



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

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 13, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Sheldon Community School District in Sheldon, Iowa.

The District's revenues totaled \$12,533,468 for the year ended June 30, 2013, an increase of 1.8% over the prior year. Revenues included \$3,989,200 in local tax, charges for service of \$1,156,790, operating grants, contributions and restricted interest of \$1,871,491, instructional support surtax of \$533,248, statewide sales, services and use tax of \$859,280, unrestricted state grants of \$4,056,253, unrestricted investment earnings of \$9,067 and other general revenues of \$58,139.

Expenses for District operations for the year ended June 30, 2013 totaled \$12,168,215, an increase of less than 1% over the prior year. Expenses included \$7,270,091 for instruction, \$3,203,771 for support services, \$127,925 for non-instructional programs (excluding food service operations), \$987,872 for other expenditures and \$578,556 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/1330-5949-B00F.pdf>.

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**SHELDON COMMUNITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2013**

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**Sheldon Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Gary Ihnen	President	2015
Kecia Hickman	Vice President	2015
Randy Merley	Board Member	2013
Susan Rensink	Board Member	2013
Glen Goedken	Board Member	2015
<b>School Officials</b>		
Robin Spears	Superintendent	2013
Bill Borchers	District Secretary/Treasurer and Business Manager	(Retired Jun 30, 2013)
LaDonn Hartzell (Appointed May 2013)	District Secretary/Treasurer and Business Manager	2013
Tom Whorley	Attorney	2013

**Sheldon Community School District**



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Independent Auditor's Report

To the Board of Education of  
Sheldon Community School District:

Report on the Financial Statements

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, 2013, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## 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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

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 9 through 18 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*


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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (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.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2014 on our consideration of Sheldon Community School District's internal control over financial reporting and on 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 in considering Sheldon Community School District's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 20, 2014

**Sheldon Community School District**

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

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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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$9,897,169 in fiscal year 2012 to \$9,843,067 in fiscal year 2013, while General Fund expenditures decreased from \$9,915,148 in fiscal year 2012 to \$9,910,537 in fiscal year 2013. The District's General Fund balance increased from \$1,336,407 at the end of fiscal year 2012 to \$1,533,937 at the end of fiscal year 2013, an increase of 14.8%.

### **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 Position 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.

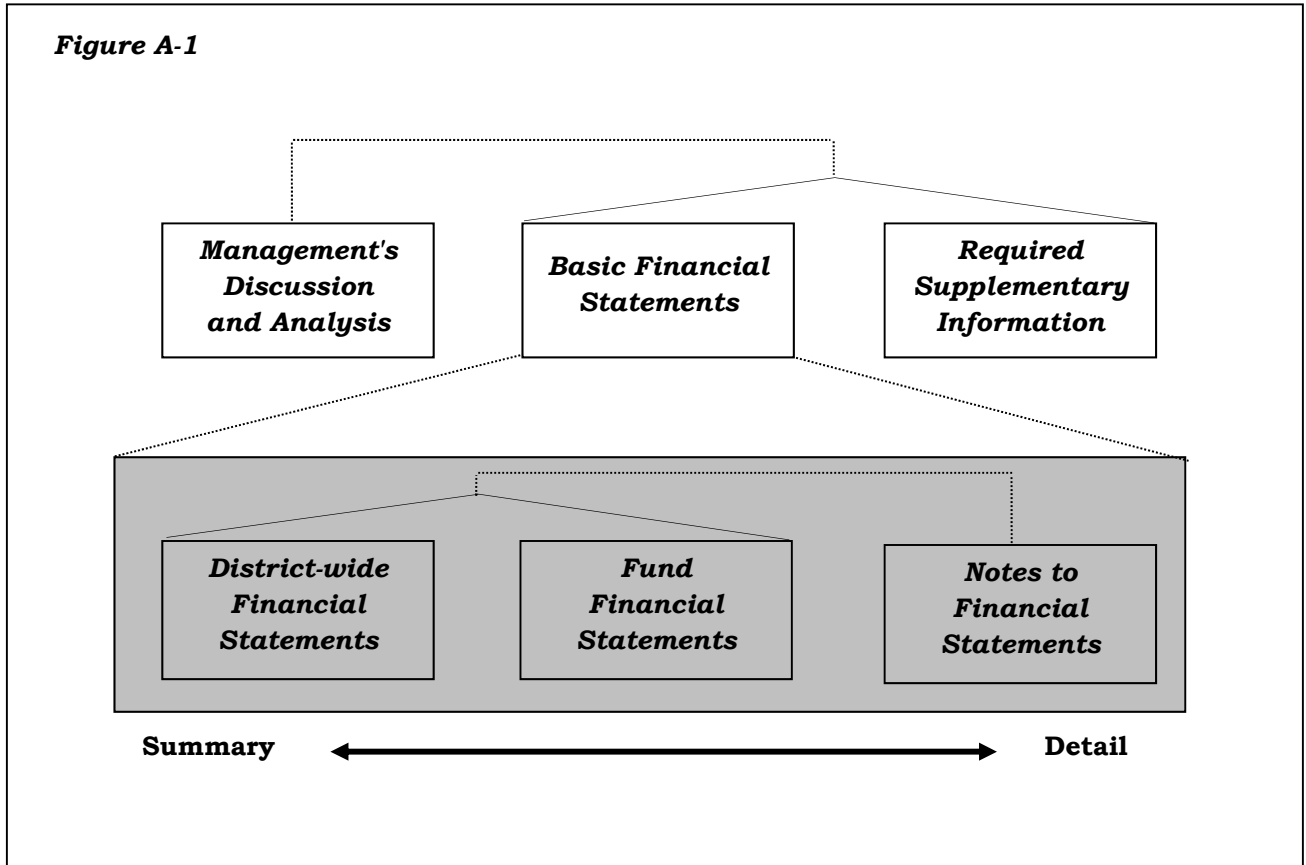


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	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 Position</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 Position</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary net Position</li> <li>• Statement of Changes in Fiduciary net Position</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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 accounts, or to show it is properly using certain revenues, such as federal grants.

The District has four 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. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities to provide supplies and services for other District programs and activities. The District currently has one Internal Service Fund, the Self Insurance Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 Position and a Statement of Changes in Fiduciary Net Position.

