

**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

February 15, 2013

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 \$12,310,340 for the year ended June 30, 2012, an increase of 1.0% over the prior year. Revenues included \$3,848,934 in local tax, charges for service of \$935,375, operating grants, contributions and restricted interest of \$2,072,961, capital grants, contributions and restricted interest of \$12,645, instructional support surtax of \$384,115, statewide sales, services and use tax of \$798,883, unrestricted state grants and contributions of \$4,198,280, unrestricted investment earnings of \$9,533 and other general revenues of \$49,614.

Expenses for District operations totaled \$12,139,585, an increase of 4.2% over the prior year. Expenses included \$7,110,041 for instruction, \$3,401,505 for support services, \$11,656 for non-instructional programs (excluding food service operations), \$1,087,949 for other expenditures and \$528,434 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/1230-5949-B00F.pdf>.

# # #



**SHELDON COMMUNITY SCHOOL DISTRICT**

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

**JUNE 30, 2012**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	8-17
<b>Basic Financial Statements:</b>	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A      20-21
Statement of Activities	B      22-23
Governmental Fund Financial Statements:	
Balance Sheet	C      24
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D      25
Statement of Revenues, Expenditures and Changes in Fund Balances	E      26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F      27
Proprietary Fund Financial Statements:	
Statement of Net Assets	G      28
Statement of Revenues, Expenses and Changes in Fund Net Assets	H      29
Statement of Cash Flows	I      30
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J      31
Statement of Changes in Fiduciary Net Assets	K      32
Notes to Financial Statements	33-44
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual – All Governmental Funds and Proprietary Fund	46-47
Notes to Required Supplementary Information – Budgetary Reporting	48
Schedule of Funding Progress for the Retiree Health Plan	49
<b>Supplementary Information:</b>	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1      52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2      53
Capital Project Accounts:	
Combining Balance Sheet	3      54
Combining Schedule of Revenues, Expenditures and Changes in Balances	4      55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5      56-57
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	6      59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7      60-61
Schedule of Expenditures of Federal Awards	8      62
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 <u>Government Auditing Standards</u>	63-64
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	67-68
Schedule of Findings and Questioned Costs	69-72
Staff	73

## **Sheldon Community School District**

### **Officials**

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

#### **Board of Education**

##### **(Before September 2011 Election)**

Gary Ihnen	President	2011
Kecia Hickman	Vice President	2011
Glen Goedken	Board Member	2011
Randy Merley	Board Member	2013
Susan Rensink	Board Member	2013

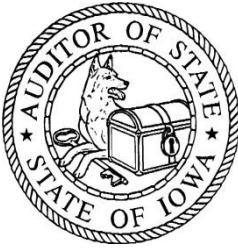
##### **(After September 2011 Election)**

Gary Ihnen	President	2015
Kecia Hickman	Vice President	2015
Randy Merley	Board Member	2013
Susan Rensink	Board Member	2013
Glen Goedken	Board Member	2015

#### **School Officials**

Robin Spears	Superintendent	2012
Bill Borchers	District Secretary/Treasurer and Business Manager	2012
Tom Whorley	Attorney	2012

**Sheldon Community School District**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA  
Auditor of State

**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, 2012, 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, 2012, 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 February 1, 2013 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.

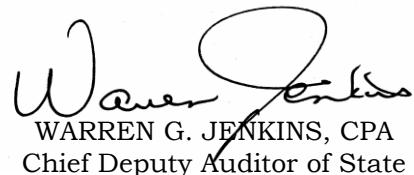
U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 17 and 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited

procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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

February 1, 2013

**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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$9,839,912 in fiscal year 2011 to \$9,897,169 in fiscal year 2012, while General Fund expenditures increased from \$9,272,040 in fiscal year 2011 to \$9,915,148 in fiscal year 2012. The District's General Fund balance decreased from \$1,544,386 at the end of fiscal year 2011 to \$1,336,407 at the end of fiscal year 2012, a decrease of 13%.
- The increase in revenues was due to an increase in taxes, categorical funding and state aid, partially offset by a decrease in open enrollment and special education tuition and the expiration of the funding from the American Recovery and Reinvestment Act (ARRA).
- The increase in expenditures was caused by an increase in expenditures in the category of support services. The support services area includes guidance, health services, staff training, media, administration, operation and maintenance of plant and transportation. The increases were a result of increased purchased services, supplies, computers for classrooms, Smart-boards, notebook computers for mobile labs for the elementary and middle schools and three vehicles (school bus, Ford Expedition and a Chevrolet Suburban).

### **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.

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.

