CHAMBERLAIN SCHOOL DISTRICT NO. 7-1

AUDIT REPORT

JUNE 30, 2010

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
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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

School Board
Chamberlain School District No. 7-1
Brule County, South Dakota

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chamberlain School District No. 7-1, Brule County, South Dakota, as of and for the fiscal year ended June 30, 2010, which collectively comprise Chamberlain School District's basic financial statements, and have issued my report thereon dated November 19, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 my audit, I considered Chamberlain School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

My 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 that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Current Audit Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Districts financial statements will not be prevented, or detected and corrected on a timely basis.

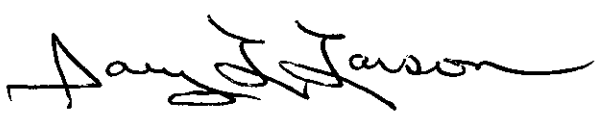
I consider the deficiency described n the Schedule of Current Audit Findings and Questioned Costs as item number 2010-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chamberlain School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The School District's response to the findings identified in my audit is described in the accompanying schedule of current audit findings and questioned costs. I did not audit Chamberlain School District's response and, accordingly, I express no opinion on it.

This report is intended for the information and use of the South Dakota Legislature, the governing board and management of Chamberlain School District No. 7-1 and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133, this report is a matter of public record and its distribution is not limited.



November 19, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

School Board
Chamberlain School District No. 7-1
Brule County, South Dakota

Compliance

I have audited Chamberlain School District's compliance with types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Chamberlain School District's major federal programs for the fiscal year ended June 30, 2010. Chamberlain School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Chamberlain School District's management. My responsibility is to express an opinion on Chamberlain School District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chamberlain School District's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Chamberlain School District's compliance with those requirements.

In my opinion, Chamberlain School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

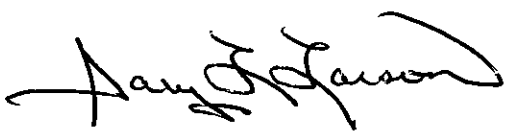
Management of Chamberlain School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Chamberlain School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Chamberlain School District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-02 to be a material weakness.

The Chamberlain School District's responses to the findings identified in my audit are described in the accompanying schedule of current findings and questioned costs. I did not audit the Chamberlain School District's responses and, accordingly, I express no opinion on the responses.

This report is intended solely for the information and use of management, the school board, others within the entity, the South Dakota Legislature, 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. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 Section _.320, this report is a matter of public record and its distribution is not limited.



November 19, 2010

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INDEPENDENT AUDITOR'S REPORT

School Board
Chamberlain School District No. 7-1
Brule County, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chamberlain School District No. 7-1, Brule County, South Dakota, as of June 30, 2010, and for the fiscal year then ended, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Chamberlain School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, I do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

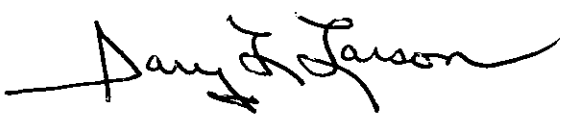
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Chamberlain School District No. 7-1 as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated November 19, 2010 on my consideration of Chamberlain School District's internal control over financial reporting and my 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 my 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 my audit.

The Chamberlain School District No. 7-1 has not presented the Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 48 through 65 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Chamberlain School District No. 7-1 basic financial statements taken as a whole. The schedule of expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



November 19, 2010

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS:	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$3,349,403	$41,132	$3,390,535
Investments	202,954	0	202,954
Taxes receivable	1,576,040	0	1,576,040
Other receivables	434,516	0	434,516
Inventories	34,960	4,018	38,978
Other Assets:			
Deferred charges	20,723	0	20,723
Capital Assets:			
Land	217,000	0	217,000
Other capital assets, net of depreciation	10,064,255	28,227	10,092,482
TOTAL ASSETS	$15,899,851	$73,377	$15,973,228
LIABILITIES:			
Acounts payable	$49,758	$0	$49,758
Other current liabilities	862,789	0	862,789
Deferred revenue	1,553,054	7,137	1,560,191
Noncurrent Liabilities:			
Due within one year	698,979	0	698,979
Due in more than one year	1,293,349	0	1,293,349
TOTAL LIABILITIES	4,457,929	7,137	4,465,066
NET ASSETS:			
Invested in capital assets, net of related debt	8,288,927	28,227	8,317,154
Restricted For:			0
Capital outlay	689,827	0	689,827
Special education	3,528	0	3,528
Pension	91,747	0	91,747
Debt service	385,798	0	385,798
Food service	0	38,013	38,013
Unrestricted	1,982,095	0	1,982,095
TOTAL NET ASSETS	11,441,922	66,240	11,508,162
TOTAL LIABILITIES AND NET ASSETS	$15,899,851	$73,377	$15,973,228

The accompanying notes to financial statements
are an integral part of this statement.

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

		PROGRAM REVENUES	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	$6,688,351	$0	$3,826,514
Support services	3,318,616	68,476	0
Community services	120,367	0	0
Interest on long-term debt*	108,951	0	0
Cocurricular activities	316,949	36,803	0
Total Governmental Activities	10,553,234	105,279	3,826,514
Business-type Activities:			
Food service	410,949	195,516	223,805
TOTAL	$10,964,183	$300,795	$4,050,319

GENERAL REVENUES:
Property taxes
Gross receipts taxes
State aid
Federal grants
Unrestricted investment earnings
Other general revenues
TRANSFERS
Total general revenues and transfers

Change in net assets

Net Assets-beginning,

NET ASSETS-ending

* The district does not have interest expense related to the functions presented above. This amount represents indirect interest expense on general long-term debt.

