-	-	570
Operating transfers out	-	-	(570)	-	(570)
Total other financing sources (uses)	510	570	(570)	-	510
Net change in fund balances	382,155	7,114	64,539	(240)	453,568
Fund balances beginning of year, as restated	520,202	66,593	1,003,798	221,887	1,812,480
Fund balances end of year	\$ 902,357	73,707	1,068,337	221,647	2,266,048

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, 2011

Net change in fund balances - total governmental funds (page 22) \$ 453,568

*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 in the current year, as follows:

Expenditures for capital assets	\$ 494,109	
Depreciation expense	<u>(193,948)</u>	300,161

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 9,155

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		160,486
--------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 952

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	5,703	
Other postemployment benefits	<u>7,093</u>	12,796

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, 2011

Bond issuance costs are expensed when incurred in the governmental funds,
but are capitalized and expensed over the life of the bonds in the
Statement of Net Assets

(3,332)

Change in net assets of governmental activities (page 18)

\$ 933,786

See notes to financial statements.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 30,024
Accounts receivable	450
Inventories	4,357
Prepaid expenses	1,644
Net OPEB asset	307
Capital assets, net of accumulated depreciation	<u>19,168</u>
Total assets	<u>55,950</u>
Liabilities	
Accounts payable	<u>3,153</u>
Total liabilities	<u>3,153</u>
Net Assets	
Invested in capital assets	19,168
Unrestricted	<u>33,629</u>
Total net assets	<u>\$ 52,797</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, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 78,285
Miscellaneous	1,368
Total operating revenue	<u>79,653</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	47,092
Benefits	12,934
Purchased services	3,077
Supplies	81,915
Depreciation	3,099
Total operating expenses	<u>148,117</u>
Operating loss	<u>(68,464)</u>
Non-operating revenues:	
State sources	1,400
Federal sources	62,147
Interest income	108
Total non-operating revenues	<u>63,655</u>
Decrease in net assets	(4,809)
Net assets beginning of year	<u>57,606</u>
Net assets end of year	<u>\$ 52,797</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, 2011

School
Nutrition

Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 78,376
Cash received from miscellaneous operating activities	1,368
Cash paid to employees for services	(60,203)
Cash paid to suppliers for goods or services	<u>(73,992)</u>
Net cash used by operating activities	<u>(54,451)</u>
Cash flows from non-capital financing activities:	
State grants received	1,400
Federal grants received	<u>50,462</u>
Net cash provided by non-capital financing activities	<u>51,862</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,456)</u>
Cash flows from investing activities:	
Interest on investments	<u>108</u>
Net decrease in cash and cash equivalents	(3,937)
Cash and cash equivalents beginning of year	<u>33,961</u>
Cash and cash equivalents end of year	<u>\$ 30,024</u>

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

School
Nutrition

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

Operating loss	\$ (68,464)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	11,685
Depreciation	3,099
(Increase) in inventories	(321)
Decrease in accounts receivable	91
(Increase) in prepaid expenses	(71)
(Increase) in OPEB asset	(177)
(Decrease) in accounts payable	<u>(293)</u>
Net cash used by operating activities	<u>\$ (54,451)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$11,685 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, 2011

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 2,218
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u>\$ 2,218</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, 2011

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,550
Total additions	<u>1,550</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,550</u>
Total deductions	<u>1,550</u>
Change in net assets	-
Net assets beginning of year	<u>2,218</u>
Net assets end of year	<u><u>\$ 2,218</u></u>

See notes to financial statements.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

(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. An academic sharing agreement exists with Rockwell-Swaledale Community School District whereby grades four through eight attend the Rockwell-Swaledale Community School District. 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.

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.

The financial statements present the Sheffield Chapin Meservey Thornton Community School District and its component unit, the West Fork Booster Club. The component unit, discussed below, is included in the District's reporting entity because of the nature and significance of its operational or financial relationship with the District.