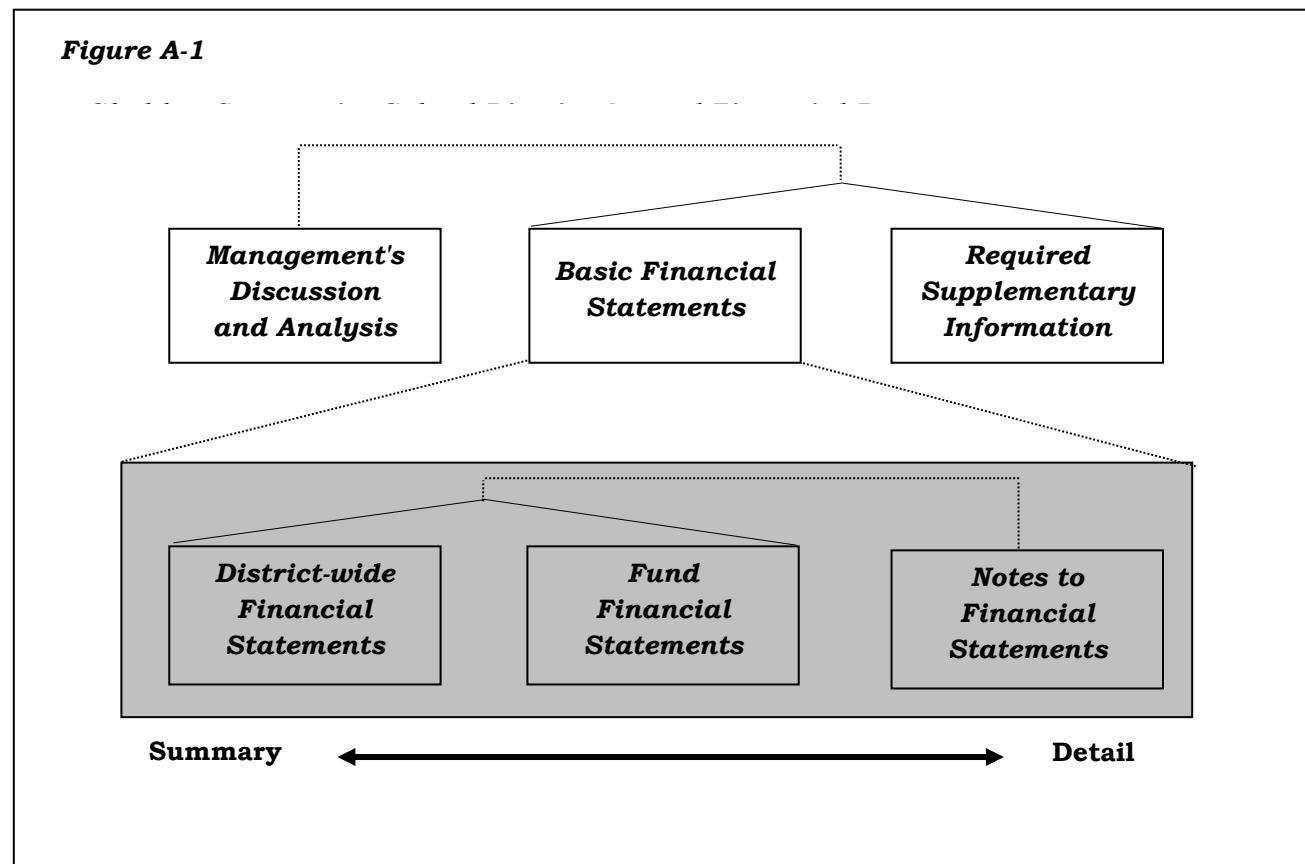


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities- Agency Fund</li> </ul>
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 financial 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, 2012 compared to June 30, 2011.

**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, 2011-2012
	2012	2011	2012	2011	2012	2011	
Current and other assets	\$ 7,789	12,666	213	172	8,002	12,838	-37.7%
Capital assets	8,914	8,709	60	71	8,974	8,780	2.2%
Total assets	16,703	21,375	273	243	16,976	21,618	-21.5%
Long-term liabilities	5,136	9,635	-	-	5,136	9,635	-46.7%
Other liabilities	4,737	5,051	10	10	4,747	5,061	-6.2%
Total liabilities	9,873	14,686	10	10	9,883	14,696	-32.8%
Net assets:							
Invested in capital assets,							
net of related debt	4,189	4,105	60	71	4,249	4,176	1.7%
Restricted	1,185	804	-	-	1,185	804	47.4%
Unrestricted	1,456	1,780	203	162	1,659	1,942	-14.6%
Total net assets	\$ 6,830	6,689	263	233	7,093	6,922	2.5%

The District's combined net assets increased 2.5%, or approximately \$171,000, 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 increased approximately \$381,000, or 47.4%, over 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 – decreased approximately \$283,000, or 14.6%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2012 and 2011.

<b>Figure A-4</b> <b>Changes in Net Assets (Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		% Total Change June 30, 2011-2012
	2012	2011	2012	2011	2012	2011	
<b>Revenues:</b>							
Program revenues:							
Charges for service	\$ 629	591	306	302	935	893	4.7%
Operating grants, contributions and restricted interest	1,821	1,991	252	226	2,073	2,217	-6.5%
Capital grants, contributions and restricted interest	13	25	-	-	13	25	-48.0%
General revenues:							
Property tax	3,849	3,702	-	-	3,849	3,702	4.0%
Instructional support surtax	384	438	-	-	384	438	-12.3%
Statewide sales, services and use tax	799	685	-	-	799	685	16.6%
Unrestricted state grants	4,198	4,105	-	-	4,198	4,105	2.3%
Unrestricted investment earnings	9	10	-	-	9	10	-10.0%
Insurance recoveries	-	30	-	-	-	30	-100.0%
Other	50	82	-	4	50	86	-41.9%
Total revenues	11,752	11,659	558	532	12,310	12,191	1.0%
Program expenses:							
Instruction	7,110	7,080	-	-	7,110	7,080	0.4%
Support services	3,402	2,572	-	-	3,402	2,572	32.3%
Non-instructional programs	11	42	528	479	539	521	3.5%
Other expenses	1,088	1,482	-	-	1,088	1,482	-26.6%
Total expenses	11,611	11,176	528	479	12,139	11,655	4.2%
Increase in net assets	141	483	30	53	171	536	-68.1%
Net assets beginning of year	6,689	6,206	233	180	6,922	6,386	8.4%
Net assets end of year	\$ 6,830	6,689	263	233	7,093	6,922	2.5%

Property tax and unrestricted state grants account for 68% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total governmental activities expenses.

## **Governmental Activities**

Revenues for governmental activities were \$11,752,050 and expenses were \$11,611,151.

The following table presents the total and net cost of the District's major governmental activities for fiscal year 2012: 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		
			Change			Change
	2012	2011	2011-2012	2012	2011	2011-2012
Instruction	\$ 7,110	7,080	0.4%	5,173	5,028	2.9%
Support services	3,402	2,572	32.3%	3,304	2,496	32.4%
Non-instructional programs	11	42	-73.8%	10	39	-74.4%
Other expenses	1,088	1,482	-26.6%	661	1,006	-34.3%
Total	\$ 11,611	11,176	3.9%	9,148	8,569	6.8%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$628,872.
- Federal and state governments subsidized certain programs with grants, contributions and restricted interest totaling \$1,833,968.
- The net cost of governmental activities was financed with \$5,031,932 in property and other tax, including statewide sales, services and use tax, and \$4,198,280 in unrestricted state grants and contributions.

## **Business Type Activities**

Revenues for business type activities were \$558,290 and expenses were \$528,434. 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 \$2,614,713, a decrease of \$4,529,305 compared to last year's ending fund balance of \$7,144,018. The decrease is primarily due to the District advance refunding \$4,210,000 of outstanding general obligation bonds on June 1, 2012.

## **Governmental Fund Highlights**

The General Fund balance decreased from \$1,544,386 to \$1,336,407 due to the District spending the remaining funds received under the American Recovery and Reinvestment Act (ARRA) in fiscal year 2012. 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, 2012, the solvency ratio of the District is 12.1%.

The Debt Service Fund balance decreased from \$4,439,184 to \$137,458. In fiscal year 2011, the District issued \$4,395,000 of general obligation school refunding bonds to crossover advance refund \$4,210,000 of outstanding general obligation bonds on June 1, 2012. The proceeds were held in escrow at June 30, 2011. The bonds were refunded on June 1, 2012 using the proceeds held in escrow.

The Capital Projects Fund balance decreased \$68,870 to \$595,776 as a result of capital improvement projects completed during fiscal year 2012 and the purchase of land for future development of recreation fields.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$233,158 at June 30, 2011 to \$263,014 at June 30, 2012, representing an increase of approximately 12.8%, 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 \$3,200,112 to reflect additional expenditures in the Debt Service Fund.

