



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ November 7, 2008

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

The District's revenues totaled \$10,214,079 for the year ended June 30, 2008, an increase of 1.8% over the prior year. Revenues included \$2,894,674 in local tax, charges for service of \$934,270, operating grants, contributions and restricted interest of \$1,361,823, capital grants, contributions and restricted interest of \$1,482, instructional support surtax of \$439,566, local option sales and services tax of \$565,637, unrestricted state grants and contributions of \$3,923,945, unrestricted investment earnings of \$81,648 and other general revenues of \$11,034.

Expenses for District operations totaled \$10,180,906, an increase of 3.3% over the prior year. Expenses included \$6,346,578 for instruction, \$1,995,248 for support services, \$43,482 for non-instructional programs (excluding food service operations), \$1,341,791 for other expenditures and \$453,807 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/reports.htm>.

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SHELDON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2008

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Sheldon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Dan Van Gorp	President	2008
Gary Ihnen	Vice President	2007
Kecia Hickman	Board Member	2007
Harlan Bousema	Board Member	2008
Kathy Brock	Board Member	2009
Board of Education		
(After September 2007 Election)		
Dan Van Gorp	President	2008
Gary Ihnen	Vice President	2010
Harlan Bousema	Board Member	2008
Kathy Brock	Board Member	(Resigned)
Glen Goedken (Appointed)	Board Member	2008
Kecia Hickman	Board Member	2010
School Officials		
Robin Spears	Superintendent	2008
Bill Borchers	District Secretary/Treasurer and Business Manager	2008
Tom Whorley	Attorney	2008

Sheldon Community School District



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Independent Auditor's Report

To the Board of Education of
Sheldon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sheldon Community School District, Sheldon, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

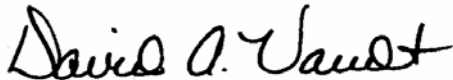
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sheldon Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

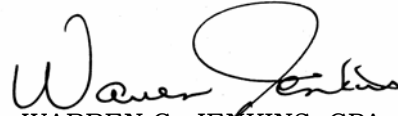
In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2008 on our consideration of Sheldon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sheldon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 4, 2008

Sheldon Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sheldon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,985,700 in fiscal 2007 to \$8,266,315 in fiscal 2008, while General Fund expenditures increased from \$8,140,170 in fiscal 2007 to \$8,345,165 in fiscal 2008. The District's General Fund balance decreased from \$451,339 at the end of fiscal 2007 to \$373,489 at the end of fiscal 2008, a decrease of 17.2%.
- The increase in General Fund revenues is due to increases in property tax, state aid and teachers quality salary improvement. The increase in expenditures is due to increases in salaries, benefits, utility costs and transportation fuel.
- The General Fund balance decrease is due to District funding increased expenditures for salaries, benefits, utility costs and transportation fuel.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sheldon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements report Sheldon Community School District's operations in more detail than the government-wide 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 statement provides 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

