



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

Richard D. Johnson, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**NEWS RELEASE**

FOR RELEASE November 19, 2002

Contact: Andy Nielsen  
515/281-5515

Auditor of State Richard Johnson today released an audit report on the Sheldon Community School District in Sheldon, Iowa.

Johnson reported that the District's revenues and other financing sources totaled \$8,013,516 for the year ended June 30, 2002, a less than one percent increase from 2001. General Fund revenues totaled \$6,714,987 and included \$2,310,561 in local tax, \$3,901,178 from the state, \$254,029 from the federal government and \$51,822 in interest on investments.

General Fund expenditures for the year totaled \$6,828,486, a seven percent increase from 2001, and included \$4,630,456 for instruction, \$1,848,936 for support services and \$349,094 for other expenditures.

This report contained recommendations to the Board of Education and District officials. For example the District should strengthen internal controls over General Fund cash receipts by segregating certain duties. The District has responded that corrective action will be taken.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.

# # #



**SHELDON COMMUNITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2002**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
General Purpose Financial Statements:	<u>Exhibit</u>	
Combined Balance Sheet – All Fund Types and Account Groups	A	8-11
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	B	12
Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type	C	13
Statement of Cash Flows – Proprietary Fund Type	D	14-15
Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget (Cash Basis) – All Governmental Fund Types and Proprietary Fund Type	E	16-17
Notes to Financial Statements		18-28
Supplemental Information:	<u>Schedule</u>	
General Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balance	1	31-35
Special Revenue Funds:		
Combining Balance Sheet	2	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	3	37-38
Debt Service Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balance	4	39
Enterprise Fund:		
Statement of Revenues, Expenses and Changes in Retained Earnings	5	40
Agency Fund:		
Statement of Changes in Assets and Liabilities	6	41
Schedule of Changes in Individual Student Activity Accounts	7	42-43
Comparison of Taxes and Intergovernmental Revenues	8	44
Schedule of Expenditures of Federal Awards	9	45
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		49-50
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance		53-54
Schedule of Findings and Questioned Costs		55-59
Staff		60

**Sheldon Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2001 Election)</b>		
Dan Van Gorp	President	2002
John Boender	Board Member	2001
Gary Ihnen	Board Member	2001
Tom Whorley	Board Member	2002
Linda Porter	Board Member	2003

**Board of Education  
(After September 2001 Election)**

Dan Van Gorp	President	2002
Tom Whorley	Board Member	2002
Linda Porter	Board Member	2003
Kecia Hickman	Board Member	2004
Gary Ihnen	Board Member	2004

**School Officials**

Robin Spears	Superintendent	2002
Bill Borchers	District Secretary/ Business Manager	2002
James Hanks	Attorney	2002

**Sheldon Community School District**



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

Richard D. Johnson, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**Independent Auditor's Report**

To the Board of Education of  
Sheldon Community School District:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Sheldon Community School District as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements present fairly, in all material respects, the financial position of Sheldon Community School District at June 30, 2002 and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and proprietary fund type of Sheldon Community School District for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our reports dated September 17, 2002 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 grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 17, 2002

## **Financial Statements**

---

Sheldon Community School District

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	<u>Governmental</u>	
	<u>Fund Types</u>	
	<u>General</u>	<u>Special</u>
		<u>Revenue</u>
<b>Assets and Other Debits</b>		
Cash and pooled investments	\$ 1,287,785	549,963
Receivables:		
Property tax:		
Current year delinquent	26,912	6,175
Succeeding year	2,500,000	508,000
Accounts	1,543	-
Accrued interest	817	560
Due from other governments	94,326	13,761
Inventories	-	-
Restricted ISCAP assets (note 3):		
Investments	555,269	-
Accrued interest receivable	4,513	-
Property and equipment (note 4):		
Land, buildings and building improvements	-	-
Machinery and equipment	-	-
Accumulated depreciation	-	-
Amount to be provided for retirement of general long-term debt	-	-
<b>Total assets and other debits</b>	<b>\$ 4,471,165</b>	<b>1,078,459</b>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Agency			
28,968	3,153	-	-	1,869,869
-	-	-	-	33,087
-	-	-	-	3,008,000
-	898	-	-	2,441
36	-	-	-	1,413
-	9,811	-	-	117,898
12,206	-	-	-	12,206
-	-	-	-	555,269
-	-	-	-	4,513
-	-	4,245,993	-	4,245,993
79,489	-	3,968,550	-	4,048,039
(45,837)	-	-	-	(45,837)
-	-	-	305,073	305,073
74,862	13,862	8,214,543	305,073	14,157,964

