



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE

December 7, 2009

Contact: Andy Nielsen  
515/281-5834

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

The District's revenues totaled \$11,398,306 for the year ended June 30, 2009, an increase of 11.6% over the prior year. Revenues included \$3,213,553 in local tax, charges for service of \$917,383, operating grants, contributions and restricted interest of \$1,949,366, capital grants, contributions and restricted interest of \$25,029, instructional support surtax of \$273,297, statewide sales and services tax of \$733,390, unrestricted state grants and contributions of \$4,241,220, unrestricted investment earnings of \$34,459 and other general revenues of \$10,609.

Expenses for District operations totaled \$10,868,254, an increase of 6.8% over the prior year. Expenses included \$6,854,008 for instruction, \$2,401,939 for support services, \$43,020 for non-instructional programs (excluding food service operations), \$1,079,125 for other expenditures and \$490,082 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/index.html>.

###



**SHELDON COMMUNITY SCHOOL DISTRICT**

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

**JUNE 30, 2009**

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		8-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18-19
Statement of Activities	B	20-21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	26
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	27
Statement of Cash Flows	I	28
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	29
Statement of Changes in Fiduciary Net Assets	K	30
Notes to Financial Statements		31-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual – All Governmental Funds and Proprietary Fund		44-45
Notes to Required Supplementary Information – Budgetary Reporting		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	50-51
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	4	53
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	54-55
Schedule of Expenditures of Federal Awards	6	56
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		57-58
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		61-62
Schedule of Findings and Questioned Costs		63-66
Staff		67

**Sheldon Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2008 Election)</b>		
Dan Van Gorp	President	2008
Gary Ihnen	Vice President	2010
Harlan Bousema	Board Member	2008
Glen Goedken	Board Member	2008
Kecia Hickman	Board Member	2010

<b>Board of Education</b>		
<b>(After September 2008 Election)</b>		
Dan Van Gorp	President	2009
Gary Ihnen	Vice President	2011 *
Randy Merley	Board Member	2009
Glen Goedken	Board Member	2011
Kecia Hickman	Board Member	2011 *

<b>School Officials</b>		
Robin Spears	Superintendent	2009
Bill Borchers	District Secretary/Treasurer and Business Manager	2009
Tom Whorley	Attorney	2009

\* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**Sheldon Community School District**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

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, 2009, 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.

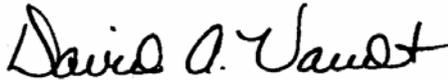
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2009, 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 10, 2009 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 eight years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 10, 2009

**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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,266,315 in fiscal 2008 to \$9,303,494 in fiscal 2009, while General Fund expenditures increased from \$8,345,165 in fiscal 2008 to \$8,916,290 in fiscal 2009. The District's General Fund balance increased from \$373,489 at the end of fiscal 2008 to \$760,693 at the end of fiscal 2009, an increase of 103.7%.
- The increase in General Fund revenues is due to increases in property tax, state aid, the State 4 year Old Pre-School grant and teachers quality salary improvement. The increase in expenditures is due to increases in salaries, benefits and instructional expenditures for the State 4 year Old Pre-School program.
- The General Fund balance increase is due to a District increase in receipts coupled with a reduction in expenditures as preparation for the effect on finances caused by the economic recession.

### **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 statements provide financial information about activities for which Sheldon Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.



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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities-Agency Fund</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund 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, 2009 compared to June 30, 2008.

**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,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 8,767	8,003	106	76	8,873	8,079	9.8%
Capital assets	8,604	8,613	25	28	8,629	8,815	-2.1%
Total assets	17,371	16,616	131	104	17,502	16,720	4.7%
Long-term liabilities	5,166	5,410	-	-	5,166	5,410	-4.5%
Other liabilities	6,226	5,729	9	10	6,235	5,739	8.6%
Total liabilities	11,392	11,139	9	10	11,401	11,149	2.3%
Net assets:							
Invested in capital assets, net of related debt	3,469	3,203	25	28	3,494	3,231	8.1%
Restricted	1,378	1,494	-	-	1,378	1,494	-7.8%
Unrestricted	1,132	780	97	66	1,229	846	45.3%
Total net assets	\$ 5,979	5,477	122	94	6,101	5,571	9.5%

The District’s combined net assets increased 9.5%, or approximately \$530,000, 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 \$116,000, or 7.8%, 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 \$383,000, or 45.3%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2009 and 2008.