The accompanying notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

Governmental Activities	Business-type Activities	Total
($2,861,837)	$0	($2,861,837)
(3,250,140)	0	(3,250,140)
(120,367)	0	(120,367)
(108,951)	0	(108,951)
(280,146)	0	(280,146)
(6,621,441)	0	(6,621,441)
0	8,372	8,372
(6,621,441)	8,372	(6,613,069)
3,276,033	0	3,276,033
186,204	0	186,204
2,728,705	0	2,728,705
778,967	0	778,967
17,098	173	17,271
179,301	0	179,301
173	(173)	0
7,166,481	0	7,166,481
545,040	8,372	553,412
10,896,882	57,868	10,954,750
$11,441,922	$66,240	$11,508,162

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Capital Outlay Fund	Special Education Fund
ASSETS:			
Cash and cash equivalents	$1,175,595	$683,815	$184,694
Investments	202,954	0	0
Taxes receivable-current	665,240	472,170	220,339
Taxes receivable-delinquent	11,548	6,012	2,794
Due from other governments	392,095	0	42,421
Inventory of supplies	34,960	0	0
TOTAL ASSETS	$2,482,392	$1,161,997	$450,248
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$28,952	$0	$20,806
Contracts payable	495,455	0	158,714
Payroll deductions and withholding and employer matching payable	141,210	0	46,861
Deferred revenue	676,788	478,182	223,133
TOTAL LIABILITIES	1,342,405	478,182	449,514
Fund Balances:			
Reserved for inventory	34,960	0	0
Unreserved:			
Undesignated	1,105,027	683,815	734
TOTAL FUND BALANCES	1,139,987	683,815	734
TOTAL LIABILITIES AND FUND BALANCES	$2,482,392	$1,161,997	$450,248

The accompanying notes to financial statements are an integral part of this statement

Pension Fund	Impact Aid Fund	Bond Redemption Fund	Total Governmental Funds
$91,149	$808,544	$383,764	$3,327,561
0	0	0	202,954
47,216	0	148,089	1,553,054
598	0	2,034	22,986
0	0	0	434,516
0	0	0	34,960
$138,963	$808,544	$533,887	$5,576,031
$0	$0	$0	$49,758
0	0	0	654,169
0	0	0	188,071
47,814	0	150,123	1,576,040
47,814	0	150,123	2,468,038
0	0	0	34,960
91,149	808,544	383,764	3,073,033
91,149	808,544	383,764	3,107,993
$138,963	$808,544	$533,887	$5,576,031

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total Fund Balances-Government Funds	$3,107,993
Amounts reported for governmental activities in the statement of net assets are different because:	
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	22,986
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,281,255
Long-term liabilities, including general obligation bonds and capital outlay certificates, are not due and payable in the current period and therefore are not reported in the funds.	(1,992,328)
Liabilities such as accrued interest payable on long-term debt are not reported in the funds statement but are in the statement of net assets.	(20,549)
Cost of bond issues are recorded as expenditures in the funds, but are reported as assets in the Statement of Net Assets.	20,723
Internal service funds are used by management to change the cost of certain activities, such as unemployment insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	21,842
Net Assets-Governmental Funds	$11,441,922

The accompanying notes to financial statements are an integral part of this statement

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Capital Outlay Fund	Special Education Fund
Revenues:			
Revenues from Local Sources:			
Taxes:			
Ad valorem taxes	$1,366,991	$1,004,480	$468,758
Prior year's ad valorem taxes	14,824	9,401	4,388
Gross receipts taxes	186,204	0	0
Penalties and interest	5,845	1,764	823
Earnings on deposits:			
Interest earned	3,109	10,535	173
Cocurricular activites:			
Admissions	36,803	0	0
Other revenues from local sources:			
Rentals	7,520	0	0
Medicade fee	43,932	0	17,024
Other	82,456	0	1,834
Revenues from Intermediate Sources:			
County Sources:			
County apportionment	95,011	0	0
Revenues from State Sources:			
Grants-in-aid:			
Unrestricted grants-in-aid	2,728,705	0	0
Restricted grants-in-aid	0	0	760,493
Revenues from Federal Sources:			
Grants-in-aid:			
Unrestricted grants-in-aid received directly from federal government	0	0	38,394
Restricted grants-in-aid received from federal government through state	2,458,767	0	568,860
Total Revenue	$7,030,167	$1,026,180	$1,860,747

The accompanying notes to financial statements are an integral part of this statement.

Pension Fund	Impact Aid Fund	Bond Redemption Fund	Total Governmental Funds
$100,430	$0	$292,345	$3,233,004
921	0	2,888	32,422
0	0	0	186,204
176	0	502	9,110
345	1,727	1,209	17,098
0	0	0	36,803
0	0	0	7,520
0	0	0	60,956
0	0	0	84,290
0	0	0	95,011
0	0	0	2,728,705
0	0	0	760,493
0	778,967	0	817,361
0	0	0	3,027,627
$101,872	$780,694	$296,944	$11,096,604

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Capital Outlay Fund	Special Education Fund
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	$1,394,218	$84,725	$0
High school	1,537,839	417,092	0
Other	29,226	0	0
Special Programs:			
Programs for special education	0	0	1,015,335
Educationally deprived	1,801,760	0	0
Support Services:			
Pupils-			
Attendance and social work	63,400	0	0
Guidance	112,544	0	0
Health	48,139	0	0
Psychological	0	0	3,600
Speech pathology	0	0	191,972
Student therapy	0	0	56,047
Instructional staff-			
Improvement of instruction	219,236	0	284,011
Educational media	96,412	27,002	0
General administration-			
Board of education	40,646	0	0
Executive administration	150,653	0	0
School administration-			
Office of principal	358,067	0	0
Business-			
Fiscal services	132,712	5,759	0
Operation and maintenance of plant	722,949	118,536	0
Pupil transportation	336,606	0	0
Other	0	6,846	0

The accompanying notes to financial statements are an integral part of this statement.