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

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-3 below provides a summary of the District’s total net position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		% Total Change June 30, 2012-2013
	June 30, 2013	2012	2013	2012	2013	2012	
Current and other assets	\$14,223	7,789	246	213	14,469	8,002	80.8%
Capital assets	8,685	8,914	51	60	8,736	8,974	-2.7%
Total assets	22,908	16,703	297	273	23,205	16,976	36.7%
Long-term liabilities	10,369	5,136	-	-	10,369	5,136	101.9%
Other liabilities	5,365	4,737	11	10	5,376	4,747	13.3%
Total liabilities	15,734	9,873	11	10	15,745	9,883	59.3%
Net position:							
Net investment in capital assets	4,525	4,189	51	60	4,576	4,249	7.7%
Restricted	1,188	1,185	-	-	1,188	1,185	0.3%
Unrestricted	1,461	1,456	234	203	1,695	1,659	2.2%
Total net position	\$ 7,174	6,830	285	263	7,459	7,093	5.2%

The District's combined net position increased 5.2%, or approximately \$366,000, over the prior year. The largest portion of the District's net position 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 position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$3,000, or 0.3%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$36,000, or 2.2%.

Figure A-4 shows the changes in net position for the years ended June 30, 2013 and 2012.

	Governmental Activities		Business Type Activities		Total District		% Total Change
	2013	2012	2013	2012	2013	2012	June 30, 2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 821	629	336	306	1,157	935	23.7%
Operating grants, contributions and restricted interest	1,607	1,821	265	252	1,872	2,073	-9.7%
Capital grants, contributions and restricted interest	-	13	-	-	-	13	-100.0%
General revenues:							
Property tax	3,989	3,849	-	-	3,989	3,849	3.6%
Instructional support surtax	533	384	-	-	533	384	38.8%
Statewide sales, services and use tax	859	799	-	-	859	799	7.5%
Unrestricted state grants	4,057	4,198	-	-	4,057	4,198	-3.4%
Unrestricted investment earnings	9	9	-	-	9	9	0.0%
Other	58	50	-	-	58	50	16.0%
Total revenues	<u>11,933</u>	<u>11,752</u>	<u>601</u>	<u>558</u>	<u>12,534</u>	<u>12,310</u>	<u>1.8%</u>
Program expenses:							
Instruction	7,270	7,110	-	-	7,270	7,110	2.3%
Support services	3,203	3,402	-	-	3,203	3,402	-5.8%
Non-instructional programs	128	11	579	528	707	539	31.2%
Other expenses	988	1,088	-	-	988	1,088	-9.2%
Total expenses	<u>11,589</u>	<u>11,611</u>	<u>579</u>	<u>528</u>	<u>12,168</u>	<u>12,139</u>	<u>0.2%</u>
Increase in net position	344	141	22	30	366	171	114.0%
Net position beginning of year	6,830	6,689	263	233	7,093	6,922	2.5%
Net position end of year	<u>\$ 7,174</u>	<u>6,830</u>	<u>285</u>	<u>263</u>	<u>7,459</u>	<u>7,093</u>	<u>5.2%</u>

Property tax and unrestricted state grants account for 67% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total governmental activities expenses.



## Governmental Activities

Revenues for governmental activities were \$11,932,842 and expenses were \$11,589,659.

The following table presents the total and net cost of the District's major governmental activities for fiscal year 2013: 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		
	2013	2012	Change	2013	2012	Change
			2012-2013			2012-2013
Instruction	\$ 7,270	7,110	2.3%	5,487	5,173	6.1%
Support services	3,203	3,402	-5.8%	3,102	3,304	-6.1%
Non-instructional programs	128	11	1063.6%	(12)	10	-220.0%
Other expenses	988	1,088	-9.2%	585	661	-11.5%
Total	\$ 11,589	11,611	-0.2%	9,162	9,148	0.2%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$820,846.
- Federal and state governments subsidized certain programs with grants, contributions and restricted interest totaling \$1,606,869.
- The net cost of governmental activities was financed with \$5,381,728 of property and other tax, including statewide sales, services and use tax, and \$4,056,253 of unrestricted state grants and contributions.

## Business Type Activities

Revenues for business type activities were \$600,626 and expenses were \$578,556. 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 \$8,331,852, an increase of \$5,717,139 compared to last year's ending fund balance of \$2,614,713. The increase is primarily due to the issuance of \$5,800,000 of general obligation capital loan notes on June 19, 2013, the proceeds of which were unspent at year end.

## Governmental Fund Highlights

The General Fund revenues and expenditures remained consistent from fiscal year 2012 to fiscal year 2013. During the year ended June 30, 2011, the Sheldon Board of Education adopted a policy to maintain a solvency ratio of 12% for the General Fund. A solvency ratio demonstrates the District's management control of financial performance. For the year ended June 30, 2013, the solvency ratio of the District is 14.1%.

The Debt Service Fund balance decreased from \$137,458 to \$136,720. This represents a decrease of \$738, or less than 1%.

The Capital Projects Fund balance increased from \$595,776 to \$6,115,311 as a result of the issuance of \$5,800,000 of general obligation capital loan notes to pay for costs associated with the elementary school addition and remodel project. Proceeds of the notes were still on hand at June 30, 2013.

### Proprietary Fund Highlights

School Nutrition Fund net position increased from \$263,014 at June 30, 2012 to \$285,084 at June 30, 2013, representing an increase of approximately 8.4%, due primarily to an increase in revenue from federal sources.

The Internal Service, Employee Health Insurance Fund net position increased to \$99,677 at June 30, 2013. This fund was created during fiscal year 2013.

### BUDGETARY HIGHLIGHTS

Sheldon Community School District did not amend its budget during fiscal year 2013.

The District's revenues were \$471,171 more than budgeted revenues, a variance of 3.9%.

Total expenditures were \$1,297,335 less than budgeted expenditures, a variance of 9.5%. 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 non-instructional programs functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2013, the District had invested, net of accumulated depreciation, approximately \$8.7 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 \$534,400 for governmental and business type activities.

	Governmental		Business Type		Total		% Total
	Activities		Activities		District		Change
	June 30, 2013	2012	June 30, 2013	2012	June 30, 2013	2012	2012-2013
Land	\$ 173	173	-	-	173	173	0.0%
Construction in progress	281	4	-	-	281	4	6925.0%
Buildings	6,819	7,063	-	-	6,819	7,063	-3.5%
Improvements other than buildings	990	1,130	-	-	990	1,130	-12.4%
Furniture and equipment	404	525	51	60	455	585	-22.2%
Infrastructure	18	19	-	-	18	19	-5.3%
Total	\$ 8,685	8,914	51	60	8,736	8,974	-2.7%

The original cost of the District's capital assets was approximately \$17.2 million. Governmental funds account for approximately \$17.0 million, with the remaining \$.2 million accounted for in the Proprietary, School Nutrition Fund.