The District's revenues were \$362,221 more than budgeted revenues, a variance of 3.0%.

Total expenditures were \$4,135,650 less than budgeted expenditures, due primarily to the Debt Service Fund. The District amended the budget to account for the payment of the crossover advance refunding bonds. The actual payment of the bonds is reported as an other financing use rather than a debt service expenditure. In addition, it is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

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

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2012, the District had invested, net of accumulated depreciation, approximately \$8.9 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 \$553,465 for governmental and business type activities.

**Figure A-6**  
**Capital Assets, net of Accumulated Depreciation**  
**(expressed in thousands)**

	Governmental Activities		Business Type Activities		Total District		% Total Change June 30, 2011-2012	
	June 30,		June 30,		June 30,			
	2012	2011	2012	2011	2012	2011		
Land	\$ 173	83	-	-	173	83	108.4%	
Construction in progress	4	75	-	-	4	75	-94.7%	
Buildings	7,063	7,293	-	-	7,063	7,293	-3.2%	
Improvements other than buildings	1,130	737	-	-	1,130	737	53.3%	
Furniture and equipment	525	501	60	71	585	572	2.3%	
Infrastructure	19	20	-	-	19	20	-5.0%	
Total	\$ 8,914	8,709	60	71	8,974	8,780	2.2%	

The original cost of the District's capital assets was approximately \$16.9 million. Governmental funds account for approximately \$16.7 million, with the remaining \$.2 million accounted for in the Proprietary, School Nutrition Fund.

### **Long-Term Liabilities**

At June 30, 2012, the District had \$4,725,000 in general obligation bonded indebtedness outstanding. This represents a decrease of approximately 50.2% from last year. The decrease was due to the District advance refunding \$4,210,000 of outstanding general obligation 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.

**Figure A-7**  
**Outstanding Long-Term Liabilities**  
**(expressed in thousands)**

	Total District	% Total Change
	June 30, 2012	June 30, 2011-2012
General obligation bonds	\$ - 4,530	-100.0%
General obligation refunding bonds	4,395 4,395	0.0%
General obligation school capital loan notes	330 490	-32.7%
Early retirement	329 173	90.2%
Net OPEB liability	82 47	74.5%
<b>Total</b>	<b>\$ 5,136</b>	<b>-46.7%</b>

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

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 current allowable growth for funding from the State of Iowa for fiscal year 2013 is set at 2%. Two of the biggest items which necessitate the need for additional cash reserves are State allowable growth and the District's enrollment.

In order to help control the premium costs of the health insurance benefit to the insured employee categories, the District has started a self-insurance program with an effective date of July 1, 2012. The plan is a medical expense reimbursement plan (MERP) and self-funds the gap between the \$3,000 deductible plan purchased by the District from Wellmark Blue Cross & Blue Shield of Iowa and the \$1,000, \$1,500 or \$2,000 deductible plan chosen by the participants. The MERP is administered by Three Rivers Benefit Corporation.

The District is currently working on a plan to remodel/update East Elementary and to also build an expansion addition to help alleviate the overcrowding currently being experienced in the elementary building.

This update/expansion of the elementary school will be funded by a combination of an increased voted Property, Plant and Equipment Levy (PPEL), from the current rate of \$.50 per \$1,000 of assessed taxable valuation of property within the school district to a proposed rate of \$1.34 per \$1,000 of assessed taxable valuation of property within the school district, for the fiscal years ending June 30, 2014, 2015 and 2016, the extension of the voted PPEL at the rate of \$1.34 per \$1,000 of assessed taxable valuation of property within the school district for ten years beginning in the fiscal year ending June 30, 2017 and funds from the statewide sales, services and use tax.

The residents of the District will vote on these proposals and also a revised Revenue Purpose Statement to authorize the use of the revenue from the increased voted PPEL and the statewide sales, services and use tax funds from the State of Iowa to the Secure an Advanced Vision for Education Fund for School Infrastructure (statewide sales, services and use tax) on February 5, 2013.

Two Board Members are up for re-election in September 2013. Any change in the present makeup of the District Board of Directors or District Administration could have a bearing on the District's direction and economic future.

At the time of the audit completion, negotiations for the fiscal year 2013 wage agreement with the Sheldon Education Association had not started. Any increase in the total compensation/benefit package will have an effect on the economic future of the District.

#### **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**

**Exhibit A**

## Sheldon Community School District

## Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, pooled investments and cash equivalents	\$ 3,311,622	200,498	3,512,120
Receivables:			
Property tax:			
Delinquent	80,235	-	80,235
Succeeding year	3,612,000	-	3,612,000
Due from other governments	785,008	-	785,008
Inventories	-	12,628	12,628
Capital assets, net of accumulated depreciation	8,914,170	59,874	8,974,044
<b>Total assets</b>	<b>16,703,035</b>	<b>273,000</b>	<b>16,976,035</b>
<b>Liabilities</b>			
Accounts payable	118,645	-	118,645
Salaries and benefits payable	849,945	2,368	852,313
Due to other governments	137,334	-	137,334
Accrued interest payable	8,635	-	8,635
Unearned revenue:			
Succeeding year property tax	3,612,000	-	3,612,000
Other	9,667	7,618	17,285
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	400,000	-	400,000
General obligation school capital loan notes	165,000	-	165,000
Early retirement	160,305	-	160,305
Portion due after one year:			
General obligation bonds	3,995,000	-	3,995,000
General obligation school capital loan notes	165,000	-	165,000
Early retirement	169,007	-	169,007
Net OPEB liability	82,105	-	82,105
<b>Total liabilities</b>	<b>9,872,643</b>	<b>9,986</b>	<b>9,882,629</b>

## Sheldon Community School District

## Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,189,170	59,874	4,249,044
Restricted for:			
Categorical funding	185,113	-	185,113
Debt service	128,823	-	128,823
School infrastructure	446,679	-	446,679
Physical plant and equipment	149,097	-	149,097
Student activities	275,152	-	275,152
Unrestricted	1,456,358	203,140	1,659,498
<b>Total net assets</b>	<b>\$ 6,830,392</b>	<b>263,014</b>	<b>7,093,406</b>

See notes to financial statements.

