



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE _____

January 23, 2012

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Sheldon Community School District in Sheldon, Iowa.

The District's revenues totaled \$12,191,827 for the year ended June 30, 2011, an increase of 4.5% over the prior year. Revenues included \$3,702,276 in local tax, charges for service of \$893,354, operating grants, contributions and restricted interest of \$2,216,758, capital grants, contributions and restricted interest of \$25,000, instructional support surtax of \$438,099, statewide sales, services and use tax of \$685,541, unrestricted state grants and contributions of \$4,104,874, unrestricted investment earnings of \$9,867, insurance recoveries of \$30,379 and other general revenues of \$85,679.

Expenses for District operations totaled \$11,655,637, an increase of 2.4% over the prior year. Expenses included \$7,079,891 for instruction, \$2,572,317 for support services, \$41,892 for non-instructional programs (excluding food service operations), \$1,481,924 for other expenditures and \$479,613 for food service operations.

A copy of the audit report is available for review in the District Secretary's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1130-5949-B00F.pdf>.

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SHELDON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Sheldon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Gary Ihnen	President	2011
Kecia Hickman	Vice President	2011
Glen Goedken	Board Member	2011
Randy Merley	Board Member	2013
Susan Rensink	Board Member	2013
School Officials		
Robin Spears	Superintendent	2011
Bill Borchers	District Secretary/Treasurer and Business Manager	2011
Tom Whorley	Attorney	2011

Sheldon Community School District



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Independent Auditor's Report

To the Board of Education of
Sheldon 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 Sheldon Community School District, Sheldon, 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sheldon 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 December 20, 2011 on our consideration of Sheldon 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 8 through 17 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sheldon 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 nine 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 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 20, 2011

Sheldon Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sheldon 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 \$9,236,730 in fiscal year 2010 to \$9,839,912 in fiscal year 2011, while General Fund expenditures increased from \$8,948,592 in fiscal year 2010 to \$9,272,040 in fiscal year 2011. The District's General Fund balance increased from \$1,048,831 at the end of fiscal year 2010 to \$1,544,386 at the end of fiscal year 2011, an increase of 47%.
- The majority of the increase in General Fund revenues is due to the restoration of State funding cut in fiscal year 2010. The increase in expenditures is due to increases in salaries, benefits and instructional expenditures.
- The General Fund balance increase is due to the District retaining some of the funds received under the American Recovery and Reinvestment Act (ARRA) received during fiscal year 2011 which will not be expended until fiscal years 2012 and 2013.

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 Sheldon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements report Sheldon Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The governmental fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. The proprietary fund financial statements offer short-term and long-term financial information about activities the District operates like a business. In Sheldon Community School District, the school nutrition program operations are the only enterprise reported as a proprietary fund. The remaining statements provide financial information about activities for which Sheldon 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 funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

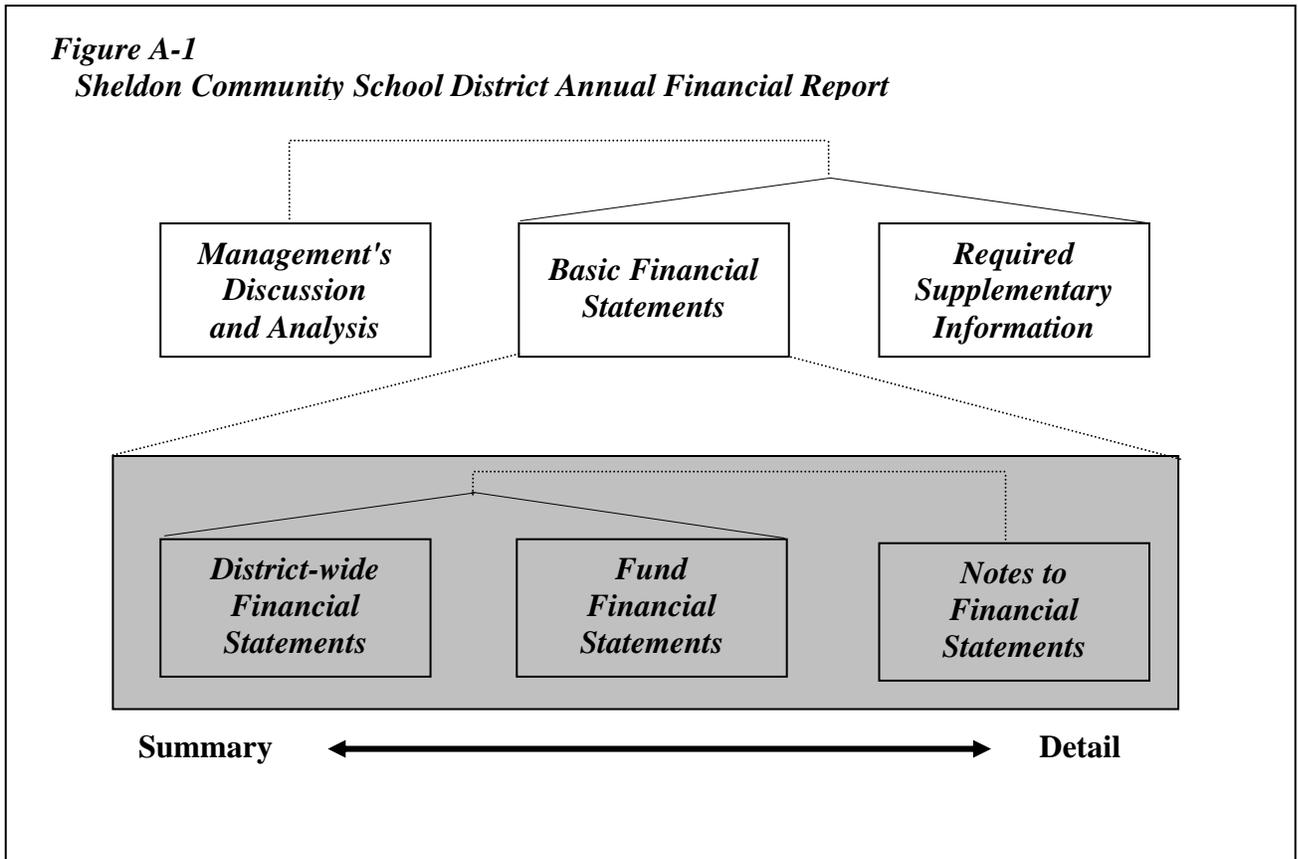


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities-Agency Fund
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 the 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 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 currently has one Enterprise Fund, the School Nutrition Fund.

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases.