### Long-Term Liabilities

At June 30, 2013, the District had \$9,960,000 of general obligation bond/note indebtedness outstanding. This represents an increase of approximately 110.8% over the prior year. The increase was due to the District issuing \$5,800,000 of general obligation capital loan notes on June 19, 2013. (See Figure A-7) Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

	Total		% Total Change
	District	June 30,	
	June 30,	2012	2012-2013
	2013	2012	2012-2013
General obligation refunding bonds	\$ 3,995	4,395	-9.1%
General obligation school capital loan notes	5,965	330	1707.6%
Early retirement	307	329	-6.7%
Net OPEB liability	102	82	24.4%
Total	\$ 10,369	5,136	101.9%

### 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 funding from the State of Iowa. The Supplemental State Aid funding from the State of Iowa for fiscal year 2014 was set at 2%. The Supplemental State Aid for fiscal year 2015 has been set at 4%. The District experienced an enrollment increase of 27.67 students for the budget year 2015. The State's inability to set Supplemental State Aid, as required by statute, is problematic for local school districts in the budgeting process. Two of the biggest items which necessitate the need for additional cash reserves are inadequate levels of Supplemental State Aid and the fluctuation of 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 \$2,000 deductible plan. The MERP is administered by Three Rivers Benefit Corporation. The District has experienced significant benefit in controlling health insurance costs since the implementation of the MERP program. The health insurance increase for fiscal year 2014 was 4.5%. Previous to implementing the MERP program, the District experienced double digit annual increases.

In February of 2013, the District passed a \$1.34 PPEL that will be used to fund an East Elementary addition/remodel project to help alleviate the overcrowding currently being experienced in the elementary building.

The East Elementary addition/remodel project will be funded by a combination of an increased voted Physical Plant and Equipment Levy (PPEL) rate of \$1.34 per \$1,000 of assessed taxable valuation of property within the school district and reserve funds from the statewide sales, services and use tax. The capital note on the East Elementary addition/remodel project will be retired in fiscal year 2026.

The residents of the District also voted and passed a revised Revenue Purpose Statement to authorize the use of 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.

At the time of the audit completion, negotiations for the fiscal year 2015 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 LaDonn Hartzell, District Secretary/Treasurer and Business Manager, Sheldon Community School District, 1700 E. 4th Street, Sheldon, Iowa, 51201.

## **Basic Financial Statements**

**Exhibit A**

## Sheldon Community School District

## Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 9,331,946	232,635	9,564,581
Receivables:			
Property tax:			
Delinquent	44,139	-	44,139
Succeeding year	4,062,000	-	4,062,000
Accounts	40	-	40
Due from other governments	784,740	-	784,740
Inventories	-	13,283	13,283
Capital assets, net of accumulated depreciation	8,684,922	50,609	8,735,531
<b>Total assets</b>	<b>22,907,787</b>	<b>296,527</b>	<b>23,204,314</b>
<b>Liabilities</b>			
Accounts payable	217,393	30	217,423
Salaries and benefits payable	874,121	1,990	876,111
Due to other governments	171,445	-	171,445
Accrued interest payable	13,430	-	13,430
Unearned revenue:			
Succeeding year property tax	4,062,000	-	4,062,000
Other	27,186	9,423	36,609
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	410,000	-	410,000
General obligation school capital loan notes	435,000	-	435,000
Early retirement	172,993	-	172,993
Portion due after one year:			
General obligation bonds	3,585,000	-	3,585,000
General obligation school capital loan notes	5,530,000	-	5,530,000
Early retirement	133,844	-	133,844
Net OPEB liability	101,800	-	101,800
<b>Total liabilities</b>	<b>15,734,212</b>	<b>11,443</b>	<b>15,745,655</b>

## Sheldon Community School District

## Statement of Net Position

June 30, 2013

	Governmental Business Type		Total
	Activities	Activities	
<b>Net position</b>			
Net investment in capital assets	4,524,922	50,609	4,575,531
Restricted for:			
Categorical funding	199,667	-	199,667
Debt service	123,290	-	123,290
School infrastructure	576,068	-	576,068
Student activities	288,654	-	288,654
Unrestricted	1,460,974	234,475	1,695,449
<b>Total net position</b>	<b>\$ 7,173,575</b>	<b>285,084</b>	<b>7,458,659</b>

See notes to financial statements.

Sheldon Community School District

Statement of Activities

Year ended June 30, 2013

	Expenses	Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,732,820	225,331	645,722
Special instruction	1,703,648	-	176,678
Other instruction	1,833,623	441,170	294,660
	<u>7,270,091</u>	<u>666,501</u>	<u>1,117,060</u>
Support services:			
Student	146,015	-	17,957
Instructional staff	398,675	-	-
Administration	1,315,698	-	-
Operation and maintenance of plant	773,042	-	-
Transportation	570,341	14,153	69,619
	<u>3,203,771</u>	<u>14,153</u>	<u>87,576</u>
Non-instructional programs	<u>127,925</u>	<u>140,192</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	196,856	-	-
Long-term debt interest	109,145	-	-
AEA flow through	402,233	-	402,233
Depreciation (unallocated)*	279,638	-	-
	<u>987,872</u>	<u>-</u>	<u>402,233</u>
Total governmental activities	<u>11,589,659</u>	<u>820,846</u>	<u>1,606,869</u>
Business type activities:			
Non-instructional programs:			
Food service operations	578,556	335,944	264,622
Total	<u>\$ 12,168,215</u>	<u>1,156,790</u>	<u>1,871,491</u>

**General Revenues:**

Property tax levied for general purposes
Instructional support surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues
Change in net position
Net position beginning of year
Net position 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 Position		
Governmental Activities	Business Type Activities	Total
(2,861,767)	-	(2,861,767)
(1,526,970)	-	(1,526,970)
(1,097,793)	-	(1,097,793)
(5,486,530)	-	(5,486,530)
(128,058)	-	(128,058)
(398,675)	-	(398,675)
(1,315,698)	-	(1,315,698)
(773,042)	-	(773,042)
(486,569)	-	(486,569)
(3,102,042)	-	(3,102,042)
12,267	-	12,267
(196,856)	-	(196,856)
(109,145)	-	(109,145)
-	-	-
(279,638)	-	(279,638)
(585,639)	-	(585,639)
(9,161,944)	-	(9,161,944)
-	22,010	22,010
(9,161,944)	22,010	(9,139,934)
\$ 3,989,200	-	3,989,200
533,248	-	533,248
859,280	-	859,280
4,056,253	-	4,056,253
9,007	60	9,067
58,139	-	58,139
9,505,127	60	9,505,187
343,183	22,070	365,253
6,830,392	263,014	7,093,406
\$ 7,173,575	285,084	7,458,659