Sheldon Community School District

Statement of Activities

Year ended June 30, 2012

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 3,831,499	172,595	871,335	-
Special instruction	1,371,006	-	175,229	-
Other instruction	1,907,536	446,280	271,558	-
	<u>7,110,041</u>	<u>618,875</u>	<u>1,318,122</u>	<u>-</u>
Support services:				
Student	149,469	-	15,882	-
Instructional staff	507,541	-	-	-
Administration	1,327,133	-	-	-
Operation and maintenance of plant	868,572	-	-	-
Transportation	548,790	8,101	72,998	-
	<u>3,401,505</u>	<u>8,101</u>	<u>88,880</u>	<u>-</u>
Non-instructional programs	11,656	1,896	-	-
Other expenditures:				
Facilities acquisition	115,213	-	-	12,645
Long-term debt interest	289,175	-	11,998	-
AEA flow through	402,323	-	402,323	-
Depreciation (unallocated)*	281,238	-	-	-
	<u>1,087,949</u>	<u>-</u>	<u>414,321</u>	<u>12,645</u>
Total governmental activities	11,611,151	628,872	1,821,323	12,645
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	528,434	306,503	251,638	-
Total	<u>\$ 12,139,585</u>	<u>935,375</u>	<u>2,072,961</u>	<u>12,645</u>

**General Revenues:**

Property tax levied for general purposes

Instructional support surtax

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

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
(2,787,569)	-	(2,787,569)
(1,195,777)	-	(1,195,777)
(1,189,698)	-	(1,189,698)
<u>(5,173,044)</u>	-	<u>(5,173,044)</u>
(133,587)	-	(133,587)
(507,541)	-	(507,541)
(1,327,133)	-	(1,327,133)
(868,572)	-	(868,572)
(467,691)	-	(467,691)
<u>(3,304,524)</u>	-	<u>(3,304,524)</u>
(9,760)	-	(9,760)
(102,568)	-	(102,568)
(277,177)	-	(277,177)
-	-	-
<u>(281,238)</u>	-	<u>(281,238)</u>
<u>(660,983)</u>	-	<u>(660,983)</u>
(9,148,311)	-	(9,148,311)
-	29,707	29,707
<u>(9,148,311)</u>	<u>29,707</u>	<u>(9,118,604)</u>
\$ 3,848,934	-	3,848,934
384,115	-	384,115
798,883	-	798,883
4,198,280	-	4,198,280
9,461	72	9,533
7,925	-	7,925
41,612	77	41,689
<u>9,289,210</u>	149	<u>9,289,359</u>
140,899	29,856	170,755
<u>6,689,493</u>	<u>233,158</u>	<u>6,922,651</u>
<u>\$ 6,830,392</u>	<u>263,014</u>	<u>7,093,406</u>

**Exhibit C**

## Sheldon Community School District

Balance Sheet  
Governmental Funds

June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash, pooled investments and cash equivalents	\$ 2,163,648	137,458	462,040	548,476	3,311,622
Receivables:					
Property tax:					
Delinquent	68,148	-	5,358	6,729	80,235
Succeeding year	3,019,000	-	278,000	315,000	3,612,000
Due from other governments	650,157	-	134,851	-	785,008
<b>Total assets</b>	<b>\$ 5,900,953</b>	<b>137,458</b>	<b>880,249</b>	<b>870,205</b>	<b>7,788,865</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 102,039	-	6,473	10,133	118,645
Salaries and benefits payable	849,945	-	-	-	849,945
Due to other governments	137,334	-	-	-	137,334
Deferred revenue:					
Succeeding year property tax	3,019,000	-	278,000	315,000	3,612,000
Other	456,228	-	-	-	456,228
Total liabilities	4,564,546	-	284,473	325,133	5,174,152
Fund balances:					
Restricted for:					
Categorical funding	185,113	-	-	-	185,113
Debt service	-	137,458	-	-	137,458
School infrastructure	-	-	446,679	-	446,679
Physical plant and equipment	-	-	149,097	-	149,097
Management levy purposes	-	-	-	269,920	269,920
Student activities	-	-	-	275,152	275,152
Unassigned	1,151,294	-	-	-	1,151,294
Total fund balances	1,336,407	137,458	595,776	545,072	2,614,713
<b>Total liabilities and fund balances</b>	<b>\$ 5,900,953</b>	<b>137,458</b>	<b>880,249</b>	<b>870,205</b>	<b>7,788,865</b>

See notes to financial statements.

Sheldon Community School District  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2012

<b>Total fund balances of governmental funds (page 24)</b>	\$ 2,614,713
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,914,170
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	446,561
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.	(8,635)
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>(5,136,417)</u>
<b>Net assets of governmental activities (page 21)</b>	<u>\$ 6,830,392</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, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 3,637,246	-	1,089,789	304,897	5,031,932
Tuition	172,596	-	-	-	172,596
Other	79,722	11,998	30,033	447,353	569,106
State sources	5,544,956	-	12,548	-	5,557,504
Federal sources	462,649	-	-	-	462,649
Total revenues	9,897,169	11,998	1,132,370	752,250	11,793,787
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	3,783,884	-	-	-	3,783,884
Special	1,364,782	-	-	-	1,364,782
Other	1,454,429	-	-	433,825	1,888,254
	6,603,095	-	-	433,825	7,036,920
Support services:					
Student	86,274	-	-	-	86,274
Instructional staff	504,303	-	-	-	504,303
Administration	897,363	-	-	269,155	1,166,518
Operation and maintenance of plant	865,558	-	-	-	865,558
Transportation	549,050	-	-	-	549,050
	2,902,548	-	-	269,155	3,171,703
Non-instructional programs	7,182	-	-	-	7,182
Other expenditures:					
Facilities acquisition	-	-	709,292	-	709,292
Long-term debt:					
Principal	-	480,000	-	-	480,000
Interest and other charges	-	305,672	-	-	305,672
AEA flow through	402,323	-	-	-	402,323
	402,323	785,672	709,292	-	1,897,287
Total expenditures	9,915,148	785,672	709,292	702,980	12,113,092
Excess (deficiency) of revenues over (under) expenditures	(17,979)	(773,674)	423,078	49,270	(319,305)
<b>Other financing sources (uses):</b>					
Operating transfers in	-	681,948	190,000	-	871,948
Operating transfers out	(190,000)	-	(681,948)	-	(871,948)
Payment of refunding debt	-	(4,210,000)	-	-	(4,210,000)
Total other financing sources (uses)	(190,000)	(3,528,052)	(491,948)	-	(4,210,000)
Net change in fund balances	(207,979)	(4,301,726)	(68,870)	49,270	(4,529,305)
Fund balances beginning of year	1,544,386	4,439,184	664,646	495,802	7,144,018
Fund balances end of year	\$ 1,336,407	137,458	595,776	545,072	2,614,713

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, 2012

**Net change in fund balances - total governmental funds (page 26)** \$ (4,529,305)

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

governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 737,668	
Depreciation expense	<u>(540,960)</u>	196,708

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.

7,925

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental

(49,662)

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.

4,690,000

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.