<b>Figure A-4</b>							
<b>Changes in Net Assets (Expressed in Thousands)</b>							
	Governmental		Business Type		Total		% Total
	Activities		Activities		School District		Change
	2009	2008	2009	2008	2009	2008	June 30, 2008-2009
Revenues:							
Program revenues:							
Charges for service	\$ 584	638	333	296	917	934	-1.8%
Operating grants, contributions and restricted interest	1,767	1,196	183	166	1,950	1,362	43.2%
Capital grants, contributions and restricted interest	25	1	-	-	25	1	2400.0%
General revenues:							
Property tax	3,214	2,894	-	-	3,214	2,894	11.1%
Instructional support surtax	273	440	-	-	273	440	-38.0%
Statewide sales and services tax	734	566	-	-	734	566	29.7%
Unrestricted state grants	4,241	3,924	-	-	4,241	3,924	8.1%
Unrestricted investment earnings	33	79	1	3	34	82	-58.5%
Other	9	11	1	-	10	11	-9.1%
Total revenues	<u>10,880</u>	<u>9,749</u>	<u>518</u>	<u>465</u>	<u>11,398</u>	<u>10,214</u>	<u>11.6%</u>
Program expenses:							
Instruction	6,854	6,347	-	-	6,854	6,347	8.0%
Support services	2,402	1,995	-	-	2,402	1,995	20.4%
Non-instructional programs	43	43	490	454	533	497	7.2%
Other expenses	1,079	1,342	-	-	1,079	1,342	-19.6%
Total expenses	<u>10,378</u>	<u>9,727</u>	<u>490</u>	<u>454</u>	<u>10,868</u>	<u>10,181</u>	<u>6.7%</u>
Increase in net assets	502	22	28	11	530	33	1506.1%
Net assets beginning 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>
Net assets end of year	<u>\$ 5,979</u>	<u>5,477</u>	<u>122</u>	<u>94</u>	<u>6,101</u>	<u>5,571</u>	<u>9.5%</u>

Property tax and unrestricted state grants account for 69% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total governmental activities expenses.

### Governmental Activities

Revenues for governmental activities were \$10,880,119 and expenses were \$10,378,172.

The following table presents the total and net cost of the District's major governmental activities for fiscal 2009: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>						
<b>Total and Net Cost of Governmental Activities</b>						
<b>(Expressed in Thousands)</b>						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 6,854	6,347	8.0%	5,001	4,985	0.3%
Support services	2,402	1,995	20.4%	2,298	1,891	21.5%
Non-instructional programs	43	43	0.0%	39	43	-9.3%
Other expenses	1,079	1,342	-19.6%	664	972	-31.7%
Total	<u>\$ 10,378</u>	<u>9,727</u>	<u>6.7%</u>	<u>8,002</u>	<u>7,891</u>	<u>1.4%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$584,378.
- Federal and state governments subsidized certain programs with grants, contributions and restricted interest totaling \$1,791,765.
- The net cost of governmental activities was financed with \$4,220,240 in property and other tax, including statewide sales and services tax, and \$4,241,220 in unrestricted state grants and contributions.

### **Business Type Activities**

Revenues for business type activities were \$518,187 and expenses were \$490,082. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Sheldon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,151,081, an increase of \$266,329 compared to last year's ending fund balance of \$1,884,752. The increase is due to an increase in the General Fund balance of 103.7%, as stated in the 2009 Financial Highlights.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$373,489 to \$760,693 due to a District increase in revenue coupled with a reduction in expenditures as preparation for the effect on finances caused by the economic recession.
- The District's increasing General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues and was coupled with a reduction of expenditures in preparation for a decrease of funding from State sources in the upcoming year.
- The Capital Projects Fund balance decreased from \$828,379 to \$701,910 due to an increase in related expenditures compared to the prior year.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$94,129 at June 30, 2008 to \$122,234 at June 30, 2009, representing an increase of approximately 30%, 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 the Enterprise, School Nutrition Funds.

The District's revenues were \$500,459 greater than budgeted revenues, a variance of 4.4%.

Total expenditures were \$1,316,111 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 due to the increased cost of food service expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, 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 \$593,152 for governmental and business type activities.

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

	Governmental Activities		Business Type Activities		Total District		% Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 83	83	-	-	83	83	0.0%
Construction in progress	344	78	4	-	348	78	346.2%
Buildings	6,877	7,082	-	-	6,877	7,082	-2.9%
Improvements other than buildings	941	974	-	-	941	974	-3.4%
Furniture and equipment	337	373	21	28	358	401	-10.7%
Infrastructure	22	23	-	-	22	23	-4.3%
<b>Total</b>	<b>\$ 8,604</b>	<b>8,613</b>	<b>25</b>	<b>28</b>	<b>8,629</b>	<b>8,641</b>	<b>-0.1%</b>

The original cost of the District's capital assets was approximately \$15 million. Governmental funds account for \$14.9 million, with the remaining \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

## Long-Term Liabilities

At June 30, 2009, the District had \$5,135,000 in general obligation bonded indebtedness outstanding. This represents a decrease of approximately 5.1% from last year. (See Figure A-7) Additional information about the District's long-term liabilities is presented in Note 6 to the financial statements.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Liabilities</b>			
<b>(expressed in thousands)</b>			
	Total District		% Total Change
	June 30,		June 30,
	2009	2008	2008-2009
General obligation bonds	\$ 5,135	5,410	-5.1%
Early retirement	31	-	100.0%
Total	\$ 5,166	5,410	-4.5%

## 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.

Based on the current economy, the District is anticipating reduced funding from the State of Iowa for the upcoming school years. This reduced funding will put a strain on the cash reserves the District has accumulated.