**Exhibit C**

## Sheldon Community School District

Balance Sheet  
Governmental Funds

June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 2,457,024	136,720	6,083,451	555,074	9,232,269
Receivables:					
Property tax:					
Delinquent	37,213	-	3,044	3,882	44,139
Succeeding year	3,173,000	-	578,000	311,000	4,062,000
Accounts	40	-	-	-	40
Due from other governments	643,708	-	141,032	-	784,740
<b>Total assets</b>	<b>\$ 6,310,985</b>	<b>136,720</b>	<b>6,805,527</b>	<b>869,956</b>	<b>14,123,188</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 92,105	-	112,216	13,072	217,393
Salaries and benefits payable	874,121	-	-	-	874,121
Due to other governments	171,445	-	-	-	171,445
Unearned revenue:					
Succeeding year property tax	3,173,000	-	578,000	311,000	4,062,000
Other	466,377	-	-	-	466,377
Total liabilities	4,777,048	-	690,216	324,072	5,791,336
Fund balances:					
Restricted for:					
Categorical funding	199,667	-	-	-	199,667
Debt service	-	136,720	-	-	136,720
School infrastructure	-	-	576,068	-	576,068
Physical plant and equipment	-	-	5,539,243	-	5,539,243
Management levy	-	-	-	257,230	257,230
Student activities	-	-	-	288,654	288,654
Unassigned	1,334,270	-	-	-	1,334,270
Total fund balances	1,533,937	136,720	6,115,311	545,884	8,331,852
<b>Total liabilities and fund balances</b>	<b>\$ 6,310,985</b>	<b>136,720</b>	<b>6,805,527</b>	<b>869,956</b>	<b>14,123,188</b>

See notes to financial statements.

Sheldon Community School District

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

June 30, 2013

<b>Total fund balances of governmental funds (page 24)</b>	\$ 8,331,852
<b>Amounts reported for governmental activities in the Statement of Net Position 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.	8,684,922
The Internal Service Fund is used by management to charge the costs of the partial self funding of the District's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position.	99,677
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	439,191
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.	(13,430)
Long-term liabilities, including bonds payable, notes payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(10,368,637)
<b>Net position of governmental activities (page 21)</b>	<u>\$ 7,173,575</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, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 3,873,444	-	1,167,971	347,683	5,389,098
Tuition	225,331	-	-	-	225,331
Other	81,170	12	889	442,173	524,244
State sources	5,410,183	-	-	-	5,410,183
Federal sources	252,939	-	-	-	252,939
Total revenues	9,843,067	12	1,168,860	789,856	11,801,795
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	3,735,164	-	-	-	3,735,164
Special	1,705,550	-	-	-	1,705,550
Other	1,397,133	-	-	427,668	1,824,801
	6,837,847	-	-	427,668	7,265,515
Support services:					
Student	98,734	-	-	-	98,734
Instructional staff	396,261	-	-	-	396,261
Administration	949,836	-	-	361,376	1,311,212
Operation and maintenance of plant	785,305	-	-	-	785,305
Transportation	440,321	-	-	-	440,321
	2,670,457	-	-	361,376	3,031,833
Other expenditures:					
Facilities acquisition	-	-	473,194	-	473,194
Long-term debt:					
Principal	-	565,000	-	-	565,000
Interest and other charges	-	104,350	-	-	104,350
AEA flow through	402,233	-	-	-	402,233
	402,233	669,350	473,194	-	1,544,777
Total expenditures	9,910,537	669,350	473,194	789,044	11,842,125
Excess (deficiency) of revenues over (under) expenditures	(67,470)	(669,338)	695,666	812	(40,330)
Other financing sources (uses):					
Operating transfers in	265,000	668,600	-	-	933,600
Operating transfers out	-	-	(933,600)	-	(933,600)
General obligation school capital loan notes issued	-	-	5,800,000	-	5,800,000
Discount on notes issued	-	-	(42,531)	-	(42,531)
Total other financing sources (uses)	265,000	668,600	4,823,869	-	5,757,469
Change in fund balances	197,530	(738)	5,519,535	812	5,717,139
Fund balances beginning of year	1,336,407	137,458	595,776	545,072	2,614,713
Fund balances end of year	\$ 1,533,937	136,720	6,115,311	545,884	8,331,852

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, 2013

**Change in fund balances - total governmental funds (page 26)** \$ 5,717,139

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

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

Expenditures for capital assets	\$ 291,837	
Depreciation expense	(521,085)	(229,248)

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. (7,370)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(5,800,000)	
Repaid	565,000	(5,235,000)

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. (4,795)

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	22,475	
Other postemployment benefits	(19,695)	2,780

The Internal Service Fund is used by management to charge the costs of the partial self funding of the District's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 99,677

**Change in net position of governmental activities (page 23)** \$ 343,183

See notes to financial statements.

Sheldon Community School District

Statement of Net Position  
Proprietary Funds

June 30, 2013

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Employee Health Insurance
<b>Assets</b>		
Cash and cash equivalents	\$ 232,635	99,677
Inventories	13,283	-
Capital assets, net of accumulated depreciation	50,609	-
<b>Total assets</b>	<u>296,527</u>	<u>99,677</u>
<b>Liabilities</b>		
Accounts payable	30	-
Salaries and benefits payable	1,990	-
Unearned revenue	9,423	-
<b>Total liabilities</b>	<u>11,443</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	50,609	-
Unrestricted	234,475	99,677
<b>Total net position</b>	<u>\$ 285,084</u>	<u>99,677</u>

See notes to financial statements.