16,497

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	(156,149)	
Other postemployment benefits	<u>(35,115)</u>	<u>(191,264)</u>

**Change in net assets of governmental activities (page 23)**

\$ 140,899

See notes to financial statements.

**Exhibit G**

## Sheldon Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2012

	<u>Enterprise</u>	<u>School</u>	<u>Nutrition</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 200,498		
Inventories	12,628		
Capital assets, net of accumulated depreciation	59,874		
<b>Total assets</b>	<u>273,000</u>		
<b>Liabilities</b>			
Salaries and benefits payable	2,368		
Unearned revenue	7,618		
<b>Total liabilities</b>	<u>9,986</u>		
<b>Net Assets</b>			
Invested in capital assets	59,874		
Unrestricted	203,140		
<b>Total net assets</b>	<u>\$ 263,014</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, 2012

	<u>Enterprise</u>	<u>School</u>	<u>Nutrition</u>
<b>Operating revenues:</b>			
Local sources:			
Charges for service	\$ 306,503		
Miscellaneous	77		
Total operating revenues	<u>306,580</u>		
<b>Operating expenses:</b>			
Non-instructional programs:			
Food service operations:			
Salaries and benefits	226,159		
Purchased services	7,967		
Supplies	280,530		
Depreciation	12,505		
Travel	1,273		
Total operating expenses	<u>528,434</u>		
Operating loss	<u>(221,854)</u>		
<b>Non-operating revenues:</b>			
State sources	4,684		
Federal sources	246,954		
Interest income	72		
Total non-operating revenues	<u>251,710</u>		
Increase in net assets	29,856		
Net assets beginning of year	<u>233,158</u>		
Net assets end of year	<u>\$ 263,014</u>		

See notes to financial statements.

**Exhibit I**

## Sheldon Community School District

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2012

	Enterprise	School	Nutrition
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 307,160		
Cash paid to employees for services	(225,756)		
Cash paid to suppliers for goods or services	(257,393)		
Net cash used by operating activities	<u>(175,989)</u>		
Cash flows from non-capital financing activities:			
State grants received	4,684		
Federal grants received	<u>215,921</u>		
Net cash provided by non-capital financing activities	<u>220,605</u>		
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,373)</u>		
Cash flows from investing activities:			
Interest on investments	<u>72</u>		
Net increase in cash and cash equivalents	43,315		
Cash and cash equivalents beginning of year	<u>157,183</u>		
Cash and cash equivalents end of year	<u>\$ 200,498</u>		
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (221,854)		
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	31,033		
Depreciation	12,505		
Decrease in inventories	1,849		
Decrease in accounts receivable	3		
Decrease in accounts payable	(505)		
Increase in salaries and benefits payable	403		
Increase in unearned revenue	577		
Net cash used by operating activities	<u>\$ (175,989)</u>		

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

During the year ended June 30, 2012, the District received \$31,033 of federal commodities.

See notes to financial statements.

## Sheldon Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2012

	Private Purpose Trust	Scholarship	Agency
<b>Assets</b>			
Cash, pooled investments and cash equivalents		\$ 639,691	1,986
<b>Liabilities</b>			
Due to other governments		-	1,986
<b>Net assets</b>			
Reserved for scholarships		<u>\$ 639,691</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, 2012

	<u>Private</u>	<u>Purpose</u>	<u>Trust</u>	<u>Scholarship</u>
<b>Additions:</b>				
Interest income	\$ 703			
Net increase in fair value of investments	36,853			
Total additions	<u>37,556</u>			
<b>Deductions:</b>				
Regular instruction:				
Scholarships awarded	<u>24,000</u>			
Change in net assets	13,556			
Net assets beginning of year	<u>626,135</u>			
Net assets end of year	<u>\$ 639,691</u>			

See notes to financial statements.

Sheldon Community School District

Notes to Financial Statements

June 30, 2012

**(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 funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for 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 year 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 the Enterprise Fund includes 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

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
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
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 included in the preceding classification.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the support services and non-instructional programs functions.

#### (2) **Cash, Pooled Investments and Cash Equivalents**

The District's deposits in banks at June 30, 2012 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, 2012, the District had the following investments:

Investment Type	Fair Value	Maturity
<u>Bowers Scholarship Trust Portfolio</u>		
Cash and Money Market	\$ 173,862	N/A
Municipal and Corporate Bonds	189,590	varies
Unit Trusts	10,469	varies
Mutual Funds	160,627	varies
Total	<u>\$ 534,548</u>	

In addition, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,894,062 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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.

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 Bowers Scholarship Trust Portfolio is 17.59% 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, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 515,739
	Statewide Sales, Services and Use Tax	166,209
Capital Projects: Physical Plant and Equipment Levy	General	<u>190,000</u>
Total		<u><u>\$ 871,948</u></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, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 83,303	90,000	-	173,303
Construction in progress	75,422	344,296	415,179	4,539
Total capital assets not being depreciated	<u>158,725</u>	<u>434,296</u>	<u>415,179</u>	<u>177,842</u>
Capital assets being depreciated:				
Buildings	10,752,318	19,836	-	10,772,154
Improvements other than buildings	2,775,930	537,386	-	3,313,316
Furniture and equipment	2,280,077	169,254	62,375	2,386,956
Infrastructure	25,963	-	-	25,963
Total capital assets being depreciated	<u>15,834,288</u>	<u>726,476</u>	<u>62,375</u>	<u>16,498,389</u>
Less accumulated depreciation for:				
Buildings	3,458,991	250,342	-	3,709,333
Improvements other than buildings	2,038,789	144,910	-	2,183,699
Furniture and equipment	1,779,638	144,843	62,375	1,862,106
Infrastructure	6,058	865	-	6,923
Total accumulated depreciation	<u>7,283,476</u>	<u>540,960</u>	<u>62,375</u>	<u>7,762,061</u>
Total capital assets being depreciated, net	<u>8,550,812</u>	<u>185,516</u>	-	<u>8,736,328</u>
Governmental activities capital assets, net	<u>\$ 8,709,537</u>	<u>619,812</u>	<u>415,179</u>	<u>8,914,170</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 195,680	1,373	-	197,053
Less accumulated depreciation	124,674	12,505	-	137,179
Business type activities capital assets, net	<u>\$ 71,006</u>	<u>(11,132)</u>	-	<u>59,874</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				
Regular			\$ 25,855	
Special			2,271	
Other			19,279	
Support services:				
Student			61,274	
Instructional staff			3,238	
Operation and maintenance of plant			47,186	
Transportation			96,145	
Non-instructional programs			4,474	
			<u>259,722</u>	
Unallocated			<u>281,238</u>	
Total depreciation expense - governmental activities			<u>\$ 540,960</u>	
Business type activities:				
Food service operations			<u>\$ 12,505</u>	