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 the District’s 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 total 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	\$ 12,666	6,856	172	158	12,838	7,014	83.0%
Capital assets	8,709	9,005	71	31	8,780	9,036	-2.8%
Total assets	<u>21,375</u>	<u>15,861</u>	<u>243</u>	<u>189</u>	<u>21,618</u>	<u>16,050</u>	<u>34.7%</u>
Long-term liabilities	9,635	5,025	-	-	9,635	5,025	91.7%
Other liabilities	5,051	4,630	10	9	5,061	4,639	9.1%
Total liabilities	<u>14,686</u>	<u>9,655</u>	<u>10</u>	<u>9</u>	<u>14,696</u>	<u>9,664</u>	<u>52.1%</u>
Net assets:							
Invested in capital assets, net of related debt	4,105	4,170	71	31	4,176	4,201	-0.6%
Restricted	804	821	-	-	804	821	-2.1%
Unrestricted	1,780	1,215	162	149	1,942	1,364	42.4%
Total net assets	<u>\$ 6,689</u>	<u>6,206</u>	<u>233</u>	<u>180</u>	<u>6,922</u>	<u>6,386</u>	<u>8.4%</u>

The District’s combined net assets increased 8.4%, or approximately \$536,000, over the prior year. The largest portion of the District’s net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with 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 decreased approximately \$17,000, or 2.1%, from the prior year.

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 \$578,000, or 42.4%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2011 and 2010.

Figure A-4							
Changes in Net Assets (Expressed in Thousands)							
	Governmental		Business Type		Total		% Total
	Activities		Activities		District		Change
	2011	2010	2011	2010	2011	2010	June 30, 2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 591	594	302	323	893	917	-2.6%
Operating grants, contributions and restricted interest	1,991	2,105	226	209	2,217	2,314	-4.2%
Capital grants, contributions and restricted interest	25	25	-	-	25	25	0.0%
General revenues:							
Property tax	3,702	3,446	-	-	3,702	3,446	7.4%
Instructional support surtax	438	447	-	-	438	447	-2.0%
Statewide sales, services and use tax	685	740	-	-	685	740	-7.4%
Unrestricted state grants	4,105	3,417	-	-	4,105	3,417	20.1%
Unrestricted investment earnings	10	2	-	-	10	2	400.0%
Insurance recoveries	30	350	-	-	30	350	-91.4%
Other	82	7	4	2	86	9	855.6%
Total revenues	<u>11,659</u>	<u>11,133</u>	<u>532</u>	<u>534</u>	<u>12,191</u>	<u>11,667</u>	<u>4.5%</u>
Program expenses:							
Instruction	7,080	6,678	-	-	7,080	6,678	6.0%
Support services	2,572	2,206	-	-	2,572	2,206	16.6%
Non-instructional programs	42	15	479	476	521	491	6.1%
Other expenses	1,482	2,007	-	-	1,482	2,007	-26.2%
Total expenses	<u>11,176</u>	<u>10,906</u>	<u>479</u>	<u>476</u>	<u>11,655</u>	<u>11,382</u>	<u>2.4%</u>
Increase in net assets	483	227	53	58	536	285	88.1%
Net assets beginning of year	6,206	5,979	180	122	6,386	6,101	4.7%
Net assets end of year	<u>\$ 6,689</u>	<u>6,206</u>	<u>233</u>	<u>180</u>	<u>6,922</u>	<u>6,386</u>	<u>8.4%</u>

Property tax and unrestricted state grants account for 67% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total governmental activities expenses.

Governmental Activities

Revenues for governmental activities were \$11,659,410 and expenses were \$11,176,024.

The following table presents the total and net cost of the District's major governmental activities for fiscal year 2011: instruction, support services, non-instructional programs and other expenses.

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	\$ 7,080	6,678	6.0%	5,028	4,499	11.8%
Support services	2,572	2,206	16.6%	2,496	2,124	17.5%
Non-instructional programs	42	15	180.0%	39	9	333.3%
Other expenses	1,482	2,007	-26.2%	1,006	1,549	-35.1%
Total	<u>\$ 11,176</u>	<u>10,906</u>	<u>2.5%</u>	<u>8,569</u>	<u>8,181</u>	<u>4.7%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$591,115.
- Federal and state governments subsidized certain programs with grants, contributions and restricted interest totaling \$2,015,890.
- The net cost of governmental activities was financed with \$4,825,916 in property and other tax, including statewide sales, services and use tax, and \$4,104,874 in unrestricted state grants and contributions.

Business Type Activities

Revenues for business type activities were \$532,417 and expenses were \$479,613. 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, Sheldon 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 \$7,144,018, an increase of \$5,379,916 compared to last year's ending fund balance of \$1,764,102. The increase is due to the District issuing \$4,395,000 of general obligation school refunding bonds to crossover advance refund \$4,210,000 of outstanding general obligation school bonds on June 1, 2012. The District also issued \$490,000 of general obligation school capital loan notes to help pay for the capital improvement projects started during fiscal year 2011.

Governmental Fund Highlights

The General Fund balance increased from \$1,048,831 to \$1,544,386 due to the District retaining some of the funds received under the American Recovery and Reinvestment Act (ARRA) which will be expended in fiscal years 2012 and 2013. During the year ended June 30, 2011, the Sheldon Board of Education adopted a policy to maintain a solvency ratio of 12% for the General Fund. A solvency ratio demonstrates the District's management control of financial performance. For the year ended June 30, 2011, the solvency ratio of the District is 13.5%.

The Debt Service Fund balance increased from \$132,990 to \$4,439,184 due to the District issuing \$4,395,000 of general obligation school refunding bonds to crossover advance refund \$4,210,000 of outstanding general obligation school bonds on June 1, 2012.

The Capital Projects Fund balance increased \$436,118 due to the sale of \$490,000 of general obligation school capital loan notes during fiscal year 2011 to help pay for capital improvement projects started during fiscal year 2011.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$180,354 at June 30, 2010 to \$233,158 at June 30, 2011, representing an increase of approximately 29.3%, due primarily to an increase in revenue from federal sources.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sheldon Community School District amended its annual budget one time by \$1,275,000 to reflect additional expenditures in the Capital Projects and Enterprise, School Nutrition Funds.

The District's revenues were \$26,062 less than budgeted revenues, a variance of 0.2%.

Total expenditures were \$2,071,217 less than budgeted expenditures, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Also, capital projects did not progress as anticipated, so less was spent in fiscal year 2011 than was planned.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested, net of accumulated depreciation, approximately \$8.8 million in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Total depreciation expense for the year was \$558,128 for governmental and business type activities.

	Governmental Activities		Business Type Activities		Total District		% Total Change June 30, 2010-2011
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Land	\$ 83	\$ 83	-	-	83	83	0.0%
Construction in progress	75	52	-	-	75	52	44.2%
Buildings	7,293	7,544	-	-	7,293	7,544	-3.3%
Improvements other than buildings	737	861	-	-	737	861	-14.4%
Furniture and equipment	501	444	71	31	572	475	20.4%
Infrastructure	20	21	-	-	20	21	-4.8%
Total	\$ 8,709	\$ 9,005	71	31	8,780	9,036	-2.8%

The original cost of the District's capital assets was approximately \$16.2 million. Governmental funds account for \$16.0 million, with the remaining \$.2 million accounted for in the Proprietary, School Nutrition Fund.