Pension Fund	Impact Aid Fund	Bond Redemption Fund	Total Governmental Funds
$75,700	$0	$0	$1,554,643
37,500	0	0	1,992,431
29,657	0	0	58,883
0	0	0	1,015,335
0	0	0	1,801,760
0	0	0	63,400
0	0	0	112,544
0	0	0	48,139
0	0	0	3,600
0	0	0	191,972
0	0	0	56,047
0	0	0	503,247
0	0	0	123,414
0	0	0	40,646
0	0	0	150,653
0	0	0	358,067
0	0	0	138,471
0	0	0	841,485
0	0	0	336,606
0	0	0	6,846

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Capital Outlay Fund	Special Education Fund
Special Education:			
Administration	$0	$0	$166,717
Transportation	0	0	13,161
Community Services:			
Custody and care of children	120,367	0	0
Debt Service	0	491,507	0
Cocurricular activities:			
Male activities	96,482	0	0
Female activities	65,981	0	0
Transportation	59,600	0	0
Combined activities	73,299	8,322	0
Capital outlay	0	13,225	0
Total Expenditures	7,460,136	1,173,014	1,730,843
Excess of Revenues over(under) Expenditures	(429,969)	(146,834)	129,904
Other Financing Sources (Uses):			
Transfers-in	414,162	200,000	0
Transfers-out	0	(10,535)	(173)
Net Change in Fund Balances	(15,807)	42,631	129,731
FUND BALANCE (DEFICIT) JULY 1, 2009	1,155,794	641,184	(128,997)
FUND BALANCE, JUNE 30, 2010	$1,139,987	$683,815	$734

The accompanying notes to financial statements are an integral part of this statement.

Pension Fund	Impact Aid Fund	Bond Redemption Fund	Total Governmental Funds
$0	$0	$0	$166,717
0	0	0	13,161
0	0	0	120,367
0	0	297,213	788,720
0	0		96,482
0	0		65,981
0	0	0	59,600
0	0	0	81,621
0	0	0	13,225
142,857	0	297,213	10,804,063
(40,985)	780,694	(269)	292,541
0	0	0	614,162
(345)	(601,727)	(1,209)	(613,989)
(41,330)	178,967	(1,478)	292,714
132,479	629,577	385,242	2,815,279
$91,149	$808,544	$383,764	$3,107,993

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net Changes in Fund Balances-Total Governmental Funds	$292,714
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report property taxes as revenues when cash is received or within thirty days after year end, while the statement of activities includes the property taxes as revenue when earned for the year they were intended to finance.	1,497
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(428,940)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	677,074
Governmental funds do not reflect the change in accrued interest payable or deferred charges, but the statement of activities reflects the changes in these through expenses.	2,695
Change in Net Assets of Governmental Activities	$545,040

The accompanying notes to financial statements are an integral part of this statement

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
BALANCE SHEET-PROPRIETARY FUND
JUNE 30, 2010

	ENTERPRISE FUND	
	Food Service Fund	Internal Service Fund
ASSETS:		
Current Assets:		
Cash and cash equivalents	$41,132	$21,842
Inventory of donated food	4,018	0
Total Current Assets	45,150	21,842
Noncurrent Assets:		
Capital Assets:		
Machinery and equipment	104,673	0
Accumulated depreciation	(76,446)	0
Total Noncurrent Assets	28,227	0
TOTAL ASSETS	$73,377	$21,842
LIABILITIES:		
Current Liabilities:		
Deferred revenue	$7,137	$0
NET ASSETS:		
Invested in capital assets	28,227	0
Unrestricted net assets	38,013	21,842
Total Net Assets	66,240	21,842
TOTAL LIABILITIES AND NET ASSETS	$73,377	$21,842

The accompanying notes to financial statements are an integral part of this statement.

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUNDS	
	Food Service Fund	Internal Service Fund
Operating Revenue:		
Sales:		
To pupils	$187,281	$0
To adults	8,235	0
Total Operating Revenue	195,516	0
Operating Expenses:		
Purchased services	385,127	0
Supplies	1,756	0
Cost of sales-donated food	20,123	0
Depreciation	3,943	0
Total Operating Expenses	410,949	0
Operating Income (Loss)	(215,433)	0
Nonoperating Revenue (Expense):		
Local Sources:		
Interest earned	173	0
State Sources:		
Cash reimbursements	2,263	0
Federal Sources:		
Cash reimbursements	201,454	0
Donated food	20,088	0
Total Nonoperating Revenue (Expense)	223,978	0
Net income before transfers	8,545	0
Transfers-out	(173)	0
Change in Net Assets	8,372	0
Net Assets-beginning	57,868	21,842
NET ASSETS-ending	$66,240	$21,842

The accompanying notes to financial statements are an integral part of this statement.