Sheldon Community School District

Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Funds

Year ended June 30, 2013

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Employee Health Insurance
Operating revenues:		
Local sources:		
Charges for service	\$ 335,944	923,359
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries and benefits	244,987	-
Purchased services	11,484	-
Supplies	308,095	-
Depreciation	13,315	-
Travel	675	-
Insurance:		
Purchased services	-	823,716
Total operating expenses	578,556	823,716
Operating income (loss)	(242,612)	99,643
Non-operating revenues:		
State sources	5,261	-
Federal sources	259,361	-
Interest income	60	34
Total non-operating revenues	264,682	34
Increase in net position	22,070	99,677
Net position beginning of year	263,014	-
Net position end of year	\$ 285,084	99,677

See notes to financial statements.

**Exhibit I**

## Sheldon Community School District

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2013

	Business Type Activities	Governmental Activities
	Enterprise - School	Internal Service - Employee Health Insurance
	Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 337,749	-
Cash received from operating funds and employees	-	923,359
Cash paid to employees for services	(245,365)	-
Cash paid to suppliers for goods or services	(288,578)	(823,716)
Net cash provided by (used for) operating activities	(196,194)	99,643
Cash flows from non-capital financing activities:		
State grants received	5,261	-
Federal grants received	227,060	-
Net cash provided by non-capital financing activities	232,321	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,050)	-
Cash flows from investing activities:		
Interest on investments	60	34
Net increase in cash and cash equivalents	32,137	99,677
Cash and cash equivalents beginning of year	200,498	-
Cash and cash equivalents end of year	\$ 232,635	99,677
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ (242,612)	99,643
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Commodities used	32,301	-
Depreciation	13,315	-
(Increase) in inventories	(655)	-
Increase in accounts payable	30	-
(Decrease) in salaries and benefits payable	(378)	-
Increase in unearned revenue	1,805	-
Net cash provided by (used for) operating activities	\$ (196,194)	99,643

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

During the year ended June 30, 2013, the District received \$32,301 of federal commodities.

See notes to financial statements.



Sheldon Community School District

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 643,816	2,394
Account receivable	-	100
Total assets	<u>643,816</u>	<u>2,494</u>
<b>Liabilities</b>		
Due to other governments	-	<u>2,494</u>
<b>Net position</b>		
Reserved for scholarships	<u>\$ 643,816</u>	<u>-</u>

See notes to financial statements.

**Exhibit K**

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

Year ended June 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Interest income	\$      740
Net increase in fair value of investments	18,385
Total additions	<u>19,125</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>15,000</u>
Change in net position	4,125
Net position beginning of year	<u>639,691</u>
Net position end of year	<u><u>\$  643,816</u></u>

See notes to financial statements.

Sheldon Community School District

Notes to Financial Statements

June 30, 2013

**(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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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 funds:

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

The Internal Service, Employee Health Insurance Fund is utilized to account for employee insurance benefits.

The District also reports fiduciary funds which focus on net position and changes in net position. 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 position 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.

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, Cash Equivalents and Pooled Investments – 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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 Position. 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 Position 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 Position.

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 are 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, 2013, expenditures exceeded the amount budgeted in the non-instructional services functional area.

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

The District's deposits in banks at June 30, 2013 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, 2013, the District had the following investments:

Investment Type	Fair Value	Maturity
<u>Bowers Scholarship Trust Portfolio</u>		
Cash and Money Market	\$ 23,121	N/A
Municipal and Corporate Bonds	163,707	varies
Unit Trusts	4,263	varies
Mutual Funds	164,938	varies
Total	\$ 356,029	

In addition, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,980,462 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 A- 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 18.05% 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, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects: Physical Plant and Equipment Levy	\$ 265,000
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax Physical Plant and Equipment Levy	499,640  168,960
Total		\$ 933,600

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, 2013 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning of</u>			<u>End</u>
	<u>Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 173,303	-	-	173,303
Construction in progress	4,539	276,338	-	280,877
Total capital assets not being depreciated	<u>177,842</u>	<u>276,338</u>	<u>-</u>	<u>454,180</u>
Capital assets being depreciated:				
Buildings	10,772,154	8,025	-	10,780,179
Improvements other than buildings	3,313,316	-	-	3,313,316
Furniture and equipment	2,386,956	7,474	-	2,394,430
Infrastructure	25,963	-	-	25,963
Total capital assets being depreciated	<u>16,498,389</u>	<u>15,499</u>	<u>-</u>	<u>16,513,888</u>
Less accumulated depreciation for:				
Buildings	3,709,333	251,947	-	3,961,280
Improvements other than buildings	2,183,699	139,902	-	2,323,601
Furniture and equipment	1,862,106	128,371	-	1,990,477
Infrastructure	6,923	865	-	7,788
Total accumulated depreciation	<u>7,762,061</u>	<u>521,085</u>	<u>-</u>	<u>8,283,146</u>
Total capital assets being depreciated, net	<u>8,736,328</u>	<u>(505,586)</u>	<u>-</u>	<u>8,230,742</u>
Governmental activities capital assets, net	<u>\$ 8,914,170</u>	<u>(229,248)</u>	<u>-</u>	<u>8,684,922</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 197,053	4,050	-	201,103
Less accumulated depreciation	137,179	13,315	-	150,494
Business type activities capital assets, net	<u>\$ 59,874</u>	<u>(9,265)</u>	<u>-</u>	<u>50,609</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				
Regular				\$ 20,349
Other				19,279
Support services:				
Student				62,400
Instructional staff				3,238
Operation and maintenance of plant				45,672
Transportation				86,035
Non-instructional programs				4,474
				<u>241,447</u>
Unallocated				279,638
Total depreciation expense - governmental activities				<u>\$ 521,085</u>
Business type activities:				
Food service operations				<u>\$ 13,315</u>

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation school refunding bonds	\$ 4,395,000	-	400,000	3,995,000	410,000
General obligation school capital loan notes	330,000	5,800,000	165,000	5,965,000	435,000
Early retirement	329,312	146,630	169,105	306,837	172,993
Net OPEB liability	82,105	130,695	111,000	101,800	-
<b>Total</b>	<b>\$ 5,136,417</b>	<b>6,077,325</b>	<b>845,105</b>	<b>10,368,637</b>	<b>1,017,993</b>

Details of the District's June 30, 2013 general obligation indebtedness are as follows:

Year Ending June 30,	General Obligation School Refunding Bonds		General Obligation School Capital Loan Notes		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 410,000	91,640	435,000	73,218	845,000	164,858	1,009,858
2015	415,000	83,440	435,000	73,918	850,000	157,358	1,007,358
2016	425,000	75,140	440,000	72,177	865,000	147,317	1,012,317
2017	435,000	66,640	440,000	69,978	875,000	136,618	1,011,618
2018	445,000	57,940	445,000	66,897	890,000	124,837	1,014,837
2019-2023	1,865,000	127,545	2,300,000	257,720	4,165,000	385,265	4,550,265
2024-2028	-	-	1,470,000	61,210	1,470,000	61,210	1,531,210
<b>Total</b>	<b>\$ 3,995,000</b>	<b>502,345</b>	<b>5,965,000</b>	<b>675,118</b>	<b>9,960,000</b>	<b>1,177,463</b>	<b>9,960,000</b>

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.