## 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**

**Exhibit A**

## Sheldon Community School District

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, pooled investments and cash equivalents:			
ISCAP	\$ 1,999,047	-	1,999,047
Other	2,967,746	96,908	3,064,654
Receivables:			
Property tax:			
Delinquent	61,459	-	61,459
Succeeding year	3,090,000	-	3,090,000
Accounts	646	-	646
ISCAP accrued interest	15,509	-	15,509
Due from other governments	632,675	-	632,675
Inventories	-	8,996	8,996
Capital assets, net of accumulated depreciation	8,603,509	25,550	8,629,059
<b>Total assets</b>	<b>17,370,591</b>	<b>131,454</b>	<b>17,502,045</b>
<b>Liabilities</b>			
Accounts payable	220,982	922	221,904
Salaries and benefits payable	752,327	1,494	753,821
Due to other governments	80,224	-	80,224
Accrued interest payable	18,202	-	18,202
Unearned revenue:			
Succeeding year property tax	3,090,000	-	3,090,000
Other	44,521	6,804	51,325
ISCAP warrants payable	1,970,000	-	1,970,000
ISCAP accrued interest payable	9,794	-	9,794
ISCAP unamortized premium	39,888	-	39,888
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	300,000	-	300,000
Early retirement payable	30,902	-	30,902
Portion due after one year:			
General obligation bonds payable	4,835,000	-	4,835,000
<b>Total liabilities</b>	<b>11,391,840</b>	<b>9,220</b>	<b>11,401,060</b>

Sheldon Community School District

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,468,509	25,550	3,494,059
Restricted for:			
Management levy	115,414	-	115,414
Physical plant and equipment levy	181,434	-	181,434
Other special revenue purposes	227,526	-	227,526
Debt service	115,000	-	115,000
Capital projects	18,550	-	18,550
DHS medicaid retainer	1,856	-	1,856
Statewide voluntary preschool program	35,371	-	35,371
Statewide sales and services tax	683,360	-	683,360
Unrestricted	1,131,731	96,684	1,228,415
<b>Total net assets</b>	<b>\$ 5,978,751</b>	<b>122,234</b>	<b>6,100,985</b>

See notes to financial statements.

Sheldon Community School District

Statement of Activities

Year ended June 30, 2009

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,321,980	174,806	786,153	-
Special instruction	1,557,460	-	158,466	-
Other instruction	974,648	405,068	328,269	-
	<u>6,854,088</u>	<u>579,874</u>	<u>1,272,888</u>	<u>-</u>
Support services:				
Student	75,008	-	11,182	-
Instructional staff	145,655	-	-	-
Administration	1,034,895	-	7,993	-
Operation and maintenance of plant	749,646	-	-	-
Transportation	396,735	-	78,103	6,596
	<u>2,401,939</u>	<u>-</u>	<u>97,278</u>	<u>6,596</u>
Non-instructional programs	43,020	4,504	-	-
Other expenditures:				
Facilities acquisition	153,638	-	-	18,433
Long-term debt interest	227,649	-	1,746	-
AEA flow through	394,824	-	394,824	-
Depreciation (unallocated)*	303,014	-	-	-
	<u>1,079,125</u>	<u>-</u>	<u>396,570</u>	<u>18,433</u>
Total governmental activities	10,378,172	584,378	1,766,736	25,029
Business type activities:				
Non-instructional programs:				
Food service operations	490,082	333,005	182,630	-
Total	<u>\$ 10,868,254</u>	<u>917,383</u>	<u>1,949,366</u>	<u>25,029</u>
<b>General Revenues:</b>				
Property tax levied for general purposes				
Instructional support surtax				
Statewide 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 various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(3,361,021)	-	(3,361,021)
(1,398,994)	-	(1,398,994)
(241,311)	-	(241,311)
(5,001,326)	-	(5,001,326)
(63,826)	-	(63,826)
(145,655)	-	(145,655)
(1,026,902)	-	(1,026,902)
(749,646)	-	(749,646)
(312,036)	-	(312,036)
(2,298,065)	-	(2,298,065)
(38,516)	-	(38,516)
(135,205)	-	(135,205)
(225,903)	-	(225,903)
-	-	-
(303,014)	-	(303,014)
(664,122)	-	(664,122)
(8,002,029)	-	(8,002,029)
-	25,553	25,553
(8,002,029)	25,553	(7,976,476)
\$ 3,213,553	-	3,213,553
273,297	-	273,297
733,390	-	733,390
4,241,220	-	4,241,220
33,353	1,106	34,459
9,163	1,446	10,609
8,503,976	2,552	8,506,528
501,947	28,105	530,052
5,476,804	94,129	5,570,933
\$ 5,978,751	122,234	6,100,985