Sheldon Community School District

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types	
	General	Special Revenue
<b>Liabilities, Fund Equity and Other Credits</b>		
Liabilities:		
Accounts payable	\$ 26,306	15,912
Salaries and benefits payable	630,770	716
Due to other governments	24,195	-
Early retirement payable (note 5)	-	9,357
Trusts payable	-	-
ISCAP warrants payable (note 3)	554,000	-
ISCAP unamortized premium	5,978	-
ISCAP accrued interest payable (note 3)	376	-
Notes payable (note 5)	-	-
Deferred revenue:		
Succeeding year property tax	2,500,000	508,000
Other	1,301	11,418
Total liabilities	<u>3,742,926</u>	<u>545,403</u>
Fund equity and other credits:		
Investment in general fixed assets	-	-
Unreserved retained earnings	-	-
Fund balance:		
Reserved for DHS Medicaid retainer	1,352	-
Unreserved, undesignated	726,887	533,056
Total fund equity and other credits	<u>728,239</u>	<u>533,056</u>
<b>Total liabilities, fund equity and other credits</b>	<u>\$ 4,471,165</u>	<u>1,078,459</u>

See notes to financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Agency			
637	-	-	-	42,855
563	-	-	-	632,049
1,054	-	-	-	25,249
-	-	-	10,073	19,430
-	13,862	-	-	13,862
-	-	-	-	554,000
-	-	-	-	5,978
-	-	-	-	376
-	-	-	295,000	295,000
-	-	-	-	3,008,000
-	-	-	-	12,719
<b>2,254</b>	<b>13,862</b>	<b>-</b>	<b>305,073</b>	<b>4,609,518</b>
-	-	8,214,543	-	8,214,543
72,608	-	-	-	72,608
-	-	-	-	1,352
-	-	-	-	1,259,943
<b>72,608</b>	<b>-</b>	<b>8,214,543</b>	<b>-</b>	<b>9,548,446</b>
<b>74,862</b>	<b>13,862</b>	<b>8,214,543</b>	<b>305,073</b>	<b>14,157,964</b>

**Exhibit B**

## Sheldon Community School District

## Combined Statement of Revenues, Expenditures and Changes in Fund Balances -

## All Governmental Fund Types

Year ended June 30, 2002

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Revenues:</b>				
Local sources	\$ 2,559,780	980,681	-	3,540,461
State sources	3,901,178	560	-	3,901,738
Federal sources	254,029	-	-	254,029
Total revenues	6,714,987	981,241	-	7,696,228
<b>Expenditures:</b>				
Instruction	4,630,456	381,218	-	5,011,674
Support services	1,848,936	72,328	-	1,921,264
Other expenditures	349,094	338,011	159,450	846,555
Total expenditures	6,828,486	791,557	159,450	7,779,493
Excess (deficiency) of revenues over (under) expenditures	(113,499)	189,684	(159,450)	(83,265)
<b>Other financing sources (uses):</b>				
Sale of equipment	865	-	-	865
Operating transfers in	-	-	159,450	159,450
Operating transfers (out)	-	(159,450)	-	(159,450)
Total other financing sources (uses)	865	(159,450)	159,450	865
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(112,634)	30,234	-	(82,400)
Fund balances beginning of year	840,873	502,822	-	1,343,695
Fund balances end of year	\$ 728,239	533,056	-	1,261,295

See notes to financial statements.

Sheldon Community School District  
 Statement of Revenues, Expenses and Changes in Retained Earnings  
 Proprietary Fund Type  
 Year ended June 30, 2002

	Enterprise Fund
Operating revenue:	
Local sources	\$ 175,679
Operating expenses:	
Non-instructional programs:	
Depreciation	6,491
Other	326,048
Total operating expenses	332,539
Operating loss	(156,860)
Non-operating revenues:	
Local sources	1,045
State sources	5,690
Federal sources	134,009
Total non-operating revenues	140,744
Net loss	(16,116)
Retained earnings beginning of year	88,724
Retained earnings end of year	\$ 72,608

See notes to financial statements.

## Sheldon Community School District

## Statement of Cash Flows

## Proprietary Fund Type

Year ended June 30, 2002

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 174,825
Cash received from miscellaneous operating activities	854
Cash payments to employees for services	(167,137)
Cash payments to suppliers for goods or services	(135,492)
Net cash used for operating activities	<u>(126,950)</u>
Cash flows from non-capital financing activities:	
State grants received	5,690
Federal grants received	107,079
Purchase of capital assets	(3,193)
Net cash provided by non-capital financing activities	<u>109,576</u>
Cash flows from investing activities:	
Interest on investments	<u>1,178</u>
Net decrease in cash and cash equivalents	(16,196)
Cash and cash equivalents at beginning of year	<u>45,164</u>
Cash and cash equivalents at end of year	<u><u>\$ 28,968</u></u>

Sheldon Community School District

Statement of Cash Flows

Proprietary Fund Type

Year ended June 30, 2002

	<u>Enterprise Fund</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$ (156,860)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Commodities used	26,930
Depreciation	6,491
Decrease in inventories	1,003
(Decrease) in accounts payable	(792)
Increase in salaries and benefits payable	400
Increase in due to other governments	1,054
(Decrease) in deferred revenues	<u>(5,176)</u>
Net cash used for operating activities	<u><u>\$ (126,950)</u></u>

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

During the year ended June 30, 2002, the District received and consumed federal commodities valued at \$26,930.

See notes to financial statements.