On June 19, 2013, the District issued \$5,800,000 of general obligation school capital loan notes, Series 2013 to pay costs for an elementary school addition and remodel project. The notes bear interest at .30% to 2.15% per annum and are payable from the Capital Projects, Physical Plant and Equipment Levy Fund.

Early Retirement

During the year ended June 30, 2013, the District offered a voluntary early retirement plan to its certified employees through June 1, 2013. Eligible employees must be at least age fifty-five by June 30, 2013 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 \$169,105 were paid during the year ended June 30, 2013, 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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$485,613, \$445,983 and \$ 366,992, 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 86 active and 11 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 determined using the alternative measurement method as permitted by 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 130,000
Interest on net OPEB obligation	3,695
Adjustment to annual required contribution	(3,000)
Annual OPEB cost	<u>130,695</u>
Contributions made	<u>(111,000)</u>
Increase in net OPEB obligation	19,695
Net OPEB obligation beginning of year	<u>82,105</u>
Net OPEB obligation end of year	<u>\$ 101,800</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 as calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$111,000 to the medical plan. Plan members eligible for benefits contributed \$32,400, or 22.6% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 83,990	70.2%	\$ 46,990
2012	85,115	58.7	82,105
2013	130,695	84.9	101,800

Funded Status and Funding Progress - At June 30, 2013, the actuarial accrued liability was \$1,228,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,228,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,585,000 and the ratio of the UAAL to covered payroll was 26.8%. As of June 30, 2013, there were no trust fund assets.

The projection of future benefit payments for the ongoing plan involves 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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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.

Methods and Assumptions - 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 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, 2012 valuation date, a simplified version of the unit credit actuarial cost method was used. The assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. 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. Employees were assumed to retire at age 60 subject to the minimum age or service requirement eligibility.

Projected claim costs of the medical plan are \$17,710 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 \$402,233 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(10) Employee Health Insurance Plan**

The Internal Service, Employee Health Insurance Fund was established to account for the partial self-funding of the District's health insurance benefit plan. The plan is funded by both employee and District contributions and is administered through a service agreement with Three Rivers Benefit Corporation. The agreement is subject to automatic renewal provisions. The District assumes liability for claims up to the individual deduction limitations of \$2,000.

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Three Rivers Benefit Corporation from the Employee Health Insurance Fund. The District's contribution for the year ended June 30, 2013 was \$45,157.

The District was not required to obtain an actuarial report for the period ended June 30, 2013 since its plan qualified as a "mini plan." A liability is established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. There were no amounts payable from the Employee Health Insurance Fund at June 30, 2013. A reconciliation of changes in the aggregate liability for claims in the current year is as follows:

Unpaid claims beginning of year	\$ -
Incurred claims	45,157
Payments on claims during the fiscal year	45,157
	<hr/>
Unpaid claims end of year	<u>\$ -</u>

**(11) Subsequent Event**

On July 29, 2013, the District awarded contracts totaling \$5,298,108 for an elementary school addition and remodel project. The project will be paid from proceeds of the general obligation school capital loan notes issued in June 2013.

**Required Supplementary Information**

Sheldon Community School District

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds Actual	Enterprise Fund Actual	Total Actual
<b>Revenues:</b>			
Local sources	\$ 6,138,673	336,004	6,474,677
State sources	5,410,183	5,261	5,415,444
Federal sources	252,939	259,361	512,300
Total revenues	11,801,795	600,626	12,402,421
<b>Expenditures/Expenses:</b>			
Instruction	7,265,515	-	7,265,515
Support services	3,031,833	-	3,031,833
Non-instructional programs	-	578,556	578,556
Other expenditures	1,544,777	-	1,544,777
Total expenditures/expenses	11,842,125	578,556	12,420,681
Excess (deficiency) of revenues over (under) expenditures/expenses	(40,330)	22,070	(18,260)
Other financing sources, net	5,757,469	-	5,757,469
Excess (deficiency) of revenues and other financing sources over expenditures/expenses	5,717,139	22,070	5,739,209
Balances beginning of year	2,614,713	263,014	2,877,727
Balances end of year	\$ 8,331,852	285,084	8,616,936

See accompanying independent auditor's report.



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Budgeted Amounts Original/ Final	Final to Actual Variance
6,032,758	441,919
5,461,434	(45,990)
437,058	75,242
<u>11,931,250</u>	<u>471,171</u>
7,686,856	421,341
3,775,858	744,025
533,500	(45,056)
1,721,802	177,025
<u>13,718,016</u>	<u>1,297,335</u>
(1,786,766)	1,768,506
-	5,757,469
(1,786,766)	7,525,975
<u>2,912,146</u>	<u>(34,419)</u>
<u>1,125,380</u>	<u>7,491,556</u>

Sheldon Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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 Internal Service, 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. The District did not amend the certified budget during the year.

During the year ended June 30, 2013, expenditures in the non-instructional programs function exceeded the amount budgeted.

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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		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
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
2013	Jul 1, 2012	-	1,228,000	1,228,000	0.0	4,585,113	26.8

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, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash, pooled investments and cash equivalents	\$ 266,420	288,654	555,074
Receivables:			
Property tax:			
Delinquent	3,882	-	3,882
Succeeding year	311,000	-	311,000
<b>Total assets</b>	<b>\$ 581,302</b>	<b>288,654</b>	<b>869,956</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 13,072	-	13,072
Unearned revenue:			
Succeeding year property tax	311,000	-	311,000
<b>Total liabilities</b>	<b>324,072</b>	<b>-</b>	<b>324,072</b>
Fund balances:			
Restricted for:			
Management levy purposes	257,230	-	257,230
Student activities	-	288,654	288,654
<b>Total fund balances</b>	<b>257,230</b>	<b>288,654</b>	<b>545,884</b>
<b>Total liabilities and fund balances</b>	<b>\$ 581,302</b>	<b>288,654</b>	<b>869,956</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, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 347,683	-	347,683
Other	1,003	441,170	442,173
Total revenues	348,686	441,170	789,856
Expenditures:			
Current:			
Instruction:			
Other	-	427,668	427,668
Support services:			
Administration	361,376	-	361,376
Total expenditures	361,376	427,668	789,044
Excess of revenues over expenditures	(12,690)	13,502	812
Fund balances beginning of year	269,920	275,152	545,072
Fund balances end of year	\$ 257,230	288,654	545,884

See accompanying independent auditor's report.