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUNDS	
	Food Service Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Receipts from customers	$196,729	$0
Payments to suppliers	($386,883)	
Net Cash Provided (Used) by Operating Activities	(190,154)	0
Cash Flows from Noncapital Financing Activities:		
Operating subsidies	203,717	0
Transfers-out	(173)	0
Cash Flows from Capital Financing Activities:		
Purchase of equipment	(2,200)	
Cash Flows from Investing Activities:		
Interest received	173	0
Net Increase in Cash and Cash Equivalents	$11,363	$0
Cash and Cash Equivalents at Beginning of Year	$29,769	$21,842
Cash and Cash Equivalents at End of Year	41,132	21,842
Net Increase in Cash and Cash Equivalents	$11,363	$0

The accompanying notes to financial statements are an integral part of this statement.

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUNDS	
	Food Service Funds	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	($215,433)	$0
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	3,943	0
Commodities used	20,123	0
Deferred revenue received	1,213	0
Net Cash Provided (Used) by Operating Activities	($190,154)	$0
Noncash Investing, Capital and Financing Activities:		
Value of commodities received	$20,088	$0

The accompanying notes to financial statements
are an integral part of this statement.

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2010

	Private-purpose Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	$94,749	$183,721
Total Assets	$94,749	$183,721
LIABILITIES:		
Amounts held for others	$0	$183,721
NET ASSETS:		
Held in trust for scholarships	94,749	0
Total Liabilities and Net Assets	$94,749	$183,721

The accompanying notes to financial statements are an integral part of this statement.

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FOR YEAR ENDED JUNE 30, 2010

	Private-purpose Trust Funds
ADDITIONS:	
Contributions and donations	$6,000
Interest earned	963
Total Additions	6,963
DEDUCTIONS: For scholarships	(9,362)
Change in Net Assets	(2,399)
Net Assets-beginning	97,148
NET ASSETS-ending	$94,749

The accompanying notes to financial statements are an integral part of this statement.

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the school district conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Financial Reporting Entity:

The reporting entity of Chamberlain School District No. 7-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation, Basis of Accounting:

Basis of Presentation:

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. These statements distinguish between the *governmental and business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested in capital assets net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types - special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. The fund is financed by property taxes. This is a major fund.

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the district. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying the School District's share of retirement plan contributions and for paying early retirement benefits to qualifying employees. The fund is financed by property taxes. This is a major fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact Aid Fund - A fund established by SDCL 13-6-30 and SDCL 13-16-31 to account for founds received through federal P.L. 103-382, Title VIII. Expenditures cannot be made directly from this fund but transfers out to other school district funds shall be made at the direction of the school board. This is a major fund.

DEBT SERVICE FUND TYPES - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principle, interest and related costs.

The Bond Redemption Fund - A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principle and interest on general obligation bonded debt. This is a major fund.

Proprietary Funds:

Enterprise Funds - enterprise funds are used to accounted for operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Food Service Fund - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or to other governments, on a cost-reimbursement basis. The unemployment fund is the only internal service fund maintained by the School. Internal service funds are never considered to be major funds.

The proprietary funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

Private-purpose Trust Funds - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The school district maintains only the following private-purpose trust funds:

Scholarship trusts (seven separate trusts established by donors to provide for college scholarships to graduating students).

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations.

The School District maintains agency funds to hold assets as an agent in a trustee capacity for various class clubs and so on.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe 'how' transactions are recorded within the various financial statements. Basis of accounting refers to 'when' revenues

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the 'current financial resources' measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the 'economic resources' measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Chamberlain School District No. 7-1, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2010 are various reimbursement type grants due from the State of South Dakota and miscellaneous revenues including the sale of a student built house.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principle and interest on general long-term debt which are recognized when due.

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The business-type activities and enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged in this manner, expense reductions occur in the Internal Service Funds, so that expenses are reported only in the function to which they relate.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources".

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in government-wide or fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2010 balance of capital assets for governmental activities are valued at historical cost. The total June 30, 2010 balance of capital assets for business-type activities are all valued at original cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	$ ALL	-	-
Improvements	$10,000	Straight-line	15-25 yrs
Buildings	$50,000	Straight-line	50 yrs
Machinery and Equipment			
General	$ 300	Straight-line	5-20 yrs
Food Service	$ 300	Straignt-line	5-20 yrs

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consists primarily of general obligation bonds and capital outlay certificates payable.

In the fund financial statements, the debt proceeds are reported as revenues (other financing sources) and payment of principle and interest reported as expenditures when the become due. The accounting for proprietary fund long-term is on the accrual basis, the same in the fund statement as it is in the government-wide statements.

All interest expense on long-term debt is reported as a separate line on the "Statement of Activities."

g. Program Revenues:

In the Government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.

3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the proprietary funds have access to their cash resources on demand. Accordingly, all reported proprietary fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in three components:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net assets - Consists of net assets with constraints places on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted: or "invested in capital assets, net of related debt.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

k. Application of Net Assets:

It is the School District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15,13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - in General, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

No investments were held as of June 30, 2010 nor during the year then ended. "Investments" presented in the financial statement were certificates of deposit having maturities in excess of 90 days when acquired.

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

Custodial Credit Risk - Deposits -The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk.

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the General Fund.

USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

3. RECEIVABLES AND PAYABLES:

Neither receivables nor payables are not aggregated in these financial statements. The District expects all receivables to be collected within one year. No allowances for estimated uncollectibles have been established.

4. INVENTORY:

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

Inventory of supplies held for consumption recorded in both the Government-wide financial statements and in the funds statements as assets when purchased and are charged to the various functions of government as they are consumed.