Sheldon Community School District

Balance Sheet  
Governmental Funds

June 30, 2009

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	\$ 1,999,047	-	-	1,999,047
Other	1,556,940	712,150	698,656	2,967,746
Receivables:				
Property tax:				
Delinquent	54,760	-	6,699	61,459
Succeeding year	2,716,000	-	374,000	3,090,000
Accounts	646	-	-	646
ISCAP accrued interest	15,509	-	-	15,509
Due from other governments	529,202	103,473	-	632,675
<b>Total assets</b>	<b>\$ 6,872,104</b>	<b>815,623</b>	<b>1,079,355</b>	<b>8,767,082</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 90,392	113,713	16,877	220,982
Salaries and benefits payable	752,327	-	-	752,327
Due to other governments	80,224	-	-	80,224
ISCAP warrants payable	1,970,000	-	-	1,970,000
ISCAP accrued interest payable	9,794	-	-	9,794
ISCAP unamortized premium	39,888	-	-	39,888
Deferred revenue:				
Succeeding year property tax	2,716,000	-	374,000	3,090,000
Other	452,786	-	-	452,786
Total liabilities	6,111,411	113,713	390,877	6,616,001
Fund balances:				
Reserved for:				
DHS medicaid retainer	1,856	-	-	1,856
Statewide voluntary preschool program	35,371	-	-	35,371
Debt service	-	-	133,202	133,202
Unreserved, reported in:				
S General fund	723,466	-	-	723,466
Special revenue funds	-	-	555,276	555,276
Capital projects fund	-	701,910	-	701,910
Total fund balances	760,693	701,910	688,478	2,151,081
<b>Total liabilities and fund balances</b>	<b>\$ 6,872,104</b>	<b>815,623</b>	<b>1,079,355</b>	<b>8,767,082</b>

See notes to financial statements.

Sheldon Community School District

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

June 30, 2009

<b>Total fund balances of governmental funds (page 22)</b>	\$ 2,151,081
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,603,509
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.	(18,202)
Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(5,165,902)</u>
<b>Net assets of governmental activities (page 19)</b>	<u><u>\$ 5,978,751</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, 2009

	General	Capital Projects	Nonmajor	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 3,083,787	733,390	400,866	4,218,043
Tuition	174,806	-	-	174,806
Other	43,918	11,763	412,557	468,238
State sources	5,663,888	-	-	5,663,888
Federal sources	337,095	-	-	337,095
Total revenues	9,303,494	745,153	813,423	10,862,070
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,241,257	-	-	4,241,257
Special	1,541,143	-	-	1,541,143
Other	578,335	-	396,313	974,648
	6,360,735	-	396,313	6,757,048
Support services:				
Student	55,830	-	-	55,830
Instructional staff	136,095	-	-	136,095
Administration	815,039	-	188,954	1,003,993
Operation and maintenance of plant	811,773	-	-	811,773
Transportation	341,938	-	-	341,938
	2,160,675	-	188,954	2,349,629
Non-instructional programs	56	-	-	56
Other expenditures:				
Facilities acquisition	-	368,571	222,162	590,733
Long-term debt:				
Principal	-	-	275,000	275,000
Interest and other charges	-	-	228,451	228,451
AEA flow through	394,824	-	-	394,824
	394,824	368,571	725,613	1,489,008
Total expenditures	8,916,290	368,571	1,310,880	10,595,741
Excess (deficiency) of revenues over (under) expenditures	387,204	376,582	(497,457)	266,329
Other financing sources (uses):				
Operating transfers in	-	-	503,051	503,051
Operating transfers out	-	(503,051)	-	(503,051)
Total other financing sources (uses)	-	(503,051)	503,051	-
Net change in fund balances	387,204	(126,469)	5,594	266,329
Fund balances beginning of year	373,489	828,379	682,884	1,884,752
Fund balances end of year	\$ 760,693	701,910	688,478	2,151,081

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, 2009

**Net change in fund balances - total governmental funds (page 24)** \$ 266,329

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

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

Expenditures for capital assets	\$ 558,762	
Capital assets contributed by Sheldon Athletic Boosters	18,049	
Depreciation expense	<u>(586,093)</u>	(9,282)

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. 275,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 802

Early retirement expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (30,902)

**Change in net assets of governmental activities (page 21)** \$ 501,947

See notes to financial statements.

## Sheldon Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2009

	<u>School Nutrition- Nonmajor</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 96,908
Inventories	8,996
Capital assets, net of accumulated depreciation	<u>25,550</u>
<b>Total assets</b>	<u>131,454</u>
<b>Liabilities</b>	
Accounts payable	922
Salaries and benefits payable	1,494
Unearned revenue	<u>6,804</u>
<b>Total liabilities</b>	<u>9,220</u>
<b>Net Assets</b>	
Invested in capital assets	25,550
Unrestricted	<u>96,684</u>
<b>Total net assets</b>	<u>\$ 122,234</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, 2009

	<u>School Nutrition- Nonmajor</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 333,005
Miscellaneous	1,446
Total operating revenues	<u>334,451</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	212,717
Purchased services	14,397
Supplies	255,299
Depreciation	7,059
Travel	610
Total operating expenses	<u>490,082</u>
Operating loss	<u>(155,631)</u>
Non-operating revenues:	
State sources	5,401
Federal sources	177,229
Interest income	1,106
Total non-operating revenues	<u>183,736</u>
Increase in net assets	28,105
Net assets beginning of year	<u>94,129</u>
Net assets end of year	<u>\$ 122,234</u>

See notes to financial statements.