Discretely Presented Component Unit – The West Fork Booster Club is a separate nonprofit organization whose purpose is to help defray athletic costs of the Sheffield Chapin Meservey Thornton Community School District by helping finance the cost of uniforms and equipment.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

The records are maintained on the basis of cash receipts and disbursements. The West Fork Booster Club meets the definition of a component unit which should be discretely presented. The Booster Club's financial statements have not been audited and we do not express an opinion on them.

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 and Cerro Gordo County Assessor's Conference boards.

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 the following 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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 property tax and other revenues to be use 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 and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned balances.

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. Non-negotiable certificates of deposit are stated at cost.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 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:

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

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.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

Deferred Revenue – Although certain revenues are measurable, they are not available.

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

Deferred revenue in the Statement of Net Assets consists of unspent federal grants.

Compensated Absences – District employees accumulate a limited amount of earned but unused sick leave, personal and vacation 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 earned amounts have been paid at year end.

Employees may accumulate a limited number of personal days. Personal leave may be used for any purpose at the discretion of the employee with advanced notice to their principal. Employees are allowed to carry over half of their unused days to the next contract year and will be compensated per diem, per day for the other half of their unused personal leave. An accrual for earned but unused personal leave is not recorded in these financial statements because earned amounts have been paid at year end and any remaining personal leave will not be paid if the employee leaves during the year.

Vacation leave is earned by administration and office personnel and custodians. Office personnel may take their unused vacation in pay or carry it to the next year. Other employees may carry over half of their unused vacation. An accrual for earned but unused vacation leave is not recorded in these financial statements because amounts have been paid at year end and the remaining vacation leave will not be paid if the employee leaves during the next year.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

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, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Unassigned – All amounts not included in other spendable classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 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.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

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

The District had no investments at or during the year ended June 30, 2011.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ <u>570</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 178,705	15,862	---	194,567
Construction in progress	<u>7,620</u>	<u>136,849</u>	<u>(144,469)</u>	---
Total capital assets not being depreciated	<u>186,325</u>	<u>152,711</u>	<u>(144,469)</u>	<u>194,567</u>
Capital assets being depreciated:				
Buildings	4,393,794	297,901	---	4,691,695
Improvements other than buildings	136,829	107,660	---	244,489
Furniture and equipment	<u>1,458,035</u>	<u>81,506</u>	<u>(9,131)</u>	<u>1,530,410</u>
Total capital assets being depreciated	<u>5,988,658</u>	<u>487,067</u>	<u>(9,131)</u>	<u>6,466,594</u>
Less accumulated depreciation for:				
Buildings	1,244,403	105,436	---	1,349,839
Improvements other than buildings	115,908	4,074	---	119,982
Furniture and equipment	<u>1,047,705</u>	<u>84,438</u>	<u>(7,931)</u>	<u>1,124,212</u>
Total accumulated depreciation	<u>2,408,016</u>	<u>193,948</u>	<u>(7,931)</u>	<u>2,594,033</u>
Total capital assets being depreciated, net	<u>3,580,642</u>	<u>293,119</u>	<u>(1,200)</u>	<u>3,872,561</u>
Governmental activities capital assets, net	\$ 3,766,967	445,830	(145,669)	4,067,128
	=====	=====	=====	=====
Business type activities:				
Furniture and equipment	\$ 128,534	1,456	---	129,990
Less accumulated depreciation	<u>107,723</u>	<u>3,099</u>	---	<u>110,822</u>
Business type activities capital assets, net	\$ 20,811	(1,643)	---	19,168
	=====	=====	=====	=====

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 12,044
Special	1,542
Other	1,012

Support services:

Instructional staff	1,154
Administration	15,607
Operation and maintenance of plant	3,793
Transportation	<u>36,123</u>

Unallocated

71,275
122,673

Total depreciation expense – governmental activities

\$ 193,948

=====

Business type activities:

Food service operations	\$ 3,099
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=====

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,240,000	---	160,000	1,080,000	160,000
Lease obligation	1,906	---	486	1,420	511
Early retirement	<u>128,591</u>	<u>35,074</u>	<u>40,777</u>	<u>122,888</u>	<u>43,599</u>
Total	\$ 1,370,497	35,074	201,263	1,204,308	204,110
	=====	=====	=====	=====	=====

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

Termination 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 and one of its predecessor Districts. Employees must complete an application which is required to be approved by the Board of Education.