5. PROPERTY TAXES:

Property taxes are levied on or before each October 1, attached as an enforceable lien on property and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by an amount not collected during the current fiscal period or within the "availability period".

6. CHANGES IN CAPITAL ASSETS:

A summary of the changes in capital assets for the year ended June 30, 2010 is as follows:

	Balance 7/01/09	Increase	Decrease	Balance 06/30/10
Government Activities:				
Capital Assets not being depreciated				
Land	$217,000	$ -	$ -	$ 217,000

6. CHANGES IN CAPITAL ASSETS (continued):

	Balance 7/01/09	Increase	Decrease	Balance 06/30/10
Capital Assets being depreciated				
Buildings	$11,211,539	$ -	$ -	$11,211,539
Improvements	141,713	-	-	141,713
Machinery and Equipment	3,830,812	13,225	-	3,844,037
Total	15,184,064	13,225	-	15,197,289
Less accumulated Depreciation:				
Buildings	3,055,721	203,900	-	3,259,621
Improvements	14,220	4,740	-	18,960
Machinery and Equipment	1,620,928	233,525	-	1,854,453
Total	4,690,869	442,165	-	5,133,034
Total capital assets being depreciated, net:	10,493,195	(428,940)	-	10,064,255
Governmental activity capital assets, net:	$10,710,195	$(428,940)	$ -	$10,281,255
Business-type activities				
Machinery and Equipment	$ 102,473	2,200	-	104,673
Accumulated Depreciation	(72,503)	(3,943)	-	(76,446)
Capital assets, Net	$ 29,970	$ (1,743)	$ -	$ 28,227

Depreciation expense was changed to functions as follows:

Governmental activities:	
Instruction	$ 265,299
Support Services	163,601
Cocurricular Activities	13,265
	$ 442,165

6. CHANGES IN CAPITAL ASSETS (continued):

Business-type activities:	
Food service	$ 3,943

7. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities follows:

	Capital Outlay Certificates	General Obligation Bonds	Total
Liabilities payable June 30, 2009	$1,574,402	$1,095,000	$2,669,402
Deletions	(412,074)	(265,000)	(677,074)
Debt payable June 30, 2010	$1,162,328	$ 830,000	$1,992,328
Due within One year	$ 428,979	$ 270,000	$ 698,979

Debt payable at June 30, 2010 comprised of the following:

Capital Outlay Certificates:	
Series 2007, matures 2014, interest rate of 4.56%. Payments are made from the Capital Outlay Fund	$ 548,805
Series 2003, matures 2012, interest rates of 4% to 5.25%, depending on length to maturity of individual certificates. Payments are made from the Capital Outlay Fund	$ 613,523
Total Capital Outlay Certificates	$1,162,328

7. LONG-TERM LIABILITIES (continued):

General Obligation Bonds: Series 2005 G.O. Refunding Bonds, interest rates of 2.5% to 3.4%; depending on length to maturity of individual bonds; matures 2012. Repaid from tax levies of the Debt Service Fund. (The refunded debt was called and paid in 2006)	830,000
Total Debt	$1,992,328

The annual requirements to amortize all debt outstanding as of June 30, 2010 are as follows:

Annual Requirements to Amortize Long-term Debt
June 30, 2010

Year Ended	Capital Outlay Certificates		General Obligation Bonds		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 428,979	$ 44,334	$ 270,000	$ 23,085	$ 698,979	$ 67,419
2012	446,582	26,731	275,000	14,228	721,582	40,959
2013	140,151	11,497	285,000	4,845	425,151	16,342
2014	146,616	5,034	-	-	146,616	5,034
Total	$ 162,328	$ 87,596	$ 830,000	$ 42,158	$1,992,328	$ 129,754

8. RESTRICTED NET ASSETS:

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

8. RESTRICTED NET ASSETS (continued)

Fund	Restricted By	Amount
Capital Outlay Fund	Law	$ 689,827
Special Education	Law	3,528
Pension Fund	Law	91,747
Debt Service Fund	Debt covenants	385,798
Food Service	Federal regulation	38,013
Total Restricted Net Assets:		$1,208,913

9. RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, and multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also required the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2010, 2009, and 2008 were $292,714, $272,095 and $255,653 respectively, equal to the required contributions each year.

10. RISK MANAGEMENT

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2010, the school district managed its risks as follows:

Employee Health Insurance:
The school district purchases health insurance for its employees from a commercial carrier. Claims resulting from this liability have not exceeded coverage during the past three years.

Liability Insurance:
The school district purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Claims resulting from this liability have not exceeded coverage during the past three years.

Workmen's Compensation Insurance:
The school district purchases liability insurance for workmen's compensation from a commercial carrier. Claims resulting from this liability have not exceeded coverage during the past three years.

Unemployment Benefits:
The School has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The School has equity in the Unemployment Fund in the amount of $21,842 for the payment of future unemployment benefits.

During the year ended June 30, 2010, no claims was paid for unemployment benefits. At June 30, 2010, no claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

11. INTERFUND TRANSFERS

The following transfers were made to the General Fund during fiscal year 2010:

For interest income:	Amount
Capital Outlay Fund	$10,535
Special Education Fund	173
Pension Fund	345
Impact Aid Fund	1,727
Bond Redemption Fund	1,209
Lunch Fund	173
For Supplementary (Grant) Purposes:	
Impact Aid	400,000
Total	$414,162

The Impact Fund also transferred $200,000 to the Capital Outlay Fund to supplement its operations.