**Schedule 3**

## Sheldon Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2013

	Capital Projects			Total
	Middle School Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 10,372	424,664	5,648,415	6,083,451
Receivables:				
Property tax:				
Delinquent	-	-	3,044	3,044
Succeeding year	-	-	578,000	578,000
Due from other governments	-	141,032	-	141,032
<b>Total assets</b>	<b>\$ 10,372</b>	<b>565,696</b>	<b>6,229,459</b>	<b>6,805,527</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	-	112,216	112,216
Unearned revenue:				
Succeeding year property tax	-	-	578,000	578,000
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>690,216</b>	<b>690,216</b>
Fund balances:				
Restricted for:				
School infrastructure	10,372	565,696	-	576,068
Physical plant and equipment	-	-	5,539,243	5,539,243
<b>Total fund balances</b>	<b>10,372</b>	<b>565,696</b>	<b>5,539,243</b>	<b>6,115,311</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,372</b>	<b>565,696</b>	<b>6,229,459</b>	<b>6,805,527</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, 2013

	Capital Projects			Total
	Middle School Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	859,280	308,691	1,167,971
Other	1	92	796	889
Total revenues	1	859,372	309,487	1,168,860
Expenditures:				
Other expenditures:				
Facilities acquisition	-	230,344	242,850	473,194
Excess of revenues over expenditures	1	629,028	66,637	695,666
Other financing sources (uses):				
Operating transfers out	-	(499,640)	(433,960)	(933,600)
General obligation school capital loan notes issued	-	-	5,800,000	5,800,000
Discount on general obligation notes issued			(42,531)	(42,531)
Total other financing sources (uses)	-	(499,640)	5,323,509	4,823,869
Excess of revenues and other financing sources over expenditures and other financing uses	1	129,388	5,390,146	5,519,535
Fund balances beginning of year	10,371	436,308	149,097	595,776
Fund balances end of year	\$ 10,372	565,696	5,539,243	6,115,311

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, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Basketball	\$ 1,000	3,844	3,519	1,325
Cross Country	500	1,821	821	1,500
Football	7,000	8,139	10,965	4,174
Boys Golf	700	797	481	1,016
Boys Track	1,000	2,524	2,845	679
Baseball	1,550	1,595	1,036	2,109
Wrestling	1,000	6,234	5,871	1,363
Girls Basketball	1,000	3,210	1,590	2,620
Girls Softball	2,132	2,030	2,335	1,827
Girls Track	1,000	2,073	2,250	823
Girls Volleyball	1,550	7,881	7,344	2,087
Girls Golf	700	797	473	1,024
Weightlifting	983	-	-	983
Dance Team	948	12,584	10,456	3,076
Cheerleaders	6,709	9,843	7,408	9,144
Activity Tickets	-	11,030	11,030	-
Concession - High School	671	47,303	47,974	-
Concession - Middle School	3,018	7,049	3,329	6,738
Reserved Seat Tickets	105	-	-	105
Activity Passes	-	2,155	2,155	-
All Sports	4,447	22,520	20,848	6,119
Athletic Uniforms	3,500	6,662	9,542	620
Flags	1,445	1,955	1,138	2,262
Spanish Club	20,652	2,675	3,156	20,171
Art Club	3,921	-	55	3,866
Science Club	228	2,119	2,347	-
Speech Club	461	11,634	10,077	2,018
Family Career & Community Leaders of America (FCCLA)	3,696	1,093	271	4,518
Orab FB Club	1,929	3,180	4,064	1,045
Orab VB Club	982	465	-	1,447
Orab Boys BB Club	10	1,894	673	1,231
Orab Girls BB Club	1,366	1,635	1,013	1,988
Fellowship of Christian Athletes (FCA)	1,728	870	1,100	1,498
Future Business Leaders	2,516	1,898	1,151	3,263
Future Farmers of America	2,530	30,405	23,215	9,720
College Farm	81,370	67,042	66,187	82,225
Middle School:				
SOAR	8,801	3,294	7,024	5,071
Band	113	3,017	2,070	1,060
Vocal Music	3,094	541	485	3,150
Student Council	5,480	3,276	4,336	4,420
Magazine Sales	-	33,547	19,735	13,812
Playground Equipment	130	-	-	130
5/6 Entrepreneur	3,019	-	2,045	974

## Sheldon Community School District

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

Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Student Council	1,842	24,263	25,235	870
National Honor Society	1,495	697	889	1,303
SADD	1,505	-	449	1,056
Band Uniform Rent	15,240	2,146	540	16,846
Musical	4,168	5,119	3,941	5,346
Annual	-	9,980	9,980	-
Band	3,834	22,011	19,810	6,035
Jazz Band	23	-	-	23
Vocal Music	4,014	3,407	3,973	3,448
Choir Robes	16	983	-	999
Choir Trip	127	-	127	-
Swing Choir	5,284	5,300	6,422	4,162
Summer Theater	15,987	18,515	19,008	15,494
Music Department Trip	3,120	2,610	5,730	-
Band Trip	3,880	-	3,880	-
Science Department	100	-	-	100
Elementary Boxtop	10,384	12,833	13,076	10,141
District Hospitality	11	792	803	-
Student Vending Machines	203	150	-	353
Investments	3,639	162	3,801	-
Class of:				
2012/2022	1,942	521	2,463	-
2013/2023	3,326	1,050	4,376	-
2014/2024	4,741	-	400	4,341
2015/2025	4,023	-	-	4,023
2016/2026	2,913	-	-	2,913
2018/2028	351	-	351	-
Total	\$ 275,152	441,170	427,668	288,654

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, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 1,986	408	-	2,394
Accounts receivable	-	100	-	100
<b>Total assets</b>	<b>\$ 1,986</b>	<b>508</b>	<b>-</b>	<b>2,494</b>
<b>Liabilities</b>				
Due to other governments	\$ 1,986	508	-	2,494
<b>Total liabilities</b>	<b>\$ 1,986</b>	<b>508</b>	<b>-</b>	<b>2,494</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