## (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 4,530,000	-	4,530,000	-	-
General obligation school refunding bonds	4,395,000	-	-	4,395,000	400,000
General obligation school capital loan notes	490,000	-	160,000	330,000	165,000
Early retirement	173,163	237,497	81,348	329,312	160,305
Net OPEB liability	46,990	85,115	50,000	82,105	-
Total	\$ 9,635,153	322,612	4,821,348	5,136,417	725,305

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	General Obligation School Refunding Bonds		General Obligation School Capital Loan Notes		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2013	\$ 400,000	99,640	165,000	3,960	565,000	103,600	668,600
2014	410,000	91,640	165,000	2,227	575,000	93,867	668,867
2015	415,000	83,440	-	-	415,000	83,440	498,440
2016	425,000	75,140	-	-	425,000	75,140	500,140
2017	435,000	66,640	-	-	435,000	66,640	501,640
2018-2022	2,310,000	185,485	-	-	2,310,000	185,485	2,495,485
Total	\$ 4,395,000	601,985	330,000	6,187	4,725,000	608,172	5,333,172

### 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 \$4,210,000 of bonds were called on June 1, 2012.

### 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 1.00% 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, 2012, the District offered a voluntary early retirement plan to its certified employees through June 1, 2012. Eligible employees must be at least age fifty-five by June 30, 2012 and must have completed eleven 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 \$81,348

were paid during the year ended June 30, 2012, 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$445,983, \$ 366,992 and \$351,419, 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, retirees and their spouses. There are 108 active and 5 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, 2012, 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	2,115
Adjustment to annual required contribution	-
Annual OPEB cost	85,115
Contributions made	(50,000)
Increase in net OPEB obligation	35,115
Net OPEB obligation beginning of year	46,990
Net OPEB obligation end of year	<u>\$ 82,105</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, 2012.

For the year ended June 30, 2012, the District contributed \$50,000 to the medical plan. Plan members eligible for benefits contributed \$39,100, or 43.9% 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, 2012 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
2012	85,115	58.7	82,105

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, 2012, 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 \$4,781,000 and the ratio of the UAAL to covered payroll was 15.9%. As of June 30, 2012, 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 for the Retiree Health Plan, 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 \$402,323 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**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, 2012

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
<b>Revenues:</b>			
Local sources	\$ 5,773,634	306,652	6,080,286
State sources	5,557,504	4,684	5,562,188
Federal sources	462,649	246,954	709,603
<b>Total revenues</b>	<b>11,793,787</b>	<b>558,290</b>	<b>12,352,077</b>
<b>Expenditures/Expenses:</b>			
Instruction	7,036,920	-	7,036,920
Support services	3,171,703	-	3,171,703
Non-instructional programs	7,182	528,434	535,616
Other expenditures	1,897,287	-	1,897,287
<b>Total expenditures/expenses</b>	<b>12,113,092</b>	<b>528,434</b>	<b>12,641,526</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>(319,305)</b>	<b>29,856</b>	<b>(289,449)</b>
<b>Other financing sources, net</b>	<b>(4,210,000)</b>	<b>-</b>	<b>(4,210,000)</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures/expenses</b>	<b>(4,529,305)</b>	<b>29,856</b>	<b>(4,499,449)</b>
<b>Balances beginning of year</b>	<b>7,144,018</b>	<b>233,158</b>	<b>7,377,176</b>
<b>Balances end of year</b>	<b>\$ 2,614,713</b>	<b>263,014</b>	<b>2,877,727</b>

See accompanying independent auditor's report.

---

Budgeted Amounts		Final to Actual Variance
Original	Final	
5,835,575	5,835,575	244,711
5,730,681	5,730,681	(168,493)
423,600	423,600	286,003
<u>11,989,856</u>	<u>11,989,856</u>	<u>362,221</u>
7,656,838	7,238,383	201,463
3,543,377	2,730,045	(441,658)
546,000	490,354	(45,262)
1,830,849	6,318,394	4,421,107
<u>13,577,064</u>	<u>16,777,176</u>	<u>4,135,650</u>
(1,587,208)	(4,787,320)	4,497,871
-	-	<u>(4,210,000)</u>
(1,587,208)	(4,787,320)	287,871
<u>2,080,436</u>	<u>2,080,436</u>	<u>5,296,740</u>
<u>493,228</u>	<u>(2,706,884)</u>	<u>5,584,611</u>

Sheldon Community School District  
Notes to Required Supplementary Information – Budgetary Reporting  
Year ended June 30, 2012

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 \$3,200,112.

During the year ended June 30, 2012, expenditures exceeded the amounts budgeted for the support services and non-instructional programs functions.

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
2012	Jul 1, 2009	-	759,000	759,000	0.0	4,780,746	15.9

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

See accompanying independent auditor's report.

**Sheldon Community School District**

**Supplementary Information**

**Schedule 1**

Sheldon Community School District

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2012

<b>Special Revenue</b>			
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash, pooled investments and cash equivalents	\$ 273,324	275,152	548,476
Receivables:			
Property tax:			
Delinquent	6,729	-	6,729
Succeeding year	315,000	-	315,000
<b>Total assets</b>	<b>\$ 595,053</b>	<b>275,152</b>	<b>870,205</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 10,133	-	10,133
Deferred revenue:			
Succeeding year property tax	315,000	-	315,000
<b>Total liabilities</b>	<b>325,133</b>	<b>-</b>	<b>325,133</b>
Fund balances:			
Restricted for:			
Management levy purposes	269,920	-	269,920
Student activities	-	275,152	275,152
<b>Total fund balances</b>	<b>269,920</b>	<b>275,152</b>	<b>545,072</b>
<b>Total liabilities and fund balances</b>	<b>\$ 595,053</b>	<b>275,152</b>	<b>870,205</b>

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, 2012

	Special Revenue		
	Manage-	Student	
	ment	Activity	Total
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 304,897	-	304,897
Other	1,081	446,272	447,353
Total revenues	305,978	446,272	752,250
<b>Expenditures:</b>			
Current:			
Instruction:			
Other	-	433,825	433,825
Support services:			
Administration	269,155	-	269,155
Total expenditures	269,155	433,825	702,980
Excess of revenues over expenditures	36,823	12,447	49,270
Fund balances beginning of year	233,097	262,705	495,802
Fund balances end of year	\$ 269,920	275,152	545,072

See accompanying independent auditor's report.