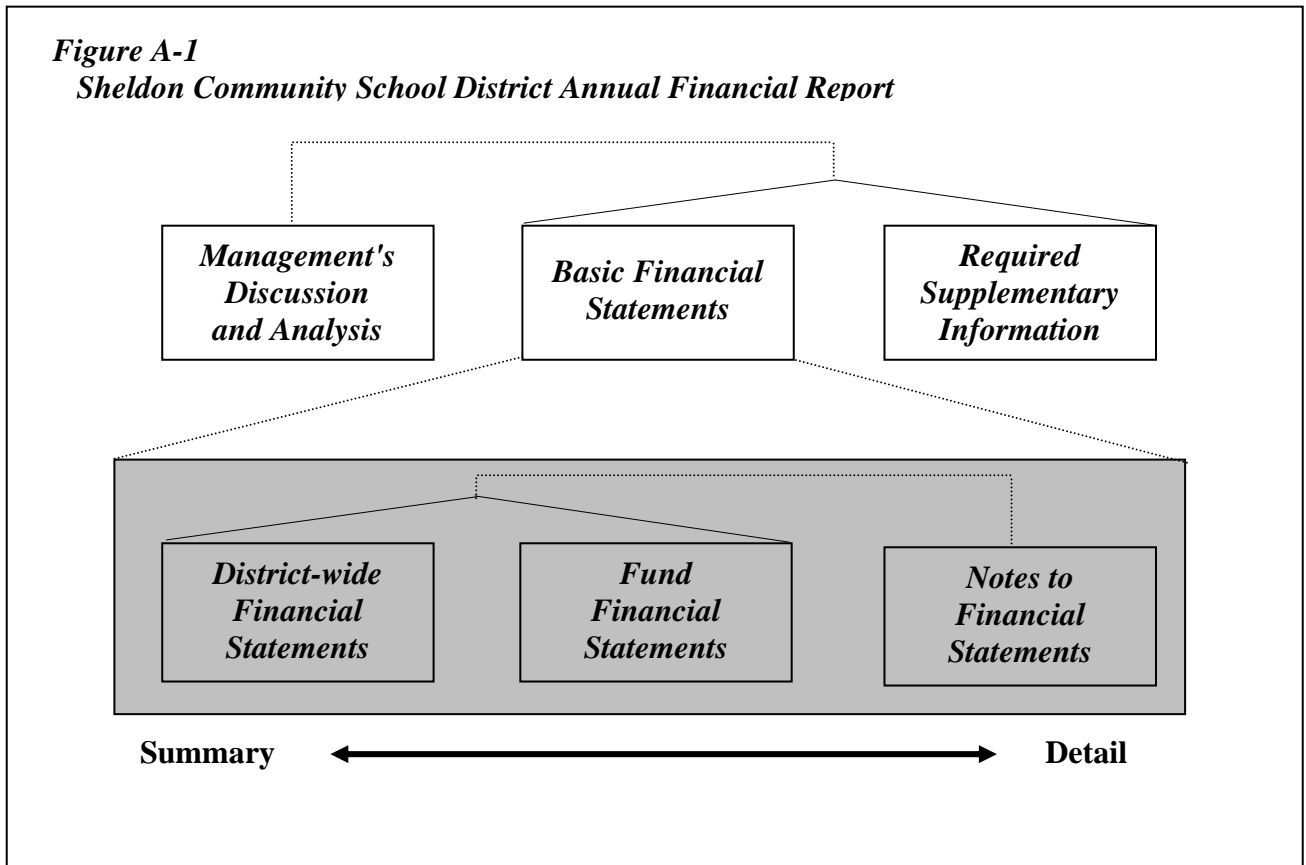


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

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

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the District’s fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s total net assets at June 30, 2008 compared to June 30, 2007.

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

	Governmental Activities		Business Type Activities		Total District		% Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$ 8,003	7,465	76	56	8,079	7,521	7.4%
Capital assets	8,613	8,782	28	33	8,641	8,815	-2.0%
Total assets	16,616	16,247	104	89	16,720	16,336	2.4%
Long-term liabilities	5,410	5,691	-	-	5,410	5,691	-4.9%
Other liabilities	5,729	5,101	10	6	5,739	5,107	12.4%
Total liabilities	11,139	10,792	10	6	11,149	10,798	3.3%
Net assets:							
Invested in capital assets, net of related debt	3,203	3,107	28	33	3,231	3,140	2.9%
Restricted	1,494	1,674	-	-	1,494	1,674	-10.8%
Unrestricted	780	674	66	50	846	724	16.9%
Total net assets	\$ 5,477	5,455	94	83	5,571	5,538	0.6%

The District’s combined net assets increased 0.6%, or approximately \$33,000, over the prior year. The largest portion of the District’s net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets decreased approximately \$180,000, or 10.8%, from the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$122,000, or 16.9%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2008 and 2007.

Figure A-4							
Changes in Net Assets (Expressed in Thousands)							
	Governmental		Business Type		Total		% Total
	Activities		Activities		School District		Change
	2008	2007	2008	2007	2008	2007	June 30, 2007-2008
Revenues:							
Program revenues:							
Charges for service	\$ 638	615	296	284	934	899	3.9%
Operating grants, contributions and restricted interest	1,196	1,120	166	163	1,362	1,283	6.2%
Capital grants, contributions and restricted interest	1	4	-	-	1	4	100.0%
General revenues:							
Property tax	2,894	2,907	-	-	2,894	2,907	-0.4%
Instructional support surtax	440	239	-	-	440	239	84.1%
Local option sales and services tax	566	653	-	-	566	653	-13.3%
Unrestricted state grants	3,924	3,890	-	-	3,924	3,890	0.9%
Unrestricted investment earnings	79	112	3	4	82	116	-29.3%
Other	11	38	-	-	11	38	-71.1%
Total revenues	<u>9,749</u>	<u>9,578</u>	<u>465</u>	<u>451</u>	<u>10,214</u>	<u>10,029</u>	<u>1.8%</u>
Program expenses:							
Instruction	6,347	5,910	-	-	6,347	5,910	7.4%
Support services	1,995	2,020	-	-	1,995	2,020	-1.2%
Non-instructional programs	43	41	454	428	497	469	6.0%
Other expenses	1,342	1,454	-	-	1,342	1,454	-7.7%
Total expenses	<u>9,727</u>	<u>9,425</u>	<u>454</u>	<u>428</u>	<u>10,181</u>	<u>9,853</u>	<u>3.3%</u>
Excess of revenues over expenses before transfers	22	153	11	23	33	176	153.7%
Transfers	-	(22)	-	22	-	-	-
Increase in net assets	22	131	11	45	33	176	153.7%
Net assets beginning of year	5,455	5,324	83	38	5,538	5,362	3.3%
Net assets end of year	<u>\$ 5,477</u>	<u>5,455</u>	<u>94</u>	<u>83</u>	<u>5,571</u>	<u>5,538</u>	<u>0.6%</u>

Property tax and unrestricted state grants account for 70% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total governmental activities expenses.

Governmental Activities

Revenues for governmental activities were \$9,749,379 and expenses were \$9,727,099. In a difficult budget year, the District used carryover unrestricted net assets to offset the amount of expenses which exceeded unrestricted revenues.

The following table presents the total and net cost of the District's major governmental activities for fiscal 2008: 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		
	2008	2007	Change 2007-2008	2008	2007	Change 2007-2008
Instruction	\$ 6,347	5,910	7.4%	4,985	4,714	5.7%
Support services	1,995	2,020	-1.2%	1,891	1,846	2.4%
Non-instructional programs	43	41	4.9%	43	37	16.2%
Other expenses	1,342	1,454	-7.7%	972	1,089	-10.7%
Total	<u>\$ 9,727</u>	<u>9,425</u>	<u>3.2%</u>	<u>7,891</u>	<u>7,686</u>	<u>2.7%</u>

- The cost financed by users of the District's programs was \$638,091.
- Federal and state governments subsidized certain programs with grants, contributions and restricted interest totaling \$1,197,800.
- The net cost of governmental activities was financed with \$3,899,877 in property and other tax, including local option sales and services tax, and \$3,923,945 in unrestricted state grants and contributions.