**Exhibit I**

## Sheldon Community School District

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition- Nonmajor</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 335,737
Cash paid to employees for services	(213,143)
Cash paid to suppliers for goods or services	(242,716)
Net cash used by operating activities	<u>(120,122)</u>
Cash flows from non-capital financing activities:	
State grants received	5,401
Federal grants received	149,651
Net cash provided by non-capital financing activities	<u>155,052</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(4,730)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,106</u>
Net increase in cash and cash equivalents	31,306
Cash and cash equivalents beginning of year	<u>65,602</u>
Cash and cash equivalents end of year	<u>\$ 96,908</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (155,631)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	27,578
Depreciation	7,059
Decrease in inventories	1,291
Decrease in accounts payable	(1,279)
Decrease in salaries and benefits payable	(426)
Increase in unearned revenue	1,286
Net cash used by operating activities	<u>\$ (120,122)</u>

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

During the year ended June 30, 2009, the District received \$27,578 of federal commodities.

See notes to financial statements.

Sheldon Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 589,415	7,458
Accounts receivable	-	172
Due from other governments	-	6,727
<b>Total assets</b>	589,415	14,357
<b>Liabilities</b>		
Due to other governments	-	14,357
<b>Net assets</b>		
Reserved for scholarships	\$ 589,415	-

See notes to financial statements.

**Exhibit K**

---

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

Year ended June 30, 2009

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Net decrease in fair value of investments	\$ (3,047)
Deductions:	
Regular instruction:	
Scholarships awarded	<u>31,450</u>
Change in net assets	(34,497)
Net assets beginning of year	<u>623,912</u>
Net assets end of year	<u>\$ 589,415</u>

See notes to financial statements.

Sheldon Community School District

Notes to Financial Statements

June 30, 2009

**(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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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.

Unearned 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.

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

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

Fund Equity – In the governmental fund financial statements, 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, 2009, expenditures in the non-instructional programs function exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District’s deposits in banks at June 30, 2009 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, 2009, the District had the following investments:

Investment Type	Fair Value	Maturity
Repurchase Agreement	<u>\$ 271,275</u>	Monthly
<u>Bowers Scholarship Trust Portfolio</u>		
Cash and Money Market	\$ 164,963	N/A
Municipal and Corporate Bonds	263,777	varies
Unit Trusts	26,674	varies
Mutual Funds	<u>134,001</u>	varies
Total	<u>\$ 589,415</u>	

In addition, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$991,603 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 \$271,275 investment in a repurchase agreement is held in the name of the District and the underlying securities (totaling \$386,018) are held by an authorized custodian of the District.

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

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 15.04% of the District's total investments. The District's investment in the Bowers Scholarship Trust Portfolio is 32.67% of the District's total investments.

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

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 503,051

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, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/2008	6/25/2009	\$ -	8,681	-	-
2008-09B	1/21/2009	1/21/2010	721,128	6,670	712,000	9,363
2009-10A	6/25/2009	6/23/2010	1,277,919	158	1,258,000	431
Total			\$ 1,999,047	15,509	1,970,000	9,794

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, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-2009A	\$ -	400,000	400,000	-

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
2008-09B	3.000%	2.110%
2009-10A	2.500	0.902

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 83,303	-	-	83,303
Construction in progress	77,771	266,169	-	343,940
Total capital assets not being depreciated	161,074	266,169	-	427,243
Capital assets being depreciated:				
Buildings	9,859,068	-	23,866	9,835,202
Improvements other than buildings	2,549,293	190,026	13,617	2,725,702
Furniture and equipment	1,774,841	120,616	14,900	1,880,557
Infrastructure	25,963	-	-	25,963
Total capital assets being depreciated	14,209,165	310,642	52,383	14,467,424
Less accumulated depreciation for:				
Buildings	2,777,245	204,633	23,866	2,958,012
Improvements other than buildings	1,575,280	223,304	13,617	1,784,967
Furniture and equipment	1,401,463	157,289	14,900	1,543,852
Infrastructure	3,460	867	-	4,327
Total accumulated depreciation	5,757,448	586,093	52,383	6,291,158
Total capital assets being depreciated, net	8,451,717	(275,451)	-	8,176,266
Governmental activities capital assets, net	\$ 8,612,791	(9,282)	-	8,603,509
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ -	4,730	-	4,730
Total capital assets not being depreciated	-	4,730	-	4,730
Capital assets being depreciated:				
Furniture and equipment	143,092	-	-	143,092
Less accumulated depreciation	115,213	7,059	-	122,272
Total capital assets being depreciated, net	27,879	(7,059)	-	20,820
Business type activities capital assets, net	\$ 27,879	(2,329)	-	25,550
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				
Regular			\$	99,822
Special				16,317
St Support services:				
Student				19,178
Instructional staff				9,560
Operation and maintenance of plant				56,911
Transportation				42,964
Non-instructional programs				38,327
				283,079
Unallocated				303,014
Total depreciation expense - governmental activities			\$	586,093
Business type activities:				
Food service operations			\$	7,059

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year			Balance End of Year		Due Within One Year
		Additions	Reductions			
General obligation bonds	\$ 5,410,000	-	275,000	5,135,000		300,000
Early retirement	-	92,707	61,805	30,902		30,902
Total	\$ 5,410,000	92,707	336,805	5,165,902		330,902

Early Retirement

The District offered a voluntary early retirement plan to its certified employees until April 4, 2008. Eligible employees must have been at least age fifty-five by June 30, 2008 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 was payable in three equal installments and was calculated as 50% of the total of the following: (a) salary schedule base in effect for the 2007-2008 school year, (b) the 2007-2008 school year Teacher Quality Compensation salary and (c) any additional 2007-2008 school year salary stipends.