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

In fiscal year 2008, 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 health insurance costs per year until they are eligible for Medicare.

For employees retiring in fiscal years 2009, 2010 and 2011, the benefits paid are equal to the employee's monthly single health insurance premium at the time of retirement, for a period not to exceed five years or until eligible for Medicare, whichever is less.

At June 30, 2011, the District has obligations to nine participants with a total liability of \$122,888. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$38,528.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Refunding Bond Issue of April 2007

Year Ending				
<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	3.58%	\$160,000	39,374	199,374
2013	3.60%	170,000	33,646	203,646
2014	3.625%	175,000	27,526	202,526
2015	3.65%	185,000	21,183	206,183
2016	3.70%	190,000	14,430	204,430
2017	3.70%	<u>200,000</u>	<u>7,400</u>	<u>207,400</u>
Total		<u>\$1,080,000</u>	<u>143,559</u>	<u>1,223,559</u>

During the year ended June 30, 2011, the District made principal and interest payments totaling \$205,070 under the agreement.

Capital Lease Purchase Obligations

In March 2009, the District entered into a capital lease-purchase agreement with Iowa Office Supply Inc. to finance the purchase of a printer totaling \$2,378. The lease is financed for five years at an interest rate of 5.00%. The following is a schedule of the future minimum lease payments, including interest per annum, and the present value of net minimum lease payments under the agreement at June 30, 2011:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 570
2013	570
2014	<u>380</u>
Total minimum lease payments	1,520
Less amount representing interest	<u>(100)</u>
Present value of net minimum lease payments	\$ <u>1,420</u>

Payments under the agreement totaled \$570 for the year ended June 30, 2011.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

(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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$158,967, \$156,405 and \$148,179, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 41 active and seven retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation (Asset) – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation(asset):

Annual required contribution	\$ 24,830
Interest on net OPEB obligation	(133)
Adjustment to annual required contributions	<u>(1,575)</u>
Annual OPEB cost	23,122
Contributions made	<u>(30,392)</u>
Increase in net OPEB obligation	(7,270)
Net OPEB obligation beginning of year	<u>(5,321)</u>
Net OPEB obligation(asset) end of year	\$ <u>(12,591)</u>

For calculation of the net OPEB obligation(asset), the actuary has set the transition day as July 1, 2009. The end of year net OBEB obligation(asset) was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$30,392 to the medical plan. Plan members eligible for benefits contributed \$7,865, or 20.6% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation(asset) as of June 30, 2011 are summarized as follows:

Year Ended <u>June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation(Asset)</u>
2010	\$ 24,686	121.6%	\$ (5,321)
2011	23,122	131.4%	(12,591)

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$275,451, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$275,451. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,901,000 and the ratio of the UAAL to covered payroll was 14.5%. As of June 30, 2011, there were no trust fund assets.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$402 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$197,859 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Lease Commitments

The District entered into a five-year operating lease for two copy machines in fiscal 2007. The amount paid during the fiscal year ended June 30, 2011 was \$8,319. The payments the District will make over the remaining lease term are as follows:

<u>Years Ending June 30,</u>	<u>Lease Payment</u>
2012	\$ <u>3,466</u>

The District entered into a one year lease for a building beginning August 1, 2010. The amount paid during the fiscal year ended June 30, 2011 was \$1,100. The payments the District will make over the remaining lease term are as follows:

<u>Years Ending June 30,</u>	<u>Lease Payment</u>
2012	\$ <u>100</u>

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 21,465
Professional development – core curriculum	14,778
Professional development	6,007
Dropout prevention program	<u>38,946</u>
Total	\$ 81,196
	=====

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Financial Statements

June 30, 2011

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No.54 Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 798,332	205,466
Change in fund type classification per implementation of GASB Statement No. 54	205,466	(205,466)
Balances July 1, 2010, as restated	\$1,003,798	---
	=====	=====

(13) Subsequent Event

Subsequent events have been evaluated through November 21, 2011, which is the date the financial statements were available to be issued.

The Sheffield Chapin Meservey Thornton Community District and the Rockwell-Swaledale Community School District approved by special election on September 14th, 2010 to be reorganized into a new school district and school corporation to be known as the West Fork Community School District pursuant to the provisions of Iowa Code, Chapter 275. The reorganization will be effective on July 1, 2011.

On October 17, 2011 the Board approved a bid for the demolition of the Thornton school building in the amount of \$122,400.

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, 2011

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 3,883,838	79,761
State sources	2,037,755	1,400
Federal sources	<u>295,513</u>	<u>62,147</u>
Total revenues	<u>6,217,106</u>	<u>143,308</u>
Expenditures/Expenses:		
Instruction	3,712,803	-
Support services	1,391,907	-
Non-instructional programs	-	148,117
Other expenditures	<u>659,338</u>	<u>-</u>
Total expenditures/expenses	<u>5,764,048</u>	<u>148,117</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	453,058	(4,809)
Other financing sources, net	<u>510</u>	<u>-</u>
Excess(deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	453,568	(4,809)
Balances beginning of year	<u>1,812,480</u>	<u>57,606</u>
Balances end of year	<u>\$ 2,266,048</u>	<u>52,797</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
3,963,599	3,981,230	3,981,230	(17,631)
2,039,155	2,247,521	2,247,521	(208,366)
<u>357,660</u>	<u>157,000</u>	<u>157,000</u>	<u>200,660</u>
<u>6,360,414</u>	<u>6,385,751</u>	<u>6,385,751</u>	<u>(25,337)</u>
3,712,803	3,799,625	3,799,625	86,822
1,391,907	1,386,000	1,386,000	(5,907)
148,117	155,000	155,000	6,883
<u>659,338</u>	<u>1,027,887</u>	<u>1,027,887</u>	<u>368,549</u>
<u>5,912,165</u>	<u>6,368,512</u>	<u>6,368,512</u>	<u>456,347</u>
448,249	17,239	17,239	431,010
<u>510</u>	<u>-</u>	<u>-</u>	<u>510</u>
448,759	17,239	17,239	431,520
<u>1,870,086</u>	<u>1,344,023</u>	<u>1,344,023</u>	<u>526,063</u>
<u><u>2,318,845</u></u>	<u><u>1,361,262</u></u>	<u><u>1,361,262</u></u>	<u><u>957,583</u></u>

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the support services function exceeded the amount budgeted.

Sheffield Chapin Meservey Thornton Community School District

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	275,451	275,451	0.0%	1,693,000	16.3%
2011	July 1, 2009	-	275,451	275,451	0.0%	1,901,000	14.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 212,051	6,495	218,546
Receivables:			
Property tax:			
Delinquent	1,046	-	1,046
Prepaid expenses	5,606	-	5,606
Total assets	\$ 218,703	6,495	225,198
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,551	-	3,551
Total liabilities	3,551	-	3,551
Fund Balances:			
Nonspendable for:			
Prepaid expenses	5,606	-	5,606
Restricted for:			
Mangement levy purposes	209,546	-	209,546
Student activities	-	6,495	6,495
Total fund balances	215,152	6,495	221,647
Total liabilities and fund balances	\$ 218,703	6,495	225,198

See accompanying independent auditor's report.