Business Type Activities

Revenues for business type activities were \$464,700 and expenses were \$453,807. 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 \$1,884,752, a reduction of \$274,155 compared to last year's ending fund balance of \$2,158,907. The reduction is due to a reduction of the General Fund balance by 17.2% as stated in the 2008 Financial Highlights.

Governmental Fund Highlights

- The General Fund balance decreased from \$451,339 to \$373,489, due in part to the increase in expenditures for salaries, benefits, utility costs and transportation fuel.
- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The Capital Projects Fund balance decreased from \$979,301 to \$828,379 due to a reduction in local option sales and services tax revenues and an increase in related expenditures compared to the prior year.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$83,236 at June 30, 2007 to \$94,129 at June 30, 2008, representing an increase of approximately 13%, due primarily to an increase in revenue from local and federal sources.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sheldon Community School District amended its annual budget one time to reflect additional expenditures in the Special Revenue, PPEL and Enterprise, School Nutrition Funds.

The District's revenues were \$210,850 greater than budgeted revenues, a variance of 2.1%.

Total expenditures were \$315,885 less than budgeted expenditures, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs function and the other expenditures function due to the increased cost of plant operations and transportation vehicle repair.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested, net of accumulated depreciation, approximately \$8.6 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 5 to the financial statements. Total depreciation expense for the year was \$582,680 for governmental and business type activities.

	Governmental Activities		Business Type Activities		Total District		% Total Change
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2007-2008
Land	\$ 83	83	-	-	83	83	0.0%
Construction in progress	78	24	-	-	78	24	225.0%
Buildings	7,082	7,287	-	-	7,082	7,287	-2.8%
Improvements other than buildings	974	914	-	-	974	914	6.6%
Furniture and equipment	373	451	28	33	401	484	-17.1%
Infrastructure	23	23	-	-	23	23	100.0%
Total	\$ 8,613	8,782	28	33	8,641	8,815	-2.0%

The original cost of the District's capital assets was approximately \$14.5 million. Governmental funds account for \$14.4 million, with the remaining \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

Long-Term Debt

At June 30, 2008, the District had \$5,410,000 in general obligation debt outstanding. This represents a decrease of approximately 4.7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

	Figure A-7		
	Outstanding Long-Term Obligations		
	(expressed in thousands)		
	Total		% Total
	District		Change
	June 30,		June 30,
	2008	2007	2007-2008
General obligation bonds	\$ 5,410	5,675	-4.7%
Early retirement	-	16	100.0%
Total	\$ 5,410	5,691	-4.9%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The wage settlement for fiscal 2008 included a decrease in the amount of the health insurance premium the District furnishes its certified staff. This decrease was offset by an increase in the base salary for the certified staff. The District and the Education Association negotiated a three year agreement with a total package increase of 3.5% for the 2008-09 school year, 3.6% for the 2009-10 school year and 3.7% for the 2010-11 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

The District has also received a State of Iowa, Department of Education grant for the operation of a 4 Year Old Pre-School. There are 92 students enrolled in this program. The State of Iowa allows the District to count each of these students at a .6 weighting. The amount of the grant will provide additional funding for the FY09 school year and help with additional funding for the FY10 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bill Borchers, District Secretary/Treasurer and Business Manager, Sheldon Community School District, 1700 E. 4th Street, Sheldon, Iowa, 51201.

Basic Financial Statements

Sheldon Community School District

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, pooled investments and cash equivalents:			
ISCAP	\$ 1,969,422	-	1,969,422
Other	2,364,295	65,602	2,429,897
Receivables:			
Property tax:			
Delinquent	35,779	-	35,779
Succeeding year	2,912,000	-	2,912,000
Accounts	1,260	-	1,260
ISCAP accrued interest	12,080	-	12,080
Due from other governments	708,315	-	708,315
Inventories	-	10,287	10,287
Capital assets, net of accumulated depreciation	8,612,791	27,879	8,640,670
Total assets	16,615,942	103,768	16,719,710
Liabilities			
Accounts payable	71,312	2,201	73,513
Salaries and benefits payable	697,258	1,920	699,178
Due to other governments	34,206	-	34,206
Accrued interest payable	19,004	-	19,004
Deferred revenue:			
Succeeding year property tax	2,912,000	-	2,912,000
Unearned revenue	-	5,518	5,518
ISCAP warrants payable	1,956,000	-	1,956,000
ISCAP accrued interest payable	9,097	-	9,097
ISCAP unamortized premium	30,261	-	30,261
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	275,000	-	275,000
Portion due after one year:			
General obligation bonds payable	5,135,000	-	5,135,000
Total liabilities	11,139,138	9,639	11,148,777

Sheldon Community School District

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
Net assets			
Invested in capital assets, net of related debt	3,202,791	27,879	3,230,670
Restricted for:			
Management levy	182,952	-	182,952
Physical plant and equipment levy	151,316	-	151,316
Other special revenue purposes	216,760	-	216,760
Debt service	112,852	-	112,852
Capital projects	39,208	-	39,208
DHS Medicaid retainer	1,856	-	1,856
LOSST	789,171	-	789,171
Unrestricted	779,898	66,250	846,148
Total net assets	\$ 5,476,804	94,129	5,570,933

See notes to financial statements.