Early retirement benefits of \$61,805 were paid during the year ended June 30, 2009.

Bonded Debt

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of Sep 1, 2002			
	Interest Rates	Principal	Interest	Total
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	4.00	360,000	169,139	529,139
2015-2019	4.10-4.40	2,055,000	608,570	2,663,570
2020-2022	4.50-4.70	1,450,000	136,770	1,586,770
Total		\$ 5,135,000	1,718,759	6,853,759

**(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 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$332,196, \$308,264 and \$274,923, 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 \$394,824 for the year ended June 30, 2009 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, 2009

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 4,861,087	335,557	5,196,644
State sources	5,663,888	5,401	5,669,289
Federal sources	337,095	177,229	514,324
Total revenues	<u>10,862,070</u>	<u>518,187</u>	<u>11,380,257</u>
Expenditures/Expenses:			
Instruction	6,757,048	-	6,757,048
Support services	2,349,629	-	2,349,629
Non-instructional programs	56	490,082	490,138
Other expenditures	1,489,008	-	1,489,008
Total expenditures/expenses	<u>10,595,741</u>	<u>490,082</u>	<u>11,085,823</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	266,329	28,105	294,434
Other financing sources, net	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures/expenses	266,329	28,105	294,434
Balances beginning of year	<u>1,884,752</u>	<u>94,129</u>	<u>1,978,881</u>
Balances end of year	<u>\$ 2,151,081</u>	<u>122,234</u>	<u>2,273,315</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual Variance
5,122,615	5,122,615	74,029
5,411,183	5,411,183	258,106
346,000	346,000	168,324
<u>10,879,798</u>	<u>10,879,798</u>	<u>500,459</u>
6,734,403	6,947,076	190,028
2,863,260	2,817,116	467,487
457,254	487,978	(2,160)
1,903,742	2,149,764	660,756
<u>11,958,659</u>	<u>12,401,934</u>	<u>1,316,111</u>
(1,078,861)	(1,522,136)	1,816,570
<u>503,051</u>	<u>503,051</u>	<u>(503,051)</u>
(575,810)	(1,019,085)	1,313,519
<u>1,708,422</u>	<u>1,708,422</u>	<u>270,459</u>
<u>1,132,612</u>	<u>689,337</u>	<u>1,583,978</u>

Sheldon Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2009

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 \$443,275.

During the year ended June 30, 2009, expenditures in the non-instructional programs function exceeded the amount budgeted.

**Other Supplementary Information**

**Schedule 1**

## Sheldon Community School District

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

	<u>Special Revenue</u>				
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
<b>Assets</b>					
Cash and pooled investments	\$ 146,293	227,526	191,635	133,202	698,656
Receivables:					
Property tax:					
Delinquent	2,854	-	3,845	-	6,699
Succeeding year	137,000	-	237,000	-	374,000
<b>Total assets</b>	<b>\$ 286,147</b>	<b>227,526</b>	<b>432,480</b>	<b>133,202</b>	<b>1,079,355</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 2,831	-	14,046	-	16,877
Deferred revenue:					
Succeeding year property tax	137,000	-	237,000	-	374,000
<b>Total liabilities</b>	<b>139,831</b>	<b>-</b>	<b>251,046</b>	<b>-</b>	<b>390,877</b>
Fund balances:					
Reserved for debt service	-	-	-	133,202	133,202
Unreserved	146,316	227,526	181,434	-	555,276
<b>Total fund balances</b>	<b>146,316</b>	<b>227,526</b>	<b>181,434</b>	<b>133,202</b>	<b>688,478</b>
<b>Total liabilities and fund balances</b>	<b>\$ 286,147</b>	<b>227,526</b>	<b>432,480</b>	<b>133,202</b>	<b>1,079,355</b>

See accompanying independent auditor's report.

## Sheldon Community School District

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

Year ended June 30, 2009

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 150,645	-	250,221	-	400,866
Other	1,673	407,079	2,059	1,746	412,557
Total revenues	152,318	407,079	252,280	1,746	813,423
Expenditures:					
Current:					
Instruction:					
Other	-	396,313	-	-	396,313
Support services:					
Administration	188,954	-	-	-	188,954
Other expenditures:					
Facilities acquisition	-	-	222,162	-	222,162
Long-term debt:					
Principal	-	-	-	275,000	275,000
Interest and other charges	-	-	-	228,451	228,451
Total expenditures	188,954	396,313	222,162	503,451	1,310,880
Excess (deficiency) of revenues over (under) expenditures	(36,636)	10,766	30,118	(501,705)	(497,457)
Other financing sources:					
Operating transfers in	-	-	-	503,051	503,051
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(36,636)	10,766	30,118	1,346	5,594
Fund balances beginning of year	182,952	216,760	151,316	131,856	682,884
Fund balances end of year	\$ 146,316	227,526	181,434	133,202	688,478