Long-Term Liabilities

At June 30, 2011, the District had \$9,415,000 in general obligation bonded indebtedness outstanding. This represents an increase of approximately 94.7% from last year. The increase was due to the District issuing \$4,395,000 of general obligation school refunding bonds to crossover advance refund \$4,210,000 of outstanding general obligation school bonds on June 1, 2012. (See Figure A-7) Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

	Total		% Total
	District		Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 4,530	\$ 4,835	-6.3%
General obligation refunding bonds	4,395	-	100.0%
General obligation school capital loan notes	490	-	100.0%
Early retirement	173	167	3.6%
Net OPEB liability	47	22	113.6%
Total	<u>\$ 9,635</u>	<u>\$ 5,024</u>	<u>91.8%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The wage settlement for fiscal year 2012 was moderate in nature, with the majority of the increase attributed to the increased cost of health insurance, even though the Certified Staff went with a higher deductible insurance plan.

The \$200,000 in Education Jobs Funds, through the American Recovery and Reinvestment Act of 2009 (ARRA), which the District received in fiscal year 2011, will be supplemented by the \$30,340 scheduled to be received in fiscal year 2012 and will be used to help maintain the current staff employment level, providing there is not a large reduction in students.

The District has levied for additional Cash Reserves in the past and will continue to levy for these funds to help offset any reduction in the funding from the State of Iowa.

The capital projects started in fiscal year 2011 came in under budget. The excess of the \$490,000 of general obligation school capital loan notes will allow the District to complete other projects originally scheduled to have been completed in succeeding years.

The District issued \$4,395,000 of general obligation school refunding bonds to crossover advance refund \$4,210,000 of outstanding general obligation school bonds on June 1, 2012. This crossover advance refunding will save the District approximately \$30,000 of interest per year over the ten year life of the refunding bonds.

The School Board election in September 2011 re-elected the three veteran Directors who were up for re-election. This will allow the decisions of the Board and the District to continue on the same direction and with the same goals as in the past.

The voted property, plant and equipment levy (PPEL) was continued by a vote of the District's patrons on December 7, 2010 and will expire on June 30, 2016.

The instructional support levy (ISL) has an expiration of June 30, 2013 and will continue at the 10% rate until such time. The levy is comprised of an 8% income surtax with the remaining amount being raised with instructional support property and utility replacement tax.

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 Bill Borchers, District Secretary/Treasurer and Business Manager, Sheldon Community School District, 1700 E. 4th Street, Sheldon, Iowa, 51201.

Sheldon Community School District

Basic Financial Statements

Sheldon Community School District

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, pooled investments and cash equivalents	\$ 4,105,398	157,183	4,262,581
U.S. Treasury notes held by escrow agent	4,297,683	-	4,297,683
Receivables:			
Property tax:			
Delinquent	49,474	-	49,474
Succeeding year	3,416,000	-	3,416,000
Accounts	52,399	3	52,402
Due from other governments	745,374	-	745,374
Inventories	-	14,477	14,477
Capital assets, net of accumulated depreciation	8,709,537	71,006	8,780,543
Total assets	21,375,865	242,669	21,618,534
Liabilities			
Accounts payable	453,473	505	453,978
Salaries and benefits payable	821,648	1,965	823,613
Due to other governments	115,169	-	115,169
Accrued interest payable	25,132	-	25,132
Unearned revenue:			
Succeeding year property tax	3,416,000	-	3,416,000
Other	219,797	7,041	226,838
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	4,530,000	-	4,530,000
General obligation school capital loan notes	160,000	-	160,000
Early retirement	84,592	-	84,592
Portion due after one year:			
General obligation school capital loan notes	330,000	-	330,000
General obligation school refunding bonds	4,395,000	-	4,395,000
Early retirement	88,571	-	88,571
Net OPEB liability	46,990	-	46,990
Total liabilities	14,686,372	9,511	14,695,883

Sheldon Community School District

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Net assets			
Invested in capital assets, net of related debt	4,104,537	71,006	4,175,543
Restricted for:			
Categorical funding	213,184	-	213,184
Debt service	19,052	-	19,052
School infrastructure	243,361	-	243,361
Physical plant and equipment	6,285	-	6,285
Management levy purposes	59,934	-	59,934
Student activities	262,705	-	262,705
Unrestricted	1,780,435	162,152	1,942,587
Total net assets	\$ 6,689,493	233,158	6,922,651

See notes to financial statements.

Sheldon Community School District

Statement of Activities

Year ended June 30, 2011

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,033,854	189,929	781,252	-
Special instruction	2,000,693	-	377,687	-
Other instruction	1,045,344	392,870	310,392	-
	<u>7,079,891</u>	<u>582,799</u>	<u>1,469,331</u>	<u>-</u>
Support services:				
Student	142,840	-	3,371	-
Instructional staff	148,965	-	-	-
Administration	1,049,169	-	-	-
Operation and maintenance of plant	762,985	-	-	-
Transportation	468,358	5,946	67,200	-
	<u>2,572,317</u>	<u>5,946</u>	<u>70,571</u>	<u>-</u>
Non-instructional programs	<u>41,892</u>	<u>2,370</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	533,961	-	-	25,000
Long-term debt interest	304,643	-	6,668	-
AEA flow through	444,320	-	444,320	-
Depreciation (unallocated)*	199,000	-	-	-
	<u>1,481,924</u>	<u>-</u>	<u>450,988</u>	<u>25,000</u>
Total governmental activities	<u>11,176,024</u>	<u>591,115</u>	<u>1,990,890</u>	<u>25,000</u>
Business type activities:				
Non-instructional programs:				
Food service operations	479,613	302,239	225,868	-
Total	<u>\$ 11,655,637</u>	<u>893,354</u>	<u>2,216,758</u>	<u>25,000</u>

General Revenues:

Property tax levied for
 general purposes
Instructional support surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Insurance recoveries
Gain on disposal of capital assets
Other
Total general revenues
Change in net assets
Net assets beginning of year
Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(3,062,673)	-	(3,062,673)
(1,623,006)	-	(1,623,006)
(342,082)	-	(342,082)
(5,027,761)	-	(5,027,761)
(139,469)	-	(139,469)
(148,965)	-	(148,965)
(1,049,169)	-	(1,049,169)
(762,985)	-	(762,985)
(395,212)	-	(395,212)
(2,495,800)	-	(2,495,800)
(39,522)	-	(39,522)
(508,961)	-	(508,961)
(297,975)	-	(297,975)
-	-	-
(199,000)	-	(199,000)
(1,005,936)	-	(1,005,936)
(8,569,019)	-	(8,569,019)
-	48,494	48,494
(8,569,019)	48,494	(8,520,525)
\$ 3,702,276	-	3,702,276
438,099	-	438,099
685,541	-	685,541
4,104,874	-	4,104,874
9,607	260	9,867
30,379	-	30,379
7,975	-	7,975
73,654	4,050	77,704
9,052,405	4,310	9,056,715
483,386	52,804	536,190
6,206,107	180,354	6,386,461
\$ 6,689,493	233,158	6,922,651