Sheldon Community School District

Statement of Activities

Year ended June 30, 2008

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,781,414	227,067	505,817	-
Special instruction	1,547,324	-	182,292	-
Other instruction	1,017,840	411,024	35,842	-
	<u>6,346,578</u>	<u>638,091</u>	<u>723,951</u>	<u>-</u>
Support services:				
Student	27,944	-	15,129	-
Instructional staff	145,944	-	-	-
Administration	902,262	-	7,901	-
Operation and maintenance of plant	507,838	-	-	-
Transportation	411,260	-	81,088	-
	<u>1,995,248</u>	<u>-</u>	<u>104,118</u>	<u>-</u>
Non-instructional programs	<u>43,482</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	439,767	-	-	1,482
Long-term debt interest	236,345	-	5,584	-
AEA flow through	362,665	-	362,665	-
Depreciation (unallocated)*	303,014	-	-	-
	<u>1,341,791</u>	<u>-</u>	<u>368,249</u>	<u>1,482</u>
Total governmental activities	<u>9,727,099</u>	<u>638,091</u>	<u>1,196,318</u>	<u>1,482</u>
Business type activities:				
Non-instructional programs:				
Food service operations	453,807	296,179	165,505	-
Total	<u>\$ 10,180,906</u>	<u>934,270</u>	<u>1,361,823</u>	<u>1,482</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Instructional support surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(3,048,530)	-	(3,048,530)
(1,365,032)	-	(1,365,032)
(570,974)	-	(570,974)
(4,984,536)	-	(4,984,536)
(12,815)	-	(12,815)
(145,944)	-	(145,944)
(894,361)	-	(894,361)
(507,838)	-	(507,838)
(330,172)	-	(330,172)
(1,891,130)	-	(1,891,130)
(43,482)	-	(43,482)
(438,285)	-	(438,285)
(230,761)	-	(230,761)
-	-	-
(303,014)	-	(303,014)
(972,060)	-	(972,060)
(7,891,208)	-	(7,891,208)
-	7,877	7,877
(7,891,208)	7,877	(7,883,331)
\$ 2,894,446	-	2,894,446
228	-	228
439,566	-	439,566
565,637	-	565,637
3,923,945	-	3,923,945
78,632	3,016	81,648
11,034	-	11,034
7,913,488	3,016	7,916,504
22,280	10,893	33,173
5,454,524	83,236	5,537,760
\$ 5,476,804	94,129	5,570,933

Sheldon Community School District

Balance Sheet
Governmental Funds

June 30, 2008

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments:				
ISCAP	\$ 1,969,422	-	-	1,969,422
Other	933,539	717,106	713,650	2,364,295
Receivables:				
Property tax:				
Delinquent	32,813	-	2,966	35,779
Succeeding year	2,548,000	-	364,000	2,912,000
Accounts	1,260	-	-	1,260
ISCAP accrued interest	12,080	-	-	12,080
Due from other governments	595,030	113,285	-	708,315
Total assets	\$ 6,092,144	830,391	1,080,616	8,003,151
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 35,568	2,012	33,732	71,312
Salaries and benefits payable	697,258	-	-	697,258
Due to other governments	34,206	-	-	34,206
ISCAP warrants payable	1,956,000	-	-	1,956,000
ISCAP accrued interest payable	9,097	-	-	9,097
ISCAP unamortized premium	30,261	-	-	30,261
Deferred revenue:				
Succeeding year property tax	2,548,000	-	364,000	2,912,000
Other	408,265	-	-	408,265
Total liabilities	5,718,655	2,012	397,732	6,118,399
Fund balances:				
Reserved for:				
DHS Medicaid retainer	1,856	-	-	1,856
Debt service	-	-	131,856	131,856
Unreserved, reported in:				
General fund	371,633	-	-	371,633
Special revenue funds	-	-	551,028	551,028
Capital projects fund	-	828,379	-	828,379
Total fund balances	373,489	828,379	682,884	1,884,752
Total liabilities and fund balances	\$ 6,092,144	830,391	1,080,616	8,003,151

See notes to financial statements.

Sheldon Community School District

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

June 30, 2008

Total fund balances of governmental funds (page 22)	\$ 1,884,752
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,612,791
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	408,265
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(19,004)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(5,410,000)</u>
Net assets of governmental activities (page 19)	<u><u>\$ 5,476,804</u></u>

See notes to financial statements.

Exhibit E

Sheldon Community School District

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

Year ended June 30, 2008

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,882,096	565,637	266,209	3,713,942
Tuition	227,067	-	-	227,067
Other	46,562	37,728	429,868	514,158
State sources	4,884,895	-	-	4,884,895
Federal sources	225,695	-	-	225,695
Total revenues	<u>8,266,315</u>	<u>603,365</u>	<u>696,077</u>	<u>9,565,757</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,679,180	-	-	3,679,180
Special	1,531,007	-	-	1,531,007
Other	593,862	-	423,978	1,017,840
	<u>5,804,049</u>	<u>-</u>	<u>423,978</u>	<u>6,228,027</u>
Support services:				
Student	50,906	-	-	50,906
Instructional staff	136,384	-	-	136,384
Administration	789,676	-	128,939	918,615
Operation and maintenance of plant	801,142	-	-	801,142
Transportation	393,383	-	-	393,383
	<u>2,171,491</u>	<u>-</u>	<u>128,939</u>	<u>2,300,430</u>
Non-instructional programs	6,960	-	-	6,960
Other expenditures:				
Facilities acquisition	-	252,623	187,144	439,767
Long-term debt:				
Principal	-	-	265,000	265,000
Interest and other charges	-	-	237,063	237,063
AEA flow through	362,665	-	-	362,665
	<u>362,665</u>	<u>252,623</u>	<u>689,207</u>	<u>1,304,495</u>
Total expenditures	<u>8,345,165</u>	<u>252,623</u>	<u>1,242,124</u>	<u>9,839,912</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,850)</u>	<u>350,742</u>	<u>(546,047)</u>	<u>(274,155)</u>
Other financing sources (uses):				
Operating transfers in	1,000	-	501,664	502,664
Operating transfers out	-	(501,664)	(1,000)	(502,664)
Total other financing sources (uses)	<u>1,000</u>	<u>(501,664)</u>	<u>500,664</u>	<u>-</u>
Net change in fund balances	(77,850)	(150,922)	(45,383)	(274,155)
Fund balances beginning of year	451,339	979,301	728,267	2,158,907
Fund balances end of year	<u>\$ 373,489</u>	<u>828,379</u>	<u>682,884</u>	<u>1,884,752</u>