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, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Basketball	\$ 1,000	1,491	1,491	1,000
Cross Country	500	2,364	2,364	500
Football	6,500	7,046	6,858	6,688
Boys Golf	700	745	745	700
Boys Track	1,000	2,728	2,728	1,000
Baseball	1,000	1,866	1,491	1,375
Wrestling	1,000	3,145	3,145	1,000
Girls Basketball	1,000	1,528	1,528	1,000
Girls Softball	1,582	2,390	1,640	2,332
Girls Track	1,000	2,283	2,283	1,000
Girls Volleyball	1,000	4,730	3,230	2,500
Girls Golf	700	745	745	700
Weightlifting	1,052	375	396	1,031
Dance Team	6,792	9,363	8,203	7,952
Cheerleaders	6,120	15,480	17,514	4,086
Activity Tickets	-	11,015	11,015	-
Concession - High School	4,619	38,388	42,188	819
Concession - Middle School	3,920	6,681	5,766	4,835
Reserved Seat Tickets	387	34	421	-
Activity Passes	-	1,496	1,496	-
All Sports	19,132	10,277	10,219	19,190
Athletic Uniforms	4,500	5,012	5,012	4,500
Flags	462	1,411	1,130	743
Spanish Club	17,017	7,500	5,224	19,293
Art Club	5,211	-	370	4,841
Science Club	653	1,434	1,076	1,011
Speech Club	985	6,495	5,943	1,537
Family Career & Community Leaders of America (FCCLA)	4,628	3,087	3,990	3,725
Fellowship of Christian Athletes (FCA)	895	375	895	375
Future Business Leaders	1,566	663	836	1,393
Future Farmers of America	1,963	13,984	15,361	586
College Farm	18,154	54,965	51,563	21,556
Middle School:				
SOAR	4,638	9,586	7,431	6,793
Band	2,183	2,197	3,779	601
Vocal Music	1,851	585	195	2,241
Statewide and services tax	4,891	7,464	7,701	4,654
Magazine Sales	113	44,510	44,623	-
Playground Equipment	670	161	306	525
5/6 Entrepreneur	1,235	3,300	2,267	2,268

## Sheldon Community School District

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

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Student Council	4,371	8,467	9,268	3,570
National Honor Society	36	2,234	2,270	-
SADD	1,217	187	200	1,204
Band Uniform Rent	11,586	501	231	11,856
Musical	1,206	2,456	3,537	125
Annual	6,714	3,874	5,948	4,640
Band	937	12,243	9,443	3,737
Jazz Band	23	-	-	23
Vocal Music	4,177	5,228	3,769	5,636
Choir Robes	16	-	-	16
Choir Trip	127	-	-	127
Swing Choir	3,619	6,338	5,411	4,546
Summer Theater	10,245	26,905	22,913	14,237
Music Department Trip	2,011	25,410	25,401	2,020
Band Trip	7,001	42	3,163	3,880
Science Department	100	-	-	100
Elementary Boxtop	1,913	14,652	11,083	5,482
District Hospitality	197	-	-	197
Student Vending Machines	5,111	434	-	5,545
Investments	10,174	2,012	996	11,190
Class of:				
2000/2010	3,468	-	500	2,968
2001/2011	3,317	-	87	3,230
2002/2012	-	3,321	-	3,321
2003/2013	-	3,961	-	3,961
2004/2014	639	-	-	639
2005/2015	3,896	-	3,321	575
2008/2018	2,267	-	1,916	351
2009/2019	1,773	1,915	3,688	-
Total	\$ 216,760	407,079	396,313	227,526

See accompanying independent auditor's report.

**Sheldon Community School District**

## Sheldon Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund

Year ended June 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 6,868	7,541	6,951	7,458
Accounts receivable	215	172	215	172
Due from other governments	6,596	6,727	6,596	6,727
<b>Total assets</b>	<b>\$ 13,679</b>	<b>14,440</b>	<b>13,762</b>	<b>14,357</b>
<b>Liabilities</b>				
Due to other governments	\$ 13,679	14,440	13,762	14,357

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 Nine Years

	2009	2008	2007	2006
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,218,043	3,713,942	3,783,369	3,778,943
Tuition	174,806	227,067	228,469	205,636
Other	468,238	514,158	596,990	525,867
State sources	5,663,888	4,884,895	4,727,058	4,348,956
Federal sources	337,095	225,695	271,408	231,222
<b>Total</b>	<b>\$ 10,862,070</b>	<b>9,565,757</b>	<b>9,607,294</b>	<b>9,090,624</b>
<b>Expenditures:</b>				
Instruction:				
Regular	\$ 4,241,257	3,679,180	3,594,270	3,965,895
Special	1,541,143	1,531,007	1,452,227	963,874
Other	974,648	1,017,840	932,961	837,581
Support services:				
Student	55,830	50,906	116,807	94,290
Instructional staff	136,095	136,384	148,092	131,141
Administration services	1,003,993	918,615	1,169,018	908,871
Operation and maintenance of plant	811,773	801,142	760,164	770,570
Transportation	341,938	393,383	346,948	301,381
Central support	-	-	-	123
Non-instructional programs	56	6,960	5,117	71
Other expenditures:				
Facilities acquisition	590,733	439,767	553,113	257,939
Long-term debt:				
Principal	275,000	265,000	255,000	250,000
Interest and other charges	228,451	237,063	245,351	252,851
AEA flow through	394,824	362,665	352,494	334,941
<b>Total</b>	<b>\$ 10,595,741</b>	<b>9,839,912</b>	<b>9,931,562</b>	<b>9,069,528</b>

See accompanying independent auditor's report.