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Budgetary Basis
	Original	Final	
Revenues:			
Revenues from Local Sources:			
Taxes:			
Ad valorem taxes	$1,436,500	$1,436,500	$1,366,991
Prior year's ad valorem taxes	5,000	5,000	14,824
Gross receipts taxes	190,000	190,000	186,204
Penalties and interest	7,500	7,500	5,845
Tuition and Fees:			
Adult education tuition	2,500	2,500	0
Earnings on deposits:			
Interest earned	20,000	20,000	3,109
Cocurricular activites:			
Admissions	35,000	35,000	36,803
Other	600	600	0
Other revenues from local sources:			
Rentals	6,000	6,000	7,520
Medicade fee	25,000	25,000	43,932
Other	159,100	159,100	82,456
Revenues from Intermediate Sources:			
County Sources:			
County apportionment	100,000	100,000	95,011
Revenues from State Sources:			
Grants-in-aid:			
Unrestricted grants-in-aid	2,886,000	2,886,000	2,728,705
Revenues from Federal Sources:			
Grants-in-aid:			
Restricted grants-in-aid received from federal government through state	1,860,200	2,160,200	2,458,767
Total Revenue	$6,733,400	$7,033,400	$7,030,167

The accompanying notes to required supplementary information are an integral part of this schedule.

Variance with Final Budget
($69,509)
9,824
(3,796)
(1,655)
(2,500)
(16,891)
1,803
(600)
1,520
18,932
(76,644)
(4,989)
(157,295)
298,567
(3,233)

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Budgetary Basis
	Original	Final	
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	$1,465,400	$1,465,400	$1,394,218
High school	1,574,800	1,574,800	1,537,839
Other	33,800	33,800	29,226
Special Programs:			
Educationally deprived	1,423,500	1,723,500	1,801,760
Support Services:			
Pupils-			
Attendance and social work	19,500	19,500	63,400
Guidance	139,000	139,000	112,544
Health service	42,800	42,800	48,139
Instructional staff-			
Improvement of instruction	190,000	190,000	219,236
Educational media	138,300	138,300	96,412
General administration-			
Board of education	45,400	45,400	40,646
Executive administration	148,100	148,100	150,653
School administration-			
Office of principal	379,500	379,500	358,067
Business-			
Fiscal services	125,300	125,300	132,712
Operation and maintenance of plant	724,500	724,500	722,949
Pupil transportation	340,500	340,500	336,606
Community Service			
Custody and care of children	151,700	151,700	120,367

The accompanying notes to required supplementary information are an integral part of this schedule.

Variance with Final Budget
$71,182
36,961
4,574
(78,260)
(43,900)
26,456
(5,339)
(29,236)
41,888
4,754
(2,553)
21,433
(7,412)
1,551
3,894
31,333

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE
- GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Budgetary Basis
	Original	Final	
Cocurricular activities:			
Male activities	$64,500	$64,500	$96,482
Female activities	61,000	61,000	65,981
Transportation	60,000	60,000	59,600
Combined activities	94,600	94,600	73,299
Total Expenditures	7,222,200	7,522,200	7,460,136
Excess of Revenues over(under) Expenditures	(488,800)	(488,800)	(429,969)
Other Financing Sources (Uses):			
Transfers-in	438,800	438,800	414,162
Net Change in Fund Balances	(50,000)	(50,000)	(15,807)
FUND BALANCE JULY 1, 2009	1,155,794	1,155,794	1,155,794
FUND BALANCE, JUNE 30, 2010	$1,105,794	$1,105,794	$1,139,987

The accompanying notes to required supplementary information are an integral part of this schedule.

Variance with Final Budget
($31,982)
(4,981)
400
21,301
62,064
58,831
(24,638)
34,193
0
$34,193

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Budgetary Basis
	Original	Final	
Revenues:			
Revenues from Local Sources:			
Taxes:			
Ad valorem taxes	$961,000	$961,000	$1,004,480
Prior year's ad valorem taxes	3,000	3,000	9,401
Penalties and interest	1,000	1,000	1,764
Interest earned	15,000	15,000	10,535
Total Revenue	$980,000	$980,000	$1,026,180
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	$65,000	$65,000	$84,725
High school	65,000	65,000	417,092
Support Services:			
Instructional staff-			
Educational media	400,000	400,000	27,002
Business-			
Fiscal services	10,000	10,000	18,984
Operation and maintenance of plant	110,000	110,000	118,536
Pupil transportation	65,000	65,000	0
Other	5,000	5,000	6,846
Debt Service	450,000	450,000	491,507
Cocurricular activities:			
Combined activities	10,000	10,000	8,322
Total Expenditures	1,180,000	1,180,000	1,173,014
Excess of Revenues over (under) Expenditures	(200,000)	(200,000)	(146,834)

The accompanying notes to required supplementary information are an integral part of this schedule.

Variance with Final Budget
$43,480
6,401
764
(4,465)
$46,180
($19,725)
(352,092)
372,998
(8,984)
(8,536)
65,000
(1,846)
(41,507)
1,678
6,986
53,166

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE-
CAPITAL OUTLAY FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Budgetary Basis
	Original	Final	
Other Financing Sources (Uses):			
Transfers-in	200,000	200,000	200,000
Transfers-out	0	0	(10,535)
Net Change in Fund Balances	0	0	42,631
FUND BALANCE JULY 1, 2009	641,184	641,184	641,184
FUND BALANCE, JUNE 30, 2010	$641,184	$641,184	$683,815

The accompanying notes to required supplementary information are an integral part of this schedule.