See notes to financial statements.

Sheldon Community School District

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

Year ended June 30, 2008

Net change in fund balances - total governmental funds (page 24) \$ (274,155)

***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 Net Assets 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	\$ 405,598	
Depreciation expense	<u>(574,857)</u>	(169,259)

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 183,623

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 265,000

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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 718

Early retirement 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. 16,353

Change in net assets of governmental activities (page 21) \$ 22,280

See notes to financial statements.

Sheldon Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2008

	<u>School Nutrition- Nonmajor</u>
Assets	
Cash and cash equivalents	\$ 65,602
Inventories	10,287
Capital assets, net of accumulated depreciation	27,879
Total assets	<u>103,768</u>
Liabilities	
Accounts payable	2,201
Salaries and benefits payable	1,920
Unearned revenue	5,518
Total liabilities	<u>9,639</u>
Net Assets	
Invested in capital assets	27,879
Unrestricted	66,250
Total net assets	<u>\$ 94,129</u>

See notes to financial statements.

Sheldon Community School District

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

Year ended June 30, 2008

	<u>School Nutrition- Nonmajor</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 296,179
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	200,630
Purchased services	4,547
Supplies	239,275
Depreciation	7,823
Travel	1,532
Total operating expenses	<u>453,807</u>
Operating loss	<u>(157,628)</u>
Non-operating revenues:	
State sources	5,431
Federal sources	160,074
Interest income	3,016
Total non-operating revenues	<u>168,521</u>
Increase in net assets	10,893
Net assets beginning of year	<u>83,236</u>
Net assets end of year	<u>\$ 94,129</u>

See notes to financial statements.

Exhibit I

Sheldon Community School District

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition- Nonmajor</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 297,068
Cash paid to employees for services	(199,435)
Cash paid to suppliers for goods or services	(218,560)
Net cash used by operating activities	<u>(120,927)</u>
Cash flows from non-capital financing activities:	
State grants received	5,431
Federal grants received	138,939
Net cash provided by non-capital financing activities	<u>144,370</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(2,916)</u>
Cash flows from investing activities:	
Interest on investments	<u>3,016</u>
Net increase in cash and cash equivalents	23,543
Cash and cash equivalents beginning of year	<u>42,059</u>
Cash and cash equivalents end of year	<u>\$ 65,602</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (157,628)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	21,135
Depreciation	7,823
Decrease in inventories	3,823
Increase in accounts payable	1,836
Increase in salaries and benefits payable	1,195
Increase in unearned revenue	889
Net cash used by operating activities	<u>\$ (120,927)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$21,135 of federal commodities.

See notes to financial statements.

Sheldon Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 623,912	6,868
Accounts receivable	-	215
Due from other governments	-	6,596
	<hr/>	<hr/>
Total assets	623,912	13,679
Liabilities		
Due to other governments	-	13,679
	<hr/>	<hr/>
Net assets		
Reserved for scholarships	<u>\$ 623,912</u>	<u>-</u>

See notes to financial statements.

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

Year ended June 30, 2008

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Net decrease in fair value of investments	\$ (3,342)
Deductions:	
Regular instruction: Scholarships awarded	<u>14,000</u>
Change in net assets	(17,342)
Net assets beginning of year	<u>641,254</u>
Net assets end of year	<u>\$ 623,912</u>

See notes to financial statements.

Sheldon Community School District

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Sheldon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sheldon, Iowa, and the predominate agricultural territory in O'Brien County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sheldon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Sheldon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of both the O'Brien County and Sioux County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following nonmajor proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end.

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

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

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds and other receivables not collected within sixty days after year end.

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

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the non-instructional programs and the other expenditures functions exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District’s deposits in banks at June 30, 2008 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, 2008, the District had the following investments:

Investment Type	Fair Value	Maturity
Repurchase Agreement	\$ 139,692	Monthly
<u>Bowers Scholarship Trust Portfolio</u>		
Cash and Money Market	\$ 162,260	N/A
Municipal and Corporate Bonds	277,625	varies
Unit Trusts	32,294	varies
Mutual Funds	151,733	varies
Total	\$ 623,912	

In addition, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$829,548 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

The District's \$139,692 investment in a repurchase agreement is held in the name of the District and the underlying securities (totaling \$142,636) are held by an authorized custodian of the District.