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

Year ended June 30, 2011

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 95,055	-	95,055
Other	-	214,813	214,813
State sources	50	-	50
Total revenues	95,105	214,813	309,918
Expenditures:			
Current:			
Instruction:			
Regular	33,820	-	33,820
Other	-	227,107	227,107
Support services:			
Administration	18,207	-	18,207
Operation and maintenance of plant	25,029	-	25,029
Transportation	5,995	-	5,995
Total expenditures	83,051	227,107	310,158
Excess (deficiency) of revenues over (under) expenditures	12,054	(12,294)	(240)
Fund balances beginning of year, as restated	203,098	18,789	221,887
Fund balances end of year	\$ 215,152	6,495	221,647

See accompanying independent auditor's report.

Combining Balance Sheet
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 717,020	350,241	1,067,261
Receivables:			
Property tax:			
Delinquent	-	1,359	1,359
Due from other governments	90,739	119,616	210,355
Total assets	807,759	471,216	1,278,975
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	10,203	80,819	91,022
Deferred revenue:			
Other	-	119,616	119,616
Total liabilities	10,203	200,435	210,638
Fund Balances:			
Restricted for:			
School infrastructure	797,556	-	797,556
Physical plant and equipment	-	270,781	270,781
Total fund balances	797,556	270,781	1,068,337
Total liabilities and fund balances	\$ 807,759	471,216	1,278,975

See accompanying independent auditor's report.

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 379,248	240,584	619,832
Other	2,094	762	2,856
State sources	-	65	65
Total revenues	381,342	241,411	622,753
Expenditures:			
Support services:			
Instructional staff	12,545	-	12,545
Administration	-	20,815	20,815
Operation and maintenance of plant	225,606	12,914	238,520
Transportation	30,375	-	30,375
Other expenditures:			
Facilities acquisition	113,592	141,797	255,389
Total expenditures	382,118	175,526	557,644
Excess (deficiency) of revenues over (under) expenditures	(776)	65,885	65,109
Other financing sources (uses):			
Transfer out	-	(570)	(570)
Total other financing sources (uses)	-	(570)	(570)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(776)	65,315	64,539
Fund balances beginning of year, as restated	798,332	205,466	1,003,798
Fund balances end of year	\$ 797,556	270,781	1,068,337

See accompanying independent auditor's report.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Schedule 5

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Annual	\$ (5,916)	8,499	8,962	-	(6,379)
Athletics - High School	(39,279)	132,057	129,952	-	(37,174)
Band Club	5,786	3,413	6,366	-	2,833
Cheerleaders	701	3,091	3,118	-	674
Drama	4,316	784	618	-	4,482
Class of 2010	-	450	-	(450)	-
Class of 2011	4,339	3,337	7,405	(271)	-
Class of 2012	2,385	9,753	8,223	-	3,915
Class of 2013	3,226	400	503	-	3,123
Class of 2014	-	1,953	450	-	1,503
Corn Bowl Conference	9,529	-	9,529	-	-
FFA	6,051	36,809	36,584	-	6,276
Interest - High School	-	76	-	(76)	-
National Honor Society	311	1,615	840	-	1,086
Speech	450	26	169	-	307
Student Awards	112	100	2,099	1,887	-
Student Council - Elementary	21,776	7,840	8,148	-	21,468
Student Council - High School	5,002	4,610	4,141	(1,090)	4,381
Total	<u>\$ 18,789</u>	<u>214,813</u>	<u>227,107</u>	<u>-</u>	<u>6,495</u>

See accompanying independent auditor's report.