**Schedule 3**

Sheldon Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2012

<b>Capital Projects</b>					
	Middle School Construction	Statewide Sales, Services and Use Tax	Plant and Equipment Levy	Physical Levy	Total
<b>Assets</b>					
Cash, pooled investments and cash equivalents	\$ 12,304	305,997	143,739	5,358	462,040
Receivables:					
Property tax:					
Delinquent	-	-	-	5,358	5,358
Succeeding year	-	-	278,000	278,000	
Due from other governments	-	134,851	-	-	134,851
<b>Total assets</b>	<b>\$ 12,304</b>	<b>440,848</b>	<b>427,097</b>	<b>880,249</b>	
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 1,933	4,540	-	-	6,473
Deferred revenue:					
Succeeding year property tax	-	-	278,000	278,000	
<b>Total liabilities</b>	<b>1,933</b>	<b>4,540</b>	<b>278,000</b>	<b>284,473</b>	
Fund balances:					
Restricted for:					
School infrastructure	10,371	436,308	-	-	446,679
Physical plant and equipment	-	-	149,097	149,097	
<b>Total fund balances</b>	<b>10,371</b>	<b>436,308</b>	<b>149,097</b>	<b>595,776</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 12,304</b>	<b>440,848</b>	<b>427,097</b>	<b>880,249</b>	

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, 2012

		<b>Capital Projects</b>			
		Middle School Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ -	798,883	290,906	1,089,789	
Other	4	93	29,936	30,033	
State sources	-	-	12,548	12,548	
<b>Total revenues</b>	<b>4</b>	<b>798,976</b>	<b>333,390</b>	<b>1,132,370</b>	
<b>Expenditures:</b>					
Other expenditures:					
Facilities acquisition		7,595	72,328	629,369	709,292
Excess (deficiency) of revenues over (under) expenditures		(7,591)	726,648	(295,979)	423,078
Other financing sources (uses):					
Operating transfers in		-	-	190,000	190,000
Operating transfers out		-	(515,739)	(166,209)	(681,948)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(515,739)</b>	<b>23,791</b>	<b>(491,948)</b>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses		(7,591)	210,909	(272,188)	(68,870)
Fund balances beginning of year		17,962	225,399	421,285	664,646
<b>Fund balances end of year</b>	<b>\$</b>	<b>10,371</b>	<b>436,308</b>	<b>149,097</b>	<b>595,776</b>

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, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Basketball	\$ 1,000	1,340	1,340	1,000
Cross Country	500	1,855	1,855	500
Football	7,000	10,602	10,602	7,000
Boys Golf	700	735	735	700
Boys Track	1,000	2,184	2,184	1,000
Baseball	1,628	1,890	1,968	1,550
Wrestling	1,000	3,594	3,594	1,000
Girls Basketball	1,000	2,183	2,183	1,000
Girls Softball	2,837	1,890	2,595	2,132
Girls Track	1,000	2,084	2,084	1,000
Girls Volleyball	2,255	2,390	3,095	1,550
Girls Golf	700	1,108	1,108	700
Weightlifting	983	-	-	983
Dance Team	9,956	22,609	31,617	948
Cheerleaders	5,674	10,243	9,208	6,709
Activity Tickets	-	11,305	11,305	-
Concession - High School	4	47,896	47,229	671
Concession - Middle School	3,726	5,951	6,659	3,018
Reserved Seat Tickets	53	52	-	105
Activity Passes	-	1,960	1,960	-
All Sports	773	7,852	4,178	4,447
Athletic Uniforms	3,500	2,949	2,949	3,500
Flags	648	2,150	1,353	1,445
Spanish Club	25,048	17,897	22,293	20,652
Art Club	4,168	350	597	3,921
Science Club	597	1,100	1,469	228
Speech Club	2,750	3,298	5,587	461
Family Career & Community Leaders of America (FCCLA)	3,229	2,144	1,677	3,696
Orab FB Club	955	7,898	6,924	1,929
Orab VB Club	982	-	-	982
Orab Boys BB Club	-	720	710	10
Orab Girls BB Club	-	2,080	714	1,366
Fellowship of Christian Athletes (FCA)	628	1,100	-	1,728
Future Business Leaders	2,131	1,422	1,037	2,516
Future Farmers of America	1,257	27,276	26,003	2,530
College Farm	52,134	85,530	56,294	81,370
Middle School:				
SOAR	10,072	11,455	12,726	8,801
Band	867	1,631	2,385	113
Vocal Music	2,745	556	207	3,094
Student Council	5,558	1,773	1,851	5,480
Magazine Sales	-	33,735	33,735	-
Playground Equipment	134	-	4	130
5/6 Entrepreneur	3,564	3,150	3,695	3,019

## Sheldon Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
<b>High School:</b>				
Student Council	5,310	8,832	12,300	1,842
National Honor Society	1,040	1,980	1,525	1,495
SADD	1,327	550	372	1,505
Band Uniform Rent	14,150	1,290	200	15,240
Musical	1,122	5,751	2,705	4,168
Annual	84	9,369	9,453	-
Band	8,179	18,153	22,498	3,834
Jazz Band	23	-	-	23
Vocal Music	4,004	5,843	5,833	4,014
Choir Robes	16	-	-	16
Choir Trip	127	-	-	127
Swing Choir	5,246	4,579	4,541	5,284
Summer Theater	16,434	18,275	18,722	15,987
Music Department Trip	2,020	1,100	-	3,120
Band Trip	3,880	-	-	3,880
Science Department	100	-	-	100
Elementary Boxtop	7,794	16,554	13,964	10,384
District Hospitality	23	1,000	1,012	11
Student Vending Machines	4,861	149	4,807	203
Investments	7,308	155	3,824	3,639
<b>Class of:</b>				
2001/2011	1,179	807	1,986	-
2002/2012	2,646	1,035	1,739	1,942
2003/2013	3,961	-	635	3,326
2004/2014	4,741	-	-	4,741
2005/2015	4,023	-	-	4,023
2006/2016	-	2,913	-	2,913
2008/2018	351	-	-	351
<b>Total</b>	<b>\$ 262,705</b>	<b>446,272</b>	<b>433,825</b>	<b>275,152</b>

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, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 1,432	6,693	6,139	1,986
Accounts receivable	147	-	147	-
Due from other governments	5,710	-	5,710	-
<b>Total assets</b>	<b>\$ 7,289</b>	<b>6,693</b>	<b>11,996</b>	<b>1,986</b>
<b>Liabilities</b>				
Due to other governments	\$ 7,289	6,693	11,996	1,986
<b>Total liabilities</b>	<b>\$ 7,289</b>	<b>6,693</b>	<b>11,996</b>	<b>1,986</b>