Exhibit C

Sheldon Community School District

Balance Sheet
Governmental Funds

June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,793,361	141,501	674,170	496,366	4,105,398
U.S. Treasury notes held by escrow agent	-	4,297,683	-	-	4,297,683
Receivables:					
Property tax:					
Delinquent	42,343	-	3,087	4,044	49,474
Succeeding year	2,888,000	-	258,000	270,000	3,416,000
Accounts	52,399	-	-	-	52,399
Due from other governments	588,510	-	156,864	-	745,374
Total assets	\$ 6,364,613	4,439,184	1,092,121	770,410	12,666,328
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 280,104	-	169,475	3,894	453,473
Salaries and benefits payable	821,648	-	-	-	821,648
Due to other governments	114,455	-	-	714	115,169
Deferred revenue:					
Succeeding year property tax	2,888,000	-	258,000	270,000	3,416,000
Other	716,020	-	-	-	716,020
Total liabilities	4,820,227	-	427,475	274,608	5,522,310
Fund balances:					
Restricted for:					
Categorical funding	213,184	-	-	-	213,184
Debt service	-	4,439,184	-	-	4,439,184
School infrastructure	-	-	243,361	-	243,361
Physical plant and equipment	-	-	421,285	-	421,285
Management levy purposes	-	-	-	233,097	233,097
Student activities	-	-	-	262,705	262,705
Unassigned	1,331,202	-	-	-	1,331,202
Total fund balances	1,544,386	4,439,184	664,646	495,802	7,144,018
Total liabilities and fund balances	\$ 6,364,613	4,439,184	1,092,121	770,410	12,666,328

See notes to financial statements.

Sheldon Community School District

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

June 30, 2011

Total fund balances of governmental funds (page 24)	\$ 7,144,018
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,709,537
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	496,223
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(25,132)
Long-term liabilities, including bonds payable, notes payable, other postemployment benefits payable and early retirement payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(9,635,153)</u>
Net assets of governmental activities (page 21)	<u><u>\$ 6,689,493</u></u>

See notes to financial statements.

Exhibit E

Sheldon Community School District

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

Year ended June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,520,079	-	959,615	298,873	4,778,567
Tuition	189,929	-	-	-	189,929
Other	40,809	6,668	670	393,307	441,454
State sources	5,542,582	-	25,000	-	5,567,582
Federal sources	546,513	-	-	-	546,513
Total revenues	<u>9,839,912</u>	<u>6,668</u>	<u>985,285</u>	<u>692,180</u>	<u>11,524,045</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,996,233	-	-	-	3,996,233
Special	1,981,627	-	-	-	1,981,627
Other	667,095	-	-	358,970	1,026,065
	<u>6,644,955</u>	<u>-</u>	<u>-</u>	<u>358,970</u>	<u>7,003,925</u>
Support services:					
Student	53,925	-	-	-	53,925
Instructional staff	145,727	-	-	-	145,727
Administration	837,008	8,208	1,470	191,161	1,037,847
Operation and maintenance of plant	758,416	-	-	-	758,416
Transportation	384,124	-	-	-	384,124
	<u>2,179,200</u>	<u>8,208</u>	<u>1,470</u>	<u>191,161</u>	<u>2,380,039</u>
Non-instructional programs	<u>3,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,565</u>
Other expenditures:					
Facilities acquisition	-	-	705,246	-	705,246
Long-term debt:					
Principal	-	305,000	-	-	305,000
Interest and other charges	-	296,776	-	-	296,776
AEA flow through	444,320	-	-	-	444,320
	<u>444,320</u>	<u>601,776</u>	<u>705,246</u>	<u>-</u>	<u>1,751,342</u>
Total expenditures	<u>9,272,040</u>	<u>609,984</u>	<u>706,716</u>	<u>550,131</u>	<u>11,138,871</u>
Excess (deficiency) of revenues over (under) expenditures	<u>567,872</u>	<u>(603,316)</u>	<u>278,569</u>	<u>142,049</u>	<u>385,174</u>
Other financing sources (uses):					
Insurance recoveries	-	-	109,742	-	109,742
Operating transfers in	5,017	514,510	153,903	-	673,430
Operating transfers out	(77,334)	-	(596,096)	-	(673,430)
General obligation school refunding bonds issued	-	4,395,000	-	-	4,395,000
General obligation school capital loan notes issued	-	-	490,000	-	490,000
Total other financing sources (uses)	<u>(72,317)</u>	<u>4,909,510</u>	<u>157,549</u>	<u>-</u>	<u>4,994,742</u>
Net change in fund balances	495,555	4,306,194	436,118	142,049	5,379,916
Fund balances beginning of year, as restated	1,048,831	132,990	228,528	353,753	1,764,102
Fund balances end of year	<u>\$ 1,544,386</u>	<u>4,439,184</u>	<u>664,646</u>	<u>495,802</u>	<u>7,144,018</u>

See notes to financial statements.

Sheldon Community School District

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

Year ended June 30, 2011

Net change in fund balances - total governmental funds (page 26) \$ 5,379,916

**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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 239,010	
Depreciation expense	<u>(542,581)</u>	(303,571)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 7,975

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 17,648

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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 issues exceed repayments, as follows:

Issued	(4,885,000)	
Repaid	<u>305,000</u>	(4,580,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (7,867)

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	(5,725)	
Other postemployment benefits	<u>(24,990)</u>	(30,715)

Change in net assets of governmental activities (page 23) \$ 483,386

See notes to financial statements.

Sheldon Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2011

	<u>Enterprise</u>
	School
	<u>Nutrition</u>
Assets	
Cash and cash equivalents	\$ 157,183
Accounts receivable	3
Inventories	14,477
Capital assets, net of accumulated depreciation	71,006
Total assets	<u>242,669</u>
Liabilities	
Accounts payable	505
Salaries and benefits payable	1,965
Unearned revenue	7,041
Total liabilities	<u>9,511</u>
Net Assets	
Invested in capital assets	71,006
Unrestricted	162,152
Total net assets	<u>\$ 233,158</u>

See notes to financial statements.

Sheldon Community School District

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

Year ended June 30, 2011

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 302,239
Miscellaneous	4,050
Total operating revenues	<u>306,289</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	209,223
Purchased services	4,441
Supplies	248,999
Depreciation	15,547
Travel	1,403
Total operating expenses	<u>479,613</u>
Operating loss	<u>(173,324)</u>
Non-operating revenues:	
State sources	4,451
Federal sources	221,417
Interest income	260
Total non-operating revenues	<u>226,128</u>
Increase in net assets	52,804
Net assets beginning of year	<u>180,354</u>
Net assets end of year	<u>\$ 233,158</u>

See notes to financial statements.