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

For the Last Four Years

	Modified Accrual Basis			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:				
Local sources:				
Local tax	\$ 3,065,791	2,895,078	2,656,347	2,496,852
Tuition	562,972	658,241	627,408	97,443
Other	255,075	213,070	333,746	206,407
State sources	2,037,755	1,790,502	2,344,081	2,343,183
Federal sources	<u>295,513</u>	<u>449,726</u>	<u>125,568</u>	<u>91,013</u>
Total	<u>\$ 6,217,106</u>	<u>6,006,617</u>	<u>6,087,150</u>	<u>5,234,898</u>
Expenditures:				
Instruction:				
Regular	\$ 2,144,841	2,298,996	2,423,176	2,240,100
Special	821,594	821,327	742,165	481,208
Other	746,368	562,187	693,580	466,833
Support services:				
Student	52,196	64,055	46,023	42,684
Instructional staff	110,722	155,845	128,887	93,077
Administration	490,632	533,574	489,213	624,623
Operation and maintenance of plant	472,183	387,971	333,520	564,190
Transportation	266,174	285,573	251,273	216,160
Other expenditures:				
Facilities acquisition	255,389	138,375	485,625	166,906
Long-term debt:				
Principal	160,486	150,472	145,000	135,000
Interest and other charges	45,604	51,193	56,895	67,016
AEA flowthrough	<u>197,859</u>	<u>197,413</u>	<u>173,870</u>	<u>171,786</u>
Total	<u>\$ 5,764,048</u>	<u>5,646,981</u>	<u>5,969,227</u>	<u>5,269,583</u>

See accompanying independent auditor's report.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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

To the Board of Education of
Sheffield Chapin 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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 21, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-11 to be a significant deficiency.

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, 2011 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, and 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.

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

November 21, 2011

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 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-11 Preparation of Financial Statements – The District does not have an internal control system designed to provide for preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Sheffield Chapin Meservey Thornton Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Schedule of Findings

Year ended June 30, 2011

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

I-C-11 Disbursement Approval – For two 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.

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.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related To Required Statutory Reporting:

II-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 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-11 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-11 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-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mary Schlichting, Board Member, Owns Country Designs	Flowers	\$ 128
Neff Construction, Owner is husband of teacher	Construction work	\$56,448
Country Cupboards, Owner is husband of teacher	Construction work	\$ 8,540

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Schedule of Findings

Year ended June 30, 2011

In accordance with an Attorney General's opinion dated November 9, 1976, the transactions with Board Member, Schlichting, Neff Construction and Country Cupboards do not appear to be conflicts of interest.

II-E-11 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 ensure the coverage is adequate for current operations.

II-F-11 Board Minutes - As previously noted, two transactions had insufficient documentation they had been approved for payment by the Superintendent in advance of the Board meeting as allowed by Chapter 279.30 of the Code of Iowa.

Recommendation –Sufficient documentation should be maintained to evidence proper Superintendent approval of expenditures paid in advance of Board approval.

Response –Procedures have been revised to ensure the Superintendent's approval of expenditures prior to Board meetings is adequately documented.

Conclusion – Response accepted.

II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments –No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the District's investment policy were noted. However, one instance of non-compliance with Chapter 12C was noted. The District exceeded its approved maximum depository amount stated in its depository resolution.

Recommendation-The District should review for sufficiency the maximum amount to be deposited at its depositories and increase the amount if needed.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Schedule of Findings

Year ended June 30, 2011

Response-We will review for sufficiency the maximum amount stated in the depository resolution of the newly formed West Fork Community School District.

Conclusion-Response accepted.

- II-J-10 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-11 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- II-L-11 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 655,477
Revenues:		
Sales tax revenues	\$ 379,248	
Other local revenues	<u>2,094</u>	<u>381,342</u>
		1,036,819
Expenditures:		
School infrastructure construction	\$ 191,593	
Equipment	<u>47,670</u>	<u>239,263</u>
Ending balance		\$ <u>797,556</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

Sheffield Chapin Meservey Thornton Community School District
Sheffield, Iowa

Schedule of Findings

Year ended June 30, 2011

II-M-11 Deficit Balances – Two student activity accounts had deficit balances at June 30, 2011.

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