Variance with Final Budget
0
(10,535)
42,631
0
$42,631

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Budgetary
Revenues:	Original	Final	Basis
Revenues from Local Sources:			
Taxes:			
Ad valorem taxes	$403,000	$403,000	$468,758
Prior year's ad valorem taxes	5,000	5,000	4,388
Penalties and interest	2,000	2,000	823
Interest earned	0	0	173
Medicaid fees	12,500	12,500	17,024
Other	0	0	1,834
Revenues from State Sources:			
Restricted grants-in-aid received from	828,400	828,400	760,493
Other	10,100	10,100	0
Revenues from Federal Sources:			
Grants-in-aid:			
Restricted grants-in-aid received directly from federal government	60,000	60,000	38,394
Restricted grants-in-aid received from federal government through state	444,000	444,000	568,860
Total Revenue	$1,765,000	$1,765,000	$1,860,747
Expenditures:			
Instruction:			
Special Programs:			
Programs for special education	1,420,400	1,420,400	1,015,335
Support Services:			
Psychological	30,000	30,000	3,600
Speech pathology	169,600	169,600	191,972
Student therapy	40,000	40,000	56,047
Improvement of instruction	0	0	284,011
Special Education:			
Administrative costs	92,200	92,200	166,717
Transportation	12,800	12,800	13,161
Total Expenditures	$1,765,000	$1,765,000	$1,730,843
Excess of Revenues over (under) Expenditures	0	0	129,904
Transfers-out	0	0	(173)
Net change in Fund Balances	0	0	129,731
FUND BALANCE (DEFICIT) JULY 1, 2009	(128,997)	(128,997)	(128,997)
FUND BALANCE, JUNE 30, 2010	($128,997)	($128,997)	$734

The accompanying notes to required supplementary information are an integral part of this schedule.

Variance with Final Budget
$65,758
(612)
(1,177)
173
4,524
1,834
(67,907)
(10,100)
(21,606)
124,860
$95,747
405,065
26,400
(22,372)
(16,047)
(284,011)
(74,517)
(361)
$34,157
129,904
(173)
129,731
0
$129,731

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - PENSION FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Budgetary Basis
	Original	Final	
Revenues:			
Revenues from Local Sources:			
Taxes:			
Ad valorem taxes	$101,000	$104,000	$100,430
Prior year's ad valorem taxes	1,000	1,000	921
Penalties and interest	500	500	176
Interest earned	0	0	345
Total Revenue	$102,500	$105,500	$101,872
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	$37,500	$75,700	$75,700
High school	37,500	37,500	37,500
Other	27,500	30,500	29,657
Total Expenditures	102,500	143,700	142,857
Excess of Revenues over (under) Expenditures	0	(38,200)	(40,985)
Other Financing Sources (Uses):			
Transfers-out	0	0	(345)
Net change in Fund Balances	0	(38,200)	(41,330)
FUND BALANCE JULY 1, 2009	132,479	132,479	132,479
FUND BALANCE, JUNE 30, 2010	$132,479	$94,279	$91,149

The accompanying notes to required supplementary information are an integral part of this schedule.

Variance with Final Budget
($3,570)
(79)
(324)
345
($3,628)
$0
0
843
843
(2,785)
(345)
(3,130)
0
($3,130)

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - IMPACT AID FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Budgetary Basis
	Original	Final	
Revenues:			
Revenues from Local Sources:			
Interest earned	$0	$0	$1,727
Revenues from Federal Sources:			
Grants-in-aid:			
Restricted grants-in-aid received directly from federal government	450,000	600,000	778,967
Total Revenue	450,000	600,000	780,694
Expenditures	0	0	0
Excess of Revenues over (under) Expenditures	450,000	600,000	780,694
Other Financing Sources (Uses):			
Transfers-out	(450,000)	(600,000)	(601,727)
Net change in Fund Balances	0	0	178,967
FUND BALANCE JULY 1, 2009	629,577	629,577	629,577
FUND BALANCE, JUNE 30, 2010	$629,577	$629,577	$808,544

The accompanying notes to required supplementary information are an integral part of this schedule.

Variance with Final Budget
$0
178,967
180,694
0
180,694
(1,727)
178,967
0
$178,967

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

1. Budgets and Budgetary Accounting:

The school district followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.

2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.

3. The proposed budget is published for public review no later than July 15 each year.

4. Public hearings are held to solicit taxpayers input prior to the approval of the budget.

5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.

6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in numbers 8.

7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district and may transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.

8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.

9. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at year end.

10. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.

11. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), except that Capital Outlays are reported separately in the funds statement but are reported in the budgetary functions in the budgetary statements.

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
U. S. DEPARTMENT OF AGRICULTURE:			
Pass-through the S. D. Department of Education:			
Child Nutrition Cluster (Note 2):			
Non-cash Assistance (Commodities)			
National School Lunch Program	10.555	70010	$20,123
Cash Assistance			
School Breakfast Program	10.553	70010	35,777
National School Lunch Program	10.555	70010	165,677
Cluster Total			221,577
U. S. DEPARTMENT OF INTERIOR			
Pass-through the S.D. Department of Education:			
Distribution of Receipts to State and Local Governments (Note 2)	15.227	N/A	179
NATIONAL SCIENCE FOUNDATION:			
Pass-through the S.D. Department of Education:			
Office of Experimental Program to Stimulate Competitive Research	47.081	N/A	26,000
U. S. DEPARTMENT OF EDUCATION:			
Direct Federal Funding:			
Impact Aid-(Title VIII) (Note 3 & 4)	84.041	N/A	640,121
Pass-through the S. D. Department of Education:			
Title I Program Cluster (Note 3)			
Title I Programs - LEA's	84.010	TI-10-27	1,026,440
Title I Programs - LEA's; ARRA	84.389	TI-10-27	801,344
Cluster Total			1,827,784
Vocational Education -Basic Grants to States	84.048	N/A	28,193
Special Education			
Grants for Infants and Families with Disabilities	84.181		3,344
Safe and Drug Free Schools and Communities			
State Grants	84.186	N/A	43,980
Title IV - 21st Century	84.287	N/A	91,062
Title II - Part A	84.298	N/A	847
Education Technology State Grants	84.318	N/A	20,402
Rural Education	84.358	N/A	22,256
Improving Teacher Quality State Grants	84.367	N/A	168,608