Exhibit I

Sheldon Community School District

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 306,492
Cash paid to employees for services	(208,885)
Cash paid to suppliers for goods or services	(225,627)
Net cash used by operating activities	<u>(128,020)</u>
Cash flows from non-capital financing activities:	
State grants received	4,451
Federal grants received	191,316
Net cash provided by non-capital financing activities	<u>195,767</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(55,384)</u>
Cash flows from investing activities:	
Interest on investments	<u>260</u>
Net increase in cash and cash equivalents	12,623
Cash and cash equivalents beginning of year	<u>144,560</u>
Cash and cash equivalents end of year	<u>\$ 157,183</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (173,324)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	30,101
Depreciation	15,547
Increase in inventories	(562)
Increase in accounts receivable	(3)
Decrease in accounts payable	(323)
Increase in salaries and benefits payable	338
Increase in unearned revenue	206
Net cash used by operating activities	<u>\$ (128,020)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$30,101 of federal commodities.

See notes to financial statements.

Sheldon Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trust <u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 626,135	1,432
Accounts receivable	-	147
Due from other governments	-	<u>5,710</u>
Total assets	626,135	7,289
Liabilities		
Due to other governments	-	<u>7,289</u>
Net assets		
Reserved for scholarships	<u>\$ 626,135</u>	<u>-</u>

See notes to financial statements.

Exhibit K

Sheldon Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Interest income	\$ 1,720
Net increase in fair value of investments	27,634
Total additions	<u>29,354</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>20,000</u>
Change in net assets	9,354
Net assets beginning of year	<u>616,781</u>
Net assets end of year	<u><u>\$ 626,135</u></u>

See notes to financial statements.

Sheldon Community School District

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Sheldon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sheldon, Iowa, and the predominate agricultural territory in O'Brien County. 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, Sheldon 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. Sheldon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in jointly governed organizations that provide services to the District but do 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 both the O'Brien County and Sioux 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 three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization 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.

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 fund:

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 revenues to be used 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 nonmajor proprietary fund:

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

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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 fund 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. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

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

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

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

Property tax revenue recognized in these funds 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 the proprietary fund are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 25,000
Buildings	25,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Improvements other than buildings	5-20 years
Intangibles	5-10 years
Furniture and equipment	2-20 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.

Unearned 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 and other receivables not collected within sixty days after year end.

Unearned revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

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:

Restricted – Amounts restricted to specific purposes 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 classified as restricted.

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

E. Budgets and Budgetary Accounting

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

(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.

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

At June 30, 2011, the District had the following investments:

Investment Type	Fair Value	Maturity
Repurchase Agreement	\$ 71,726	Monthly
<u>Bowers Scholarship Trust Portfolio</u>		
Cash and Money Market	\$ 88,919	N/A
Municipal and Corporate Bonds	240,583	varies
Unit Trusts	16,837	varies
Mutual Funds	151,356	varies
Total	\$ 497,695	

In addition, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$2,513,273 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Also, at June 30, 2011, an escrow agent held U.S. Treasury notes for the District with a carrying amount and fair value of \$4,297,683 which mature in June 2012.

Interest rate risk and custodial credit risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

The District's \$71,726 investment in a repurchase agreement is held in the name of the District and the underlying securities, totaling \$302,799, are held by an authorized custodian of the District.

Credit risk: The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service. The investments in the Bowers Scholarship Trust Portfolio had ratings from AAA/Aaa to B by Moody's Investors Service and Standard & Poors.

Concentration of credit risk: The District places no limit on the amount that may be invested in any one issuer. The District's investment in the repurchase agreement is 1.62% of the District's total investments. The District's investment in the Bowers Scholarship Trust Portfolio is 14.10% of the District's total investments.

During fiscal 2007, the District entered into an agreement to receive a donation of \$640,309 for student scholarships in the form of an investment portfolio held by an authorized custodian of the District. Some of the investments do not appear to be allowable under Chapter 12B of the Code of Iowa. However, the investments were purchased by the donor and received by the District as a gift rather than being purchased by the District.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Capital Projects - Statewide Sales, Services and Use Tax	\$ 5,017
Debt Service	General Capital Projects - Statewide Sales, Services and Use Tax	2,334 512,176
Capital Projects - Statewide Sales, Services and Use Tax	Capital Projects - Physical Plant and Equipment Levy	78,903
Capital Projects - Physical Plant and Equipment Levy	General	75,000
		<u>\$ 673,430</u>

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

(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	\$ 83,303	-	-	83,303
Construction in progress	51,791	125,576	101,945	75,422
Total capital assets not being depreciated	135,094	125,576	101,945	158,725
Capital assets being depreciated:				
Buildings	10,752,318	-	-	10,752,318
Improvements other than buildings	2,775,930	-	-	2,775,930
Furniture and equipment	2,090,421	223,354	33,698	2,280,077
Infrastructure	25,963	-	-	25,963
Total capital assets being depreciated	15,644,632	223,354	33,698	15,834,288
Less accumulated depreciation for:				
Buildings	3,208,502	250,489	-	3,458,991
Improvements other than buildings	1,914,478	124,311	-	2,038,789
Furniture and equipment	1,646,420	166,916	33,698	1,779,638
Infrastructure	5,193	865	-	6,058
Total accumulated depreciation	6,774,593	542,581	33,698	7,283,476
Total capital assets being depreciated, net	8,870,039	(319,227)	-	8,550,812
Governmental activities capital assets, net	\$ 9,005,133	(193,651)	101,945	8,709,537

Business type activities:				
Furniture and equipment	\$ 162,600	55,384	22,304	195,680
Less accumulated depreciation	131,431	15,547	22,304	124,674
Business type activities capital assets, net	\$ 31,169	39,837	-	71,006

Depreciation expense was charged to the following functions:

Governmental activities:				
Instruction:				
Regular				\$ 44,827
Special				16,317
Other				19,279
Support services:				
Student				62,829
Instructional staff				3,237
Operation and maintenance of plant				71,743
Transportation				87,022
Non-instructional programs				38,327
				343,581
Unallocated				199,000
Total depreciation expense - governmental activities				\$ 542,581
Business type activities:				
Food service operations				\$ 15,547

(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
General obligation bonds	\$ 4,835,000	-	305,000	4,530,000	4,530,000
General obligation school refunding bonds	-	4,395,000	-	4,395,000	-
General obligation school capital loan notes	-	490,000	-	490,000	160,000
Early retirement	167,438	94,230	88,505	173,163	84,592
Net OPEB liability	22,000	24,990	-	46,990	-
Total	\$ 5,024,438	5,004,220	393,505	9,635,153	4,774,592

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

Year Ending June 30,	General Obligation		General Obligation		General Obligation		Total
	Bonds		School		School Capital		
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 4,530,000	195,739	-	99,640	160,000	6,209	4,991,588
2013	-	-	400,000	99,640	165,000	3,960	668,600
2014	-	-	410,000	91,640	165,000	2,227	668,867
2015	-	-	415,000	83,440	-	-	498,440
2016	-	-	425,000	75,140	-	-	500,140
2017-2021	-	-	2,260,000	238,060	-	-	2,498,060
2022	-	-	485,000	14,065	-	-	499,065
Total	\$ 4,530,000	195,739	4,395,000	701,625	490,000	12,396	10,324,760

General Obligation School Refunding Bonds

On November 17, 2010, the District issued \$4,395,000 of general obligation school refunding bonds for the crossover advance refunding of \$4,210,000 of general obligation bonds dated September 1, 2002. The bonds will be called on June 1, 2012.