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

	2012	2011	2010	2009
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,031,932	4,778,567	4,642,163	4,218,043
Tuition	172,596	189,929	210,991	174,806
Other	569,106	441,454	392,770	468,238
State sources	5,557,504	5,567,582	4,876,180	5,663,888
Federal sources	462,649	546,513	670,172	337,095
Total	<u>\$ 11,793,787</u>	<u>11,524,045</u>	<u>10,792,276</u>	<u>10,862,070</u>
<b>Expenditures:</b>				
Instruction:				
Regular	\$ 3,783,884	3,996,233	3,839,273	4,241,257
Special	1,364,782	1,981,627	1,950,572	1,541,143
Other	1,888,254	1,026,065	990,530	974,648
Support services:				
Student	86,274	53,925	53,364	55,830
Instructional staff	504,303	145,727	98,639	136,095
Administration services	1,166,518	1,037,847	938,589	1,003,993
Operation and maintenance of plant	865,558	758,416	764,563	811,773
Transportation	549,050	384,124	388,181	341,938
Central support	-	-	38,432	-
Non-instructional programs	7,182	3,565	3,548	56
Other expenditures:				
Facilities acquisition	709,292	705,246	1,433,401	590,733
Long-term debt:				
Principal	480,000	305,000	300,000	275,000
Interest and other charges	305,672	296,776	218,826	228,451
AEA flow through	402,323	444,320	431,559	394,824
Total	<u>\$ 12,113,092</u>	<u>11,138,871</u>	<u>11,449,477</u>	<u>10,595,741</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
3,713,942	3,783,369	3,778,943	3,705,094	3,971,901	3,186,542
227,067	228,469	205,636	195,411	172,579	118,391
514,158	596,990	525,867	549,856	456,981	595,179
4,884,895	4,727,058	4,348,956	4,158,412	3,647,447	3,917,172
225,695	271,408	231,222	350,161	894,075	278,416
<b>9,565,757</b>	<b>9,607,294</b>	<b>9,090,624</b>	<b>8,958,934</b>	<b>9,142,983</b>	<b>8,095,700</b>
3,679,180	3,594,270	3,965,895	3,730,320	3,534,552	3,336,688
1,531,007	1,452,227	963,874	979,108	788,266	687,714
1,017,840	932,961	837,581	945,675	842,041	810,318
50,906	116,807	94,290	72,821	81,986	241,027
136,384	148,092	131,141	136,586	124,936	135,636
918,615	1,169,018	908,871	823,388	827,693	728,667
801,142	760,164	770,570	649,462	579,527	511,765
393,383	346,948	301,381	246,718	240,987	211,953
-	-	123	27,631	-	14,560
6,960	5,117	71	9,042	8,502	5,000
439,767	553,113	257,939	733,736	4,718,670	2,456,560
265,000	255,000	250,000	240,000	200,000	145,000
237,063	245,351	252,851	260,051	268,501	209,444
362,665	352,494	334,941	325,668	325,688	366,540
<b>9,839,912</b>	<b>9,931,562</b>	<b>9,069,528</b>	<b>9,180,206</b>	<b>12,541,349</b>	<b>9,860,872</b>

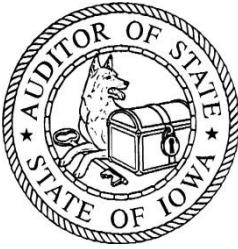
**Schedule 8**Sheldon Community School District  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	\$ 38,375
National School Lunch Program	10.555	FY12	208,579 *
			246,954
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY12	112,046
Career and Technical Education - Basic Grants to States (\$320 provided to subrecipients)	84.048	FY12	26,275
Fund for the Improvement of Education	84.215	FY12	12,548
English Language Acquisition State Grants	84.365	FY12	195
Improving Teacher Quality State Grants	84.367	FY12	36,853
Grants for State Assessments and Related Activities	84.369	FY12	12,721
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY12	3,388
Education Jobs Fund	84.410	FY12	207,988
Area Education Agency #4:			
Special Education - Grants to States	84.027	FY12	61,255
Total			\$ 720,223

\* - Includes \$31,033 of non-cash awards.

**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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 1, 2013. 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

The 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-12 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, 2012 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.

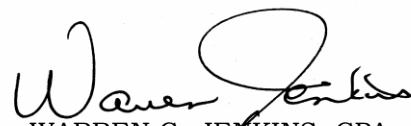
Sheldon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Sheldon Community School District's responses and, accordingly, 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, and is not intended to be and should not be used by anyone other than these specified parties.

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

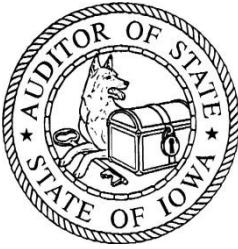


WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 1, 2013

**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**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA  
Auditor of State

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 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, 2012. 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, 2012.

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.

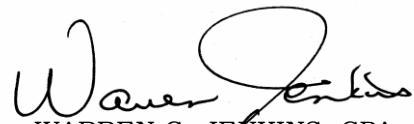
A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance 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 deficiencies, 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 defined 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

February 1, 2013

Sheldon Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**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
  - CFDA Number 84.410 – Education Jobs Fund
- (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, 2012

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

**INTERNAL CONTROL DEFICIENCY:**

II-A-12 Information Systems – The District adopted a written disaster recovery plan in September 2011. However, the following key items are not included in the plan: staff responsibilities, steps for system recovery, computer equipment needed for temporary processing, an inventory of hardware and software components and a business location which could be used to process critical applications in the event of an emergency. In addition, a copy of the plan, user documentation, policies and procedures manual and extra paper supplies are not required to be kept off site and the plan has not been tested.

Recommendation – A written disaster recovery plan which includes all of the identified elements should be developed and the plan should be periodically tested.

Response – The disaster recovery plan will be expanded to include the above mentioned requirements.

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, 2012

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 exceeded the amended certified budget amounts in the support services and non-instructional programs functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – The District will continue to monitor the budget to avoid exceeding the budget.

Conclusion - Response accepted.

IV-B-12 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-12 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-12 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-12 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-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-12 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 year 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, 2012

- IV-J-12 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	<u>\$ 225,399</u>
Revenues:	
Statewide sales, services and use tax	798,883
Interest on investments	<u>93</u>
Total revenues	<u>798,976</u>
Expenditures/transfers out:	
School infrastructure:	
Buildings	\$ 72,328
Debt service for school infrastructure:	
General obligation debt	<u>515,739</u> <u>588,067</u>
Ending balance	<u>\$ 436,308</u>

For the year ended June 30, 2012, 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	\$ 1.48918	515,739
Physical plant and equipment levy	.81757	283,144

- IV-K-12 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-L-12 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

Sheldon Community School District

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Jennifer L. Wall, CPA, Senior Auditor II  
Lara K. VanWyk, Staff Auditor  
Hannah K. Haas, Assistant Auditor  
Benjamin P. James, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State