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

Concentration of credit risk: The District places no limit on the amount that may be invested in any one issuer. The District's investment in the repurchase agreement is 8.77% of the District's total investments. The District's investment in the Bowers Scholarship Trust Portfolio is 39.2% 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 purchased outright with District funds.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 501,664
General	Special Revenue: Management Levy	1,000
Total		<u>\$ 502,664</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08A	6/27/2008	6/27/2008	\$ -	3,717	-	-
2007-08B	1/23/2008	1/23/2009	511,637	7,670	510,000	8,394
2008-09A	6/26/2008	6/25/2009	1,457,785	693	1,446,000	703
			<u>\$ 1,969,422</u>	<u>12,080</u>	<u>1,956,000</u>	<u>9,097</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-2008A	\$ -	425,000	425,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08B	3.750%	3.451%
2008-09A	3.500	3.469

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 83,303	-	-	83,303
Construction in progress	23,847	293,304	239,380	77,771
Total capital assets not being depreciated	107,150	293,304	239,380	161,074
Capital assets being depreciated:				
Buildings	9,859,068	-	-	9,859,068
Improvements other than buildings	2,280,925	268,368	-	2,549,293
Furniture and equipment	1,722,072	83,306	30,537	1,774,841
Infrastructure	25,963	-	-	25,963
Total capital assets being depreciated	13,888,028	351,674	30,537	14,209,165
Less accumulated depreciation for:				
Buildings	2,572,611	204,634	-	2,777,245
Improvements other than buildings	1,366,475	208,805	-	1,575,280
Furniture and equipment	1,271,447	160,553	30,537	1,401,463
Infrastructure	2,595	865	-	3,460
Total accumulated depreciation	5,213,128	574,857	30,537	5,757,448
Total capital assets being depreciated, net	8,674,900	(223,183)	-	8,451,717
Governmental activities capital assets, net	\$ 8,782,050	70,121	239,380	8,612,791
Business type activities:				
Furniture and equipment	\$ 146,821	2,916	6,645	143,092
Less accumulated depreciation	114,035	7,823	6,645	115,213
Business type activities capital assets, net	\$ 32,786	(4,907)	-	27,879
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				
Regular				\$ 102,234
Special				16,317
Support services:				
Student				17,759
Instructional staff				9,560
Operation and maintenance of plant				33,317
Transportation				56,134
Non-instructional programs				36,522
				271,843
Unallocated				303,014
Total depreciation expense - governmental activities				\$ 574,857
Business type activities:				
Food service operations				\$ 7,823

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,675,000	265,000	5,410,000	275,000
Early retirement	16,353	16,353	-	-
Total	<u>\$ 5,691,353</u>	<u>281,353</u>	<u>5,410,000</u>	<u>275,000</u>

Early Retirement

The District offered a voluntary early retirement plan to its certified employees until March 1, 2006. Eligible employees must have been at least age fifty-five and must have completed fifteen years of service to the District. Employees must have completed an application which was subject to approval by the Board of Education. The early retirement incentive for each eligible employee, payable in a lump sum or in up to four installments, was calculated as the difference between the salary schedule base in effect for the employee's last year of employment and the employee's total current salary for that year.

The remaining balance of early retirement benefits of \$16,353 was paid during the year ended June 30, 2008.

Bonded Debt

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of Sep 1, 2002			
	Interest Rates	Principal	Interest	Total
2009	3.50%	\$ 275,000	228,051	503,051
2010	3.75	300,000	218,426	518,426
2011	3.75	305,000	207,176	512,176
2012	4.00	320,000	195,739	515,739
2013	4.00	345,000	182,939	527,939
2014-2018	4.00-4.375	1,965,000	691,159	2,656,159
2019-2022	4.40-4.70	1,900,000	223,320	2,123,320
Total		<u>\$ 5,410,000</u>	<u>1,946,810</u>	<u>7,356,810</u>

(7) 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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$308,264, \$274,923 and \$263,320, respectively, equal to the required contributions for each year.

(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 \$362,665 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

Sheldon Community School District

Required Supplementary Information

Sheldon Community School District

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 4,455,167	299,195
State sources	4,884,895	5,431
Federal sources	225,695	160,074
Total revenues	<u>9,565,757</u>	<u>464,700</u>
Expenditures/Expenses:		
Instruction	6,228,027	-
Support services	2,300,430	-
Non-instructional programs	6,960	453,807
Other expenditures	1,304,495	-
Total expenditures/expenses	<u>9,839,912</u>	<u>453,807</u>
Excess (deficiency) of revenues over (under) expenditures	(274,155)	10,893
Balances beginning of year	<u>2,158,907</u>	<u>83,236</u>
Balances end of year	<u>\$ 1,884,752</u>	<u>94,129</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
4,754,362	4,672,226	4,672,226	82,136
4,890,326	4,770,076	4,770,076	120,250
385,769	377,305	377,305	8,464
10,030,457	9,819,607	9,819,607	210,850
6,228,027	6,311,095	6,422,095	194,068
2,300,430	2,394,944	2,544,944	244,514
460,767	417,915	432,915	(27,852)
1,304,495	1,159,650	1,209,650	(94,845)
10,293,719	10,283,604	10,609,604	315,885
(263,262)	(463,997)	(789,997)	526,735
2,242,143	2,037,946	2,037,946	204,197
1,978,881	1,573,949	1,247,949	730,932

Sheldon Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$326,000.

During the year ended June 30, 2008, expenditures in the non-instructional programs and the other expenditures functions exceeded the amounts budgeted.