The District entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities, along with additional cash, were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions and balances of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

The refunding was undertaken to reduce total debt service payments over the next ten years by \$310,433 and resulted in an economic gain of \$269,637.

General Obligation School Capital Loan Notes

On April 10, 2011, the District issued \$490,000 of general obligation school capital loan notes, Series 2011 to pay costs to replace the roof at the East Elementary building and to replace, repair, remodel and improve the High School track facility and improvements. The notes bear interest at 1% to 1.35% per annum and are payable from the Capital Projects, Physical Plant and Equipment Levy Fund.

Early Retirement

During the year ended June 30, 2011, the District offered a voluntary early retirement plan to its certified employees through June 1, 2011. Eligible employees must be at least age fifty-five by June 30, 2011 and must have completed fifteen years of service to the District. Employees must have completed an application which was subject to approval by the Board of Education. The early retirement incentive for each eligible employee is payable in three equal installments and was calculated as the percentage of total salary determined based on the severance benefit option selected by the employee. Eligible employees will also receive single group health insurance for the time period defined in the severance benefit option selected.

Early retirement benefits of \$88,505 were paid during the year ended June 30, 2011, which relate to a previous early retirement plan.

(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 \$366,992, \$ 351,419 and \$332,196, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 106 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits 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 - 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.

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:

Annual required contribution	\$ 83,000
Interest on net OPEB obligation	990
Adjustment to annual required contribution	-
Annual OPEB cost	<u>83,990</u>
Contributions made	<u>(59,000)</u>
Increase in net OPEB obligation	24,990
Net OPEB obligation beginning of year	22,000
Net OPEB obligation end of year	<u><u>\$ 46,990</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation 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 \$59,000 to the medical plan. Plan members eligible for benefits contributed \$35,167, or 37.3% 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 as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 83,000	73.5%	\$ 22,000
2011	83,990	70.2	46,990

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was \$759,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$759,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,331,000 and the ratio of the UAAL to covered payroll was 17.5%. As of June 30, 2011, there were no trust fund assets.

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 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, 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, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$11,417 per year for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. 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.

(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 \$444,320 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(10) 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	\$ 353,540	(125,012)
Change in fund type classification per implementation of GASB Statement No. 54	(125,012)	125,012
Balances July 1, 2010, as restated	<u>\$ 228,528</u>	<u>-</u>

Required Supplementary Information

Sheldon Community School District

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 5,409,950	306,549	5,716,499
State sources	5,567,582	4,451	5,572,033
Federal sources	546,513	221,417	767,930
Total revenues	<u>11,524,045</u>	<u>532,417</u>	<u>12,056,462</u>
Expenditures/Expenses:			
Instruction	7,003,925	-	7,003,925
Support services	2,380,039	-	2,380,039
Non-instructional programs	3,565	479,613	483,178
Other expenditures	1,751,342	-	1,751,342
Total expenditures/expenses	<u>11,138,871</u>	<u>479,613</u>	<u>11,618,484</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	385,174	52,804	437,978
Other financing sources, net	4,994,742	-	4,994,742
Excess (deficiency) of revenues and other financing sources over expenditures/expenses	5,379,916	52,804	5,432,720
Balances beginning of year	1,764,102	180,354	1,944,456
Balances end of year	<u>\$ 7,144,018</u>	<u>233,158</u>	<u>7,377,176</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
5,650,215	5,650,215	66,284
6,042,009	6,042,009	(469,976)
390,300	390,300	377,630
<u>12,082,524</u>	<u>12,082,524</u>	<u>(26,062)</u>
7,331,838	7,331,838	327,913
3,105,500	3,105,500	725,461
505,000	580,000	96,822
1,472,363	2,672,363	921,021
<u>12,414,701</u>	<u>13,689,701</u>	<u>2,071,217</u>
(332,177)	(1,607,177)	2,045,155
-	-	4,994,742
(332,177)	(1,607,177)	7,039,897
<u>1,405,443</u>	<u>1,405,443</u>	<u>539,013</u>
<u>1,073,266</u>	<u>(201,734)</u>	<u>7,578,910</u>

Sheldon Community School District

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 Standards 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 and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment which increased budgeted disbursements by \$1,275,000.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

Sheldon 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	Jul 1, 2009	-	\$ 759,000	759,000	0.0%	4,365,760	17.4%
2011	Jul 1, 2009	-	759,000	759,000	0.0	4,331,009	17.5

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.

Sheldon Community School District

Other Supplementary Information

Schedule 1

Sheldon Community School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	<u>Special Revenue</u>		
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 233,661	262,705	496,366
Receivables:			
Property tax:			
Delinquent	4,044	-	4,044
Succeeding year	270,000	-	270,000
Total assets	\$ 507,705	262,705	770,410
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,894	-	3,894
Due to other governments	714	-	714
Deferred revenue:			
Succeeding year property tax	270,000	-	270,000
Total liabilities	274,608	-	274,608
Fund balances:			
Restricted for:			
Management levy purposes	233,097	-	233,097
Student activities	-	262,705	262,705
Total fund balances	233,097	262,705	495,802
Total liabilities and fund balances	\$ 507,705	262,705	770,410

See accompanying independent auditor's report.

Sheldon Community School District

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

Year ended June 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 298,873	-	298,873
Other	847	392,460	393,307
Total revenues	299,720	392,460	692,180
Expenditures:			
Current:			
Instruction:			
Other	-	358,970	358,970
Support services:			
Administration	191,161	-	191,161
Total expenditures	191,161	358,970	550,131
Excess of revenues over expenditures	108,559	33,490	142,049
Fund balances beginning of year	124,538	229,215	353,753
Fund balances end of year	\$ 233,097	262,705	495,802

See accompanying independent auditor's report.

Schedule 3

Sheldon Community School District

Combining Balance Sheet
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects			Total
	Middle School Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 17,962	93,535	562,673	674,170
Receivables:				
Property tax:				
Delinquent	-	-	3,087	3,087
Succeeding year	-	-	258,000	258,000
Due from other governments	-	131,864	25,000	156,864
Total assets	\$ 17,962	225,399	848,760	1,092,121
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	169,475	169,475
Deferred revenue:				
Succeeding year property tax	-	-	258,000	258,000
Total liabilities	-	-	427,475	427,475
Fund balances:				
Restricted for:				
School infrastructure	17,962	225,399	-	243,361
Physical plant and equipment	-	-	421,285	421,285
Total fund balances	17,962	225,399	421,285	664,646
Total liabilities and fund balances	\$ 17,962	225,399	848,760	1,092,121

See accompanying independent auditor's report.