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

ARRA - State Fiscal Stabilization Funds	84.394	N/A	208,022
Special Education Cluster (Note 2 & 3)			
Special Education Grants to States	84.027	N/A	260,392
Special Education - Preschool Grants	84.173	N/A	5,620
Special Education - ARRA	84.391	N/A	284,011
Special Education (Preschool) ARRA	84.392	N/A	14,144
Cluster Total			564,167
TOTAL U. S. DEPARTMENT OF EDUCATION			3,618,786
GRAND TOTAL			$3,866,542

NOTE 1: The accompanying Schedule of Federal Awards includes the federal grant activity of the School and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash or commodities received rather than federal expenditures.

Note 3: This represents a major federal financial assistance program.

Note 4: This amount represents cash received in the Special Education Fund of $38,394 plus $601,727 transferred from the Impact Aid Fund to the General Fund and Capital Outlay Fund. The Impact Aid received a total of $778,967, but $601,727 was "expended" via transfers.

CHAMBERLAIN SCHOOL DISTRICT No. 7-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

1. SUMMARY OF AUDITOR'S RESULTS

a. An unqualified opinion was issued on the financial statements.

b. A significant deficiency and material weakness was disclosed by the audit. See Section 2, Finding Number 2010-01.

c. No instances of noncompliance were noted by the audit.

d. A significant deficiency and material weakness in internal control over major programs was noted. See Section 3, Finding Number 2010-02 below.

e. An unqualified report was issued on compliance for major programs.

f. Audit findings required to be reported under Section _.510 (a) of OMB Circular A-133 are listed below in Section 3, Finding Number 2010-01 and 2010-02.

g. Programs treated as major programs for this audit were:

Name	CFDA Number
Impact Aid	84.041
Title I Cluster:	
Title I - LEA's	84.010
Title I - LEA's (ARRA)	84.389
Special Education Cluster:	
Special Education Grants to States	84.027
Special Education - Preschool	84.173
Special Education (ARRA)	84.391
Special Education - Preschool (ARRA)	84.392

h. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

i. The entity was not qualified as a low risk auditee as described in Section _.530 of OMB Circular A-133.

CHAMBERLAIN SCHOOL DISTRICT No. 7-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

2. FINANCIAL STATEMENT FINDINGS

FINDING NUMBER 2010-01:

A significant deficiency and material weakness is present due to a lack of segregation of duties in revenue, expenditure and payroll functions.

CRITERIA:
To obtain adequate internal control, the duties of collecting and handling of cash must be segregated from the recording of cash transactions. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process. Various other accounting functions should be performed by different people to insure a proper segregation of duties.

POSSIBLE ASSERTED EFFECT:
Inaccurate financial statements and/or misappropriations of funds could result from a lack of segregation of duties.

RECOMMENDATION:
Management should remain aware of this situation and attempt to provide compensating controls wherever and whenever possible and practical.

SCHOOL DISTRICT RESPONSE:
The School District agrees with this comment. The Superintendent and School Board are responsible for the corrective action plan of this comment. This comment is a result of the size of the Chamberlain School District Number 7-1 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Chamberlain School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenue, expenditures and payroll. Chamberlain School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding the revenues, expenditures and payroll function continues to exist.

CHAMBERLAIN SCHOOL DISTRICT No. 7-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING NUMBER 2010-02

A material weakness in internal control over federal programs exists due to a lack of segregation of duties. See Finding Number 2010-01 above for further explanation.

Major Federal Programs Affected:

All programs treated as major were affected.

Compliance requirements affected:

Allowable costs/cost principles

POSSIBLE ASSERTED EFFECT:
Inaccurate financial statements and/or misappropriations of funds could result from a lack of segregation of duties.

RECOMMENDATION:
Management should remain aware of this situation and attempt to provide compensating controls wherever and whenever possible and practical.

SCHOOL DISTRICT RESPONSE:
The School District agrees with this comment. The Superintendent and School Board are responsible for the corrective action plan of this comment. This comment is a result of the size of the Chamberlain School District Number 7-1 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Chamberlain School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenue, expenditures and payroll. Chamberlain School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding the revenues, expenditures and payroll function continues to exist.

CHAMBERLAIN SCHOOL DISTRICT No. 7-1
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010

Prior Audit Findings relative to Financial Statement Audit:

FINDING NO. 2009-01 and 2008-01:

A material weakness was reported due to a lack of segregation of duties. This condition was first reported by this auditor in 1988.

Status as of June 30, 2010:
The condition noted in prior audits is still applicable.

Prior Audit Findings relative to Federal Awards:

FINDING NO. 2009-02 and 2008-02

A material weakness was reported due to a lack of segregation of duties.

Status as of June 30, 2010:
The condition noted in prior audits is still applicable.