Modified Accrual Basis				
2005	2004	2003	2002	2001
3,705,094	3,971,901	3,186,542	2,860,636	2,913,234
195,411	172,579	118,391	153,730	144,252
549,856	456,981	595,179	526,095	578,310
4,158,412	3,647,447	3,917,172	3,901,738	3,801,426
350,161	894,075	278,416	254,029	189,025
8,958,934	9,142,983	8,095,700	7,696,228	7,626,247
3,730,320	3,534,552	3,336,688	3,327,480	3,051,435
979,108	788,266	687,714	824,714	825,552
945,675	842,041	810,318	859,480	838,075
72,821	81,986	241,027	215,154	161,912
136,586	124,936	135,636	126,830	127,036
823,388	827,693	728,667	684,547	666,894
649,462	579,527	511,765	531,349	520,053
246,718	240,987	211,953	251,185	309,502
27,631	-	14,560	112,199	7,217
9,042	8,502	5,000	-	22,651
733,736	4,718,670	2,456,560	338,011	354,814
240,000	200,000	145,000	140,000	168,655
260,051	268,501	209,444	19,450	25,294
325,668	325,688	366,540	349,094	355,112
9,180,206	12,541,349	9,860,872	7,779,493	7,434,202

**Schedule 6**

Sheldon Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2009

Grantor/Program	CFDA Number	Grant Number	Expen- ditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY09	\$ 16,853
National School Lunch Program	10.555	FY09	160,376
			<u>177,229</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY09	<u>99,083</u>
Career and Technical Education - Basic Grants to States	84.048	FY09	<u>13,803</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY09	<u>1,078</u>
English Language Acquisition Grants	84.365	FY09	<u>855</u>
Improving Teacher Quality State Grants	84.367	FY09	<u>73,699</u>
Grants for State Assessments and Related Activities	84.369	FY09	<u>6,464</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY09	<u>85,515</u>
Area Education Agency #4:			
Special Education - Grants to States	84.027	FY09	<u>63,325</u>
Total			<u>\$ 521,051</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sheldon Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Board of Education of  
Sheldon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sheldon Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 10, 2009. 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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

#### 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

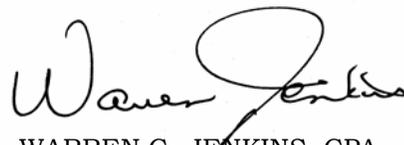
Sheldon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Sheldon Community School District's responses and, accordingly,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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 10, 2009

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

**Sheldon Community School District**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Sheldon Community School District:

Compliance

We have audited the compliance of Sheldon Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Sheldon Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sheldon Community School District's management. Our responsibility is to express an opinion on Sheldon Community School District's compliance based on our audit.

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

In our opinion, Sheldon Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 10, 2009

Sheldon Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sheldon Community School District did not qualify as a low-risk auditee.

Sheldon Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part II: 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 – The District will continue to work on implementing a plan, to include written policies on changing passwords for the computer based financial system.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

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

Sheldon Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

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

- (1) Certified Budget – Disbursements for the year ended June 30, 2009 exceeded the amended budget for the non-instructional programs function.

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 – The District will continue to monitor the expenditures and amend the budget if necessary.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Except as noted below, 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 – During the year ended June 30, 2009, the District paid for meals for Board Members and spouses while attending the School Board Association Convention. These expenditures may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

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

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

Response – The District will seek reimbursement for the amount questioned.

Conclusion – Response accepted.

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

Sheldon Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

- (9) Mileage Reimbursement – One transaction was noted where the reimbursement for mileage was paid at a rate approved by the Board, but the rate was in excess of the amount allowed under Federal Internal Revenue Service rules as provided by Chapter 70A.9 of the Code of Iowa.

Recommendation – The District should approve a mileage rate not in excess of the amount allowed by the Internal Revenue Service.

Response – The District will monitor the IRS approved mileage reimbursement rate on July 1 and January 1 and adjust the District's reimbursement rate accordingly.

Conclusion – Response accepted.

- (10) Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education, but it was submitted late.

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

Response – The District will attempt to comply with the deadline as published by the Iowa Department of Education.

Conclusion – Response accepted.

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

- (12) Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Revenues:		
Statewide sales and services tax revenue		733,390
Interest on investments		11,379
Total revenues		744,769
Expenditures:		
School infrastructure:		
Buildings		61,409
Ending balance	\$	683,360

---

Sheldon Community School District

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Jennifer L. Wall, CPA, Senior Auditor  
Nancy F. Curtis, CPA, Senior Auditor II  
Sara L. Roling, Assistant Auditor  
Nancy J. Umsted, Auditor Intern



Andrew E. Nielsen, CPA  
Deputy Auditor of State