Sheldon Community School District

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

Year ended June 30, 2011

	Capital Projects			Total
	Middle School Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	685,541	274,074	959,615
Other	19	265	386	670
State sources	-	-	25,000	25,000
Total revenues	19	685,806	299,460	985,285
Expenditures:				
Current:				
Support services:				
Administration	-	-	1,470	1,470
Other expenditures:				
Facilities acquisition	580	362,151	342,515	705,246
Total expenditures	580	362,151	343,985	706,716
Excess (deficiency) of revenues over (under) expenditures	(561)	323,655	(44,525)	278,569
Other financing sources (uses):				
Insurance recoveries	-	5,017	104,725	109,742
Operating transfers in	-	78,903	75,000	153,903
Operating transfers out	-	(517,193)	(78,903)	(596,096)
General obligation school capital loan notes issued	-	-	490,000	490,000
Total other financing sources (uses)	-	(433,273)	590,822	157,549
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(561)	(109,618)	546,297	436,118
Fund balances beginning of year, as restated	18,523	335,017	(125,012)	228,528
Fund balances end of year	\$ 17,962	225,399	421,285	664,646

See accompanying independent auditor's report.

Schedule 5

Sheldon Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Basketball	\$ 1,000	1,414	1,414	1,000
Cross Country	500	1,674	1,674	500
Football	6,500	7,921	7,421	7,000
Boys Golf	700	707	707	700
Boys Track	1,000	2,557	2,557	1,000
Baseball	1,500	2,683	2,555	1,628
Wrestling	1,500	1,734	2,234	1,000
Girls Basketball	1,000	1,414	1,414	1,000
Girls Softball	1,425	3,311	1,899	2,837
Girls Track	1,000	1,414	1,414	1,000
Girls Volleyball	1,000	2,669	1,414	2,255
Girls Golf	700	707	707	700
Weightlifting	1,996	-	1,013	983
Dance Team	10,984	9,358	10,386	9,956
Cheerleaders	5,966	14,266	14,558	5,674
Activity Tickets	-	10,150	10,150	-
Concession - High School	1,023	50,291	51,310	4
Concession - Middle School	7,616	5,733	9,623	3,726
Reserved Seat Tickets	53	-	-	53
Activity Passes	-	1,700	1,700	-
All Sports	3,094	8,894	11,215	773
Athletic Uniforms	3,000	7,559	7,059	3,500
Flags	131	1,081	564	648
Spanish Club	17,491	15,333	7,776	25,048
Art Club	4,394	50	276	4,168
Science Club	450	628	481	597
Speech Club	3,835	2,379	3,464	2,750
Family Career & Community Leaders of America (FCCLA)	2,989	2,196	1,956	3,229
Orab FB Club	340	5,276	4,661	955
Orab VB Club	1,370	-	388	982
Fellowship of Christian Athletes (FCA)	800	628	800	628
Future Business Leaders	1,101	2,378	1,348	2,131
Future Farmers of America	110	19,218	18,071	1,257
College Farm	40,647	57,754	46,267	52,134
Middle School:				
SOAR	7,372	13,170	10,470	10,072
Band	575	1,911	1,619	867
Vocal Music	2,560	648	463	2,745
Student Council	5,458	4,745	4,645	5,558
Magazine Sales	-	36,456	36,456	-
Playground Equipment	457	-	323	134
5/6 Entrepreneur	35	6,046	2,517	3,564

Sheldon Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Student Council	4,306	10,219	9,215	5,310
National Honor Society	894	1,731	1,585	1,040
SADD	822	627	122	1,327
Band Uniform Rent	13,130	1,301	281	14,150
Musical	85	4,234	3,197	1,122
Annual	2,615	5,151	7,682	84
Band	2,662	15,431	9,914	8,179
Jazz Band	23	-	-	23
Vocal Music	3,362	6,351	5,709	4,004
Choir Robes	16	-	-	16
Choir Trip	127	-	-	127
Swing Choir	4,240	3,813	2,807	5,246
Summer Theater	12,042	18,017	13,625	16,434
Music Department Trip	2,020	-	-	2,020
Band Trip	3,880	-	-	3,880
Science Department	100	-	-	100
Elementary Boxtop	8,039	14,168	14,413	7,794
District Hospitality	51	200	228	23
Student Vending Machines	5,725	87	951	4,861
Investments	7,252	294	238	7,308
Class of:				
2000/2010	513	151	664	-
2001/2011	2,690	1,184	2,695	1,179
2002/2012	3,321	-	675	2,646
2003/2013	3,961	-	-	3,961
2004/2014	4,741	-	-	4,741
2005/2015	575	3,448	-	4,023
2008/2018	351	-	-	351
Total	\$ 229,215	392,460	358,970	262,705

See accompanying independent auditor's report.

Sheldon Community School District

Sheldon Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 976	749	293	1,432
Accounts receivable	227	147	227	147
Due from other governments	-	5,710	-	5,710
Total assets	\$ 1,203	6,606	520	7,289
Liabilities				
Accounts payable	\$ 76	-	76	-
Due to other governments	1,127	6,606	444	7,289
Total liabilities	\$ 1,203	6,606	520	7,289

See accompanying independent auditor's report.

Sheldon Community School District

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

For the Last Ten Years

	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 4,778,567	4,642,163	4,218,043	3,713,942
Tuition	189,929	210,991	174,806	227,067
Other	441,454	392,770	468,238	514,158
State sources	5,567,582	4,876,180	5,663,888	4,884,895
Federal sources	546,513	670,172	337,095	225,695
Total	\$ 11,524,045	10,792,276	10,862,070	9,565,757
Expenditures:				
Instruction:				
Regular	\$ 3,996,233	3,839,273	4,241,257	3,679,180
Special	1,981,627	1,950,572	1,541,143	1,531,007
Other	1,026,065	990,530	974,648	1,017,840
Support services:				
Student	53,925	53,364	55,830	50,906
Instructional staff	145,727	98,639	136,095	136,384
Administration services	1,037,847	938,589	1,003,993	918,615
Operation and maintenance of plant	758,416	764,563	811,773	801,142
Transportation	384,124	388,181	341,938	393,383
Central support	-	38,432	-	-
Non-instructional programs	3,565	3,548	56	6,960
Other expenditures:				
Facilities acquisition	705,246	1,433,401	590,733	439,767
Long-term debt:				
Principal	305,000	300,000	275,000	265,000
Interest and other charges	296,776	218,826	228,451	237,063
AEA flow through	444,320	431,559	394,824	362,665
Total	\$ 11,138,871	11,449,477	10,595,741	9,839,912