Other Supplementary Information

Schedule 1

Sheldon Community School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

	<u>Special Revenue</u>				
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 187,602	216,760	177,432	131,856	713,650
Receivables:					
Property tax:					
Delinquent	310	-	2,656	-	2,966
Succeeding year	137,000	-	227,000	-	364,000
Total assets	\$ 324,912	216,760	407,088	131,856	1,080,616
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 4,960	-	28,772	-	33,732
Deferred revenue:					
Succeeding year property tax	137,000	-	227,000	-	364,000
Total liabilities	141,960	-	255,772	-	397,732
Fund balances:					
Reserved for debt service	-	-	-	131,856	131,856
Unreserved	182,952	216,760	151,316	-	551,028
Total fund balances	182,952	216,760	151,316	131,856	682,884
Total liabilities and fund balances	\$ 324,912	216,760	407,088	131,856	1,080,616

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, 2008

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 24,793	-	241,188	228	266,209
Other	6,417	412,085	5,782	5,584	429,868
Total revenues	31,210	412,085	246,970	5,812	696,077
Expenditures:					
Current:					
Instruction:					
Other	-	423,978	-	-	423,978
Support services:					
Administration	128,939	-	-	-	128,939
Other expenditures:					
Facilities acquisition	-	-	187,144	-	187,144
Long-term debt:					
Principal	-	-	-	265,000	265,000
Interest and other charges	-	-	-	237,063	237,063
Total expenditures	128,939	423,978	187,144	502,063	1,242,124
Excess (deficiency) of revenues over (under) expenditures	(97,729)	(11,893)	59,826	(496,251)	(546,047)
Other financing sources (uses):					
Operating transfers in	-	-	-	501,664	501,664
Operating transfers out	(1,000)	-	-	-	(1,000)
Total other financing sources (uses)	(1,000)	-	-	501,664	500,664
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(98,729)	(11,893)	59,826	5,413	(45,383)
Fund balances beginning of year	281,681	228,653	91,490	126,443	728,267
Fund balances end of year	\$ 182,952	216,760	151,316	131,856	682,884

See accompanying independent auditor's report.

Schedule 3

Sheldon Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Basketball	\$ 1,000	1,340	1,340	1,000
Cross Country	500	1,546	1,546	500
Football	6,500	8,388	8,388	6,500
Boys Golf	700	595	595	700
Boys Track	1,000	1,638	1,638	1,000
Baseball	1,700	1,424	2,124	1,000
Wrestling	1,000	2,928	2,928	1,000
Girls Basketball	1,000	1,189	1,189	1,000
Girls Softball	3,682	619	2,719	1,582
Girls Track	1,000	3,238	3,238	1,000
Girls Volleyball	1,000	1,669	1,669	1,000
Girls Golf	700	715	715	700
Weightlifting	701	745	394	1,052
Dance Team	6,237	14,568	14,013	6,792
Cheerleaders	13,983	15,101	22,964	6,120
Activity Tickets	-	12,280	12,280	-
Concession - High School	1,007	47,642	44,030	4,619
Concession - Middle School	3,960	6,970	7,010	3,920
Reserved Seat Tickets	387	-	-	387
Activity Passes	-	2,320	2,320	-
All Sports	22,701	12,087	15,656	19,132
Athletic Uniforms	4,500	7,098	7,098	4,500
Flags	293	621	452	462
Spanish Club	21,303	14,365	18,651	17,017
Art Club	5,428	75	292	5,211
Science Club	1,891	-	1,238	653
Speech Club	2,758	2,191	3,964	985
Family Career & Community Leaders of America (FCCLA)	4,915	3,146	3,433	4,628
Fellowship of Christian Athletes (FCA)	1,400	895	1,400	895
Future Business Leaders	1,257	643	334	1,566
Future Farmers of America	5,189	21,741	24,967	1,963
College Farm	6,308	52,780	40,934	18,154
Middle School:				
SOAR	3,491	11,596	10,449	4,638
Band	825	3,224	1,866	2,183
Vocal Music	1,644	595	388	1,851
Student Council	2,501	3,251	861	4,891
Magazine Sales	-	40,315	40,202	113
Playground Equipment	1,099	-	429	670
5/6 Entrepreneur	1,864	3,000	3,629	1,235

Sheldon Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Student Council	3,820	9,455	8,904	4,371
National Honor Society	89	1,526	1,579	36
SADD	201	1,445	429	1,217
Band Uniform Rent	23,899	22,591	34,904	11,586
Musical	1,678	2,714	3,186	1,206
Annual	8,665	5,390	7,341	6,714
Band	405	15,871	15,339	937
Jazz Band	23	-	-	23
Vocal Music	5,248	4,814	5,885	4,177
Choir Robes	16	-	-	16
Choir Trip	127	-	-	127
Swing Choir	2,959	3,485	2,825	3,619
Summer Theater	8,604	16,110	14,469	10,245
Music Department Trip	2,011	-	-	2,011
Band Trip	7,201	-	200	7,001
Science Department	100	-	-	100
Elementary Boxtop	2,288	13,677	14,052	1,913
District Hospitality	197	-	-	197
Student Vending Machines	4,110	1,001	-	5,111
Investments	5,969	6,880	2,675	10,174
Class of:				
2000/2010	3,490	-	22	3,468
2001/2011	3,352	-	35	3,317
2004/2014	673	-	34	639
2005/2015	575	3,321	-	3,896
2007/2017	1,036	34	1,070	-
2008/2018	3,023	1,233	1,989	2,267
2009/2019	3,470	-	1,697	1,773
Total	\$ 228,653	412,085	423,978	216,760

See accompanying independent auditor's report.