	2013	2012	2011	2010
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,389,098	5,031,932	4,778,567	4,642,163
Tuition	225,331	172,596	189,929	210,991
Other	524,244	569,106	441,454	392,770
State sources	5,410,183	5,557,504	5,567,582	4,876,180
Federal sources	252,939	462,649	546,513	670,172
<b>Total</b>	<b>\$ 11,801,795</b>	<b>11,793,787</b>	<b>11,524,045</b>	<b>10,792,276</b>
<b>Expenditures:</b>				
Instruction:				
Regular	\$ 3,735,164	3,783,884	3,996,233	3,839,273
Special	1,705,550	1,364,782	1,981,627	1,950,572
Other	1,824,801	1,888,254	1,026,065	990,530
Support services:				
Student	98,734	86,274	53,925	53,364
Instructional staff	396,261	504,303	145,727	98,639
Administration services	1,311,212	1,166,518	1,037,847	938,589
Operation and maintenance of plant	785,305	865,558	758,416	764,563
Transportation	440,321	549,050	384,124	388,181
Central support	-	-	-	38,432
Non-instructional programs	-	7,182	3,565	3,548
Other expenditures:				
Facilities acquisition	473,194	709,292	705,246	1,433,401
Long-term debt:				
Principal	565,000	480,000	305,000	300,000
Interest and other charges	104,350	305,672	296,776	218,826
AEA flow through	402,233	402,323	444,320	431,559
<b>Total</b>	<b>\$ 11,842,125</b>	<b>12,113,092</b>	<b>11,138,871</b>	<b>11,449,477</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
4,218,043	3,713,942	3,783,369	3,778,943	3,705,094	3,971,901
174,806	227,067	228,469	205,636	195,411	172,579
468,238	514,158	596,990	525,867	549,856	456,981
5,663,888	4,884,895	4,727,058	4,348,956	4,158,412	3,647,447
337,095	225,695	271,408	231,222	350,161	894,075
10,862,070	9,565,757	9,607,294	9,090,624	8,958,934	9,142,983
4,241,257	3,679,180	3,594,270	3,965,895	3,730,320	3,534,552
1,541,143	1,531,007	1,452,227	963,874	979,108	788,266
974,648	1,017,840	932,961	837,581	945,675	842,041
55,830	50,906	116,807	94,290	72,821	81,986
136,095	136,384	148,092	131,141	136,586	124,936
1,003,993	918,615	1,169,018	908,871	823,388	827,693
811,773	801,142	760,164	770,570	649,462	579,527
341,938	393,383	346,948	301,381	246,718	240,987
-	-	-	123	27,631	-
56	6,960	5,117	71	9,042	8,502
590,733	439,767	553,113	257,939	733,736	4,718,670
275,000	265,000	255,000	250,000	240,000	200,000
228,451	237,063	245,351	252,851	260,051	268,501
394,824	362,665	352,494	334,941	325,668	325,688
10,595,741	9,839,912	9,931,562	9,069,528	9,180,206	12,541,349

**Schedule 8**

Sheldon Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2013

Grantor/Program	CFDA Number	Grant Number	Expen- ditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY13	\$ 40,531
National School Lunch Program	10.555	FY13	226,338 *
			<u>266,869</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY13	135,785
Career and Technical Education - Basic Grants to States	84.048	FY13	19,512
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY13	5,071
English Language Acquisition State Grants	84.365	FY13	3,838
Improving Teacher Quality State Grants	84.367	FY13	39,123
Grants for State Assessments and Related Activities	84.369	FY13	4,862
Area Education Agency #4:			
Special Education - Grants to States	84.027	FY13	62,267
Total			<u>\$537,327</u>

\* - Includes \$32,301 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

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Auditor of State

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

To the Board of Education of  
Sheldon Community School District:

We have audited 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, the 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, 2013, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sheldon Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Sheldon Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness and a deficiency in internal control we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-13 to be a significant deficiency.

### 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, 2013 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 the Findings


Sheldon Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Sheldon Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 20, 2014

**Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**Sheldon Community School District**



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

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Mary Mosiman, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Board of Education of  
Sheldon Community School District:

Report on Compliance for Each Major Federal Program

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 Sheldon Community School District's major federal programs for the year ended June 30, 2013. Sheldon Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sheldon Community School District's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of Sheldon Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Sheldon Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.


## Report on Internal Control Over Compliance


The management of Sheldon Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sheldon Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 20, 2014

Sheldon Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (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 program was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the 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) The major program was as follows:
  - School Nutrition Cluster Programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sheldon Community School District qualified as a low-risk auditee.

Sheldon Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

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

**INTERNAL CONTROL DEFICIENCY:**

II-A-13 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

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

Response – The District has implemented steps and procedures to better ensure all receivables and payables are identified and included in the District’s financial statements.

Conclusion – Response accepted.

II-B-13 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 District is working with the Iowa Association of School Boards to develop a disaster recovery plan that will include the above mentioned requirements.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



Sheldon Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

**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, 2013

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

IV-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 exceeded the certified budget amount in the non-instructional programs function.

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

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

Conclusion - Response accepted.

IV-B-13 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-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-13 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-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 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, 2013

IV-J-13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable use of the statewide sales, services and use tax revenue provided in 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		<u>\$ 436,308</u>
Revenues:		
Statewide sales, services and use tax	\$ 859,280	
Interest on investments	<u>92</u>	
Total revenues	859,372	
Expenditures/transfers out:		
School infrastructure:		
Buildings	230,344	
Debt service for school infrastructure:		
General obligation debt	<u>499,640</u>	<u>702,984</u>
Ending balance		<u>\$ 565,696</u>

For the year ended June 30, 2013, 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	\$ 1.34409	499,640
Physical plant and equipment levy	.96748	<u>359,640</u>
Total		<u>\$ 859,280</u>

IV-K-13 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-L-13 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

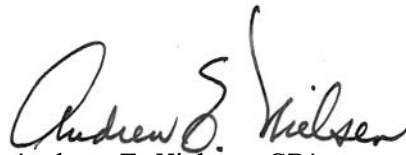
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Sheldon Community School District

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Jennifer L. Wall, CPA, Senior Auditor II  
Kassi D. Adams, Staff Auditor  
Kaylynn D Short, Assistant Auditor  
Melissa A. Hastert, Auditor Intern

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State