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
3,783,369	3,778,943	3,705,094	3,971,901	3,186,542	2,860,636
228,469	205,636	195,411	172,579	118,391	153,730
596,990	525,867	549,856	456,981	595,179	526,095
4,727,058	4,348,956	4,158,412	3,647,447	3,917,172	3,901,738
271,408	231,222	350,161	894,075	278,416	254,029
9,607,294	9,090,624	8,958,934	9,142,983	8,095,700	7,696,228
3,594,270	3,965,895	3,730,320	3,534,552	3,336,688	3,327,480
1,452,227	963,874	979,108	788,266	687,714	824,714
932,961	837,581	945,675	842,041	810,318	859,480
116,807	94,290	72,821	81,986	241,027	215,154
148,092	131,141	136,586	124,936	135,636	126,830
1,169,018	908,871	823,388	827,693	728,667	684,547
760,164	770,570	649,462	579,527	511,765	531,349
346,948	301,381	246,718	240,987	211,953	251,185
-	123	27,631	-	14,560	112,199
5,117	71	9,042	8,502	5,000	-
553,113	257,939	733,736	4,718,670	2,456,560	338,011
255,000	250,000	240,000	200,000	145,000	140,000
245,351	252,851	260,051	268,501	209,444	19,450
352,494	334,941	325,668	325,688	366,540	349,094
9,931,562	9,069,528	9,180,206	12,541,349	9,860,872	7,779,493

Schedule 8

Sheldon Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expen- ditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 28,961
National School Lunch Program	10.555	FY11	192,456 *
			<u>221,417</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	FY11	96,326
AARA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	65,584
			<u>161,910</u>
Career and Technical Education - Basic Grants to States (\$6,010 provided to subrecipients)	84.048	FY11	15,090
Fund for the Improvement of Education	84.215	FY11	25,000
Improving Teacher Quality State Grants	84.367	FY11	49,282
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	146,968 **
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	53,939
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	FY11	48,111
			<u>102,050</u>
Area Education Agency #4:			
Special Education - Grants to States	84.027	FY11	62,508 **
Total			<u>\$ 784,225</u>

* - Includes \$30,101 of non-cash awards.

** - Total for Special Education Cluster (IDEA) is \$209,476.

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sheldon Community School District and is presented on the accrual or modified accrual basis of accounting. 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.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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
Sheldon 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 Sheldon 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 December 20, 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

Management of Sheldon Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sheldon 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 Sheldon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sheldon Community School District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting described as Finding II-A-11 in Part II of the accompanying Schedule of Findings and Questioned Costs we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sheldon 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 which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

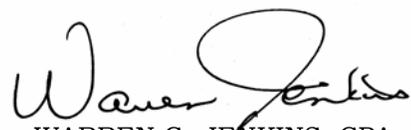
Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not 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.

Sheldon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Sheldon 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 Sheldon Community School District and other parties to whom Sheldon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sheldon 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.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 20, 2011

**Independent Auditor's 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**

Sheldon Community School District



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Independent Auditor's 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

To the Board of Education of
Sheldon Community School District:

Compliance

We have audited the Sheldon Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Sheldon Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sheldon Community School District's management. Our responsibility is to express an opinion on Sheldon Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller 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 we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Sheldon Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sheldon Community School District's compliance with those requirements.

In our opinion, Sheldon Community School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The management of Sheldon Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Sheldon Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of Sheldon Community School District's internal control over compliance.

A deficiency in the District's 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 all significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as discussed above.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 20, 2011

Sheldon Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - School Nutrition Cluster Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - Special Education Cluster Programs:
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – ARRA – Special Education Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sheldon Community School District did not qualify as a low-risk auditee.

Sheldon Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-11 Information Systems – The District does not have a written disaster recovery plan covering the computer based financial system.

Recommendation – A written disaster recovery plan should be developed.

Response – Board Policy 701.4, Disaster Recovery Plan, was adopted at the September 13, 2011 Board meeting, on its first and only reading. All Board Members voted aye for passage of the motion to adopt this Board Policy.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Sheldon Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.

IV-B-11 Questionable Expenditures – During the year ended June 30, 2011, the District paid \$20 to buy pizza for staff from the General Fund. These expenditures may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

According to the opinion, it is possible for such expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the District should establish a written policy, including the requirement for proper documentation of public purpose.

Response – The District will attempt to have any expenditure which might be considered questionable, as to the public benefit, documented and approved before the expenditure.

Conclusion – Response accepted.

IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officers or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-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.

IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

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

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

Sheldon Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-I-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		<u>\$ 335,017</u>
Revenues/transfers in:		
Statewide sales, services and use tax		685,541
Interest on investments		265
Insurance recoveries		5,017
Transfers from other funds		<u>78,903</u>
Total revenues		<u>769,726</u>
Expenditures/transfers out:		
School infrastructure:		
Buildings	\$ 362,151	
Transfers to other funds	5,017	
Debt service for school infrastructure:		
General obligation debt	<u>512,176</u>	<u>879,344</u>
Ending balance		<u>\$ 225,399</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.54673	512,176
Physical plant and equipment levy	.52355	173,365

IV-J-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

During fiscal 2007, the District entered into an agreement to receive a donation for student scholarships in the form of an investment portfolio. Some of the investments do not appear to be allowable under Chapter 12B of the Code of Iowa. However, the investments were purchased by the donor and received by the District as a gift rather than being purchased by the District. The District agreed to periodically review these investments and reinvest in allowable investment instruments in accordance with Chapter 12B of the Code of Iowa and the District's investment policy.

Sheldon Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

IV-K-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education, but it was submitted late.

Recommendation – The Certified Annual Report should be certified to the Iowa Department of Education timely.

Response – The District will strive to meet all deadlines as issued by the Iowa Department of Education. The report was certified on September 19, 2011.

Conclusion – Response accepted.

IV-L-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-M-11 Special Education Supplement Report – The Special Education Supplement (SES) Report was certified to the Iowa Department of Education, but it was submitted late.

Recommendation – The Special Education Supplement Report should be certified to the Iowa Department of Education timely.

Response – The District will strive to meet all deadlines as issued by the Iowa Department of Education.

Conclusion – Response accepted.

IV-N-11 Unclaimed Property - Section 556.11 of the Code of Iowa requires all unclaimed property, including outstanding payroll checks greater than a year old and all other checks greater than three years old, be reported to the Office of Treasurer of State as unclaimed property by November 1 for the preceding fiscal year. The District did not properly report these items to the Office of Treasurer of State for the year ended June 30, 2011.

Recommendation – The District should comply with Section 556.11 of the Code of Iowa.

Response – The District will continue to monitor all unclaimed property and will handle it accordingly.

Conclusion – Response accepted.

Sheldon Community School District

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Jennifer L. Wall, CPA, Senior Auditor II
Tiffany M. Ainger, Staff Auditor
Nancy J. Umsted, Assistant Auditor
Wesley A. Large, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State