Schedule 4

Sheldon Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 5,293	8,592	7,017	6,868
Accounts receivable	82	215	82	215
Due from other governments	7,762	6,596	7,762	6,596
Total assets	\$ 13,137	15,403	14,861	13,679
Liabilities				
Due to other governments	\$ 13,137	15,403	14,861	13,679

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 Eight Years

	Modified Accrual Basis							
	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:								
Local sources:								
Local tax	\$ 3,713,942	3,783,369	3,778,943	3,705,094	3,971,901	3,186,542	2,860,636	2,913,234
Tuition	227,067	228,469	205,636	195,411	172,579	118,391	153,730	144,252
Other	514,158	596,990	525,867	549,856	456,981	595,179	526,095	578,310
State sources	4,884,895	4,727,058	4,348,956	4,158,412	3,647,447	3,917,172	3,901,738	3,801,426
Federal sources	225,695	271,408	231,222	350,161	894,075	278,416	254,029	189,025
Total	\$ 9,565,757	9,607,294	9,090,624	8,958,934	9,142,983	8,095,700	7,696,228	7,626,247
Expenditures:								
Instruction:								
Regular	\$ 3,679,180	3,594,270	3,965,895	3,730,320	3,534,552	3,336,688	3,327,480	3,051,435
Special	1,531,007	1,452,227	963,874	979,108	788,266	687,714	824,714	825,552
Other	1,017,840	932,961	837,581	945,675	842,041	810,318	859,480	838,075
Support services:								
Student	50,906	116,807	94,290	72,821	81,986	241,027	215,154	161,912
Instructional staff	136,384	148,092	131,141	136,586	124,936	135,636	126,830	127,036
Administration services	918,615	1,169,018	908,871	823,388	827,693	728,667	684,547	666,894
Operation and maintenance of plant	801,142	760,164	770,570	649,462	579,527	511,765	531,349	520,053
Transportation	393,383	346,948	301,381	246,718	240,987	211,953	251,185	309,502
Central support	-	-	123	27,631	-	14,560	112,199	7,217
Non-instructional programs	6,960	5,117	71	9,042	8,502	5,000	-	22,651
Other expenditures:								
Facilities acquisition	439,767	553,113	257,939	733,736	4,718,670	2,456,560	338,011	354,814
Long-term debt:								
Principal	265,000	255,000	250,000	240,000	200,000	145,000	140,000	168,655
Interest and other charges	237,063	245,351	252,851	260,051	268,501	209,444	19,450	25,294
AEA flow through	362,665	352,494	334,941	325,668	325,688	366,540	349,094	355,112
Total	\$ 9,839,912	9,931,562	9,069,528	9,180,206	12,541,349	9,860,872	7,779,493	7,434,202

See accompanying independent auditor's report.

Sheldon Community School District



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Des Moines, Iowa 50319-0004

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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 the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sheldon Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 4, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sheldon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, not for the purpose of expressing our opinion on the effectiveness of Sheldon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sheldon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sheldon Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sheldon Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sheldon Community School District's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sheldon Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item B is a material weakness.

Compliance and Other Matters

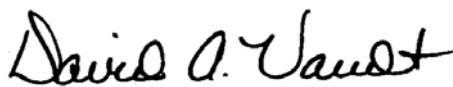
As part of obtaining reasonable assurance about whether Sheldon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a 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 that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

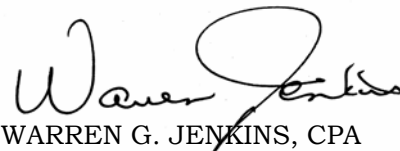
Sheldon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sheldon Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sheldon Community School District and other parties to whom Sheldon Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sheldon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 4, 2008

Sheldon Community School District

Schedule of Findings

Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

Recommendation – A written disaster recovery plan should be developed.

Response – We will work on implementing a plan.

Conclusion – Response accepted.

- (B) 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 – We will use the services of the part-time clerk to help review the invoices at year end.

Conclusion – Response accepted.

- (C) Transfers – The District transferred money to and from the PPEL Fund for loan repayments. However, these transfers could not be traced to Board approval per the Board minutes prior to the actual transfer.

Recommendation – The District should approve all fund transfers prior to the actual transfer and document approval and amount(s) as part of the minutes record.

Response – We will use the transfer authorization and have written Board approval. We will make sure that the authorization is noted in the Board minutes.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sheldon Community School District

Schedule of Findings

Year ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements for the year ended June 30, 2008 exceeded the amended budget for the non-instructional program and the other expenditures functions.

Recommendation – The budget should have been amended in sufficient amounts as required by Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will continue to monitor the expenditures as they relate to the certified budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – 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.
- (3) 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.
- (4) Business Transactions – No business transactions between the District and District officials or employees were noted.
- (5) 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.
- (6) Board Minutes – Except as noted, no transactions requiring Board approval which had not been approved by the Board were noted.
- (7) Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

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

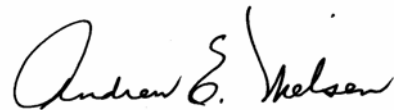
- (9) Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education.

Sheldon Community School District

Staff

This audit was performed by:

Susan D. Battani, CPA, Director
Nancy F. Curtis, CPA, Senior Auditor II
Jennifer L. Wall, CPA, Senior Auditor
Sara L. Roling, Assistant Auditor
Lara K. VanWyk, Auditor Intern


Andrew E. Nielsen, CPA
Deputy Auditor of State