Sheldon Community School District

Comparison of Receipts, Disbursements and Changes in Balances -  
Actual to Budget (Cash Basis) - All Governmental Fund Types  
and Proprietary Fund Type

Year ended June 30, 2002

	Governmental Fund Types - Actual	Proprietary Fund Type - Actual
<b>Receipts:</b>		
Local sources	\$ 3,591,804	176,858
State sources	3,566,790	5,690
Federal sources	276,642	107,079
Total receipts	7,435,236	289,627
<b>Disbursements:</b>		
Instruction	5,047,878	-
Support services	1,897,787	-
Non-instructional programs	10,000	305,823
Other expenditures	574,286	-
Total disbursements	7,529,951	305,823
Deficiency of receipts under disbursements	(94,715)	(16,196)
Other financing sources, net	865	-
Deficiency of receipts and other financing sources under disbursements and other financing uses	(93,850)	(16,196)
Balance beginning of year	1,931,598	45,164
Balance end of year	\$ 1,837,748	28,968

See notes to financial statements.

Budget Adjustments	Net	Budget	Variance - Favorable (Unfavorable)	Net as % of Budget
-	3,768,662	3,840,750	(72,088)	98%
349,094	3,921,574	4,109,919	(188,345)	95%
-	383,721	264,092	119,629	145%
349,094	8,073,957	8,214,761	(140,804)	98%
-	5,047,878	4,989,652	(58,226)	101%
-	1,897,787	2,864,574	966,787	66%
-	315,823	443,140	127,317	71%
349,094	923,380	1,203,371	279,991	77%
349,094	8,184,868	9,500,737	1,315,869	86%
-	(110,911)	(1,285,976)		
-	865	-		
-	(110,046)	(1,285,976)		
-	1,976,762	1,922,319		
-	1,866,716	636,343		

Sheldon Community School District

Notes to Financial Statements

June 30, 2002

**(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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Sheldon, Archer, Ashton, and Matlock, Iowa, the predominate agricultural territory in O'Brien County and portions of Osceola County, Sioux County and Lyon County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Sheldon Community School District has included all funds, organizations, account groups, 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 Organizations - The District participates in a jointly governed organization that provides services to the District but does 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 the O'Brien County Assessor's Conference Board.

B. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

## Governmental Funds

General Fund – The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are 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 and fixed charges that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

## Proprietary Fund

Enterprise Fund – The Enterprise Fund is utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

## Fiduciary Fund

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

## Account Groups

General Fixed Assets – This account group is established to account for property and equipment of the District not accounted for in proprietary funds.

General Long-Term Debt – This account group is established to account for the general long-term debt and certain other liabilities that are not specific liabilities of proprietary funds of the District.

### C. Measurement Focus

Governmental Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its proprietary fund, 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.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and 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. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

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

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The assets and liabilities of the Agency Fund are accounted for using the modified accrual basis of accounting.

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

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

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 Investment Trust which is valued at amortized cost.

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, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental fund types are 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 that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 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 1 1/2% per month penalty for delinquent payments; is based on January 1, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2001.

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 contributed value for government commodities.

Property and Equipment:

General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost or estimated historical cost where historical cost is not available. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or “infrastructure” general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2002, no interest costs were capitalized since the District’s policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

Proprietary Fund – Proprietary fund type property and equipment is accounted for at original cost. Contributed fixed assets are recorded at estimated fair market value at the date received.

Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful life for machinery and equipment is 12 years.

During the year ended June 30, 2002, no interest costs were capitalized since there were no qualifying assets.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

#### F. Budgets, Budgetary Accounting and Budgetary Commitments

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 agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Encumbrances pertain to commitments related to unperformed contracts for goods or services. Used in budgeting, encumbrances are not expenditures or liabilities. Encumbrances represent the estimated amount of expenditures which may result if the unperformed contracts in process are completed. The District is not required to use encumbrance accounting, and, accordingly, commitments related to unperformed contracts for goods or services have not been recorded by the District.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Exhibit E is a comparison of cash basis revenues, expenditures or expenses and changes in balance with the cash basis budget, which is legally controlled by functional areas, not fund type. Operations and ending fund balances on the cash and modified accrual or accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,428,073	286,914	6,714,987	1,007,163	(25,922)	981,241
Expenditures	6,511,963	316,523	6,828,486	858,538	(66,981)	791,557
Net	(83,890)	(29,609)	(113,499)	148,625	41,059	189,684
Other financing sources (uses)	865	-	865	(159,450)	-	(159,450)
Beginning fund balances	1,370,810	(529,937)	840,873	560,788	(57,966)	502,822
Ending fund balances	\$ 1,287,785	(559,546)	728,239	549,963	(16,907)	533,056

	Governmental Fund Types					
	Debt Service			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	-	-	-	7,435,236	260,992	7,696,228
Expenditures	159,450	-	159,450	7,529,951	249,542	7,779,493
Net	(159,450)	-	(159,450)	(94,715)	11,450	(83,265)
Other financing sources (uses)	159,450	-	159,450	865	-	865
Beginning fund balances	-	-	-	1,931,598	(587,903)	1,343,695
Ending fund balances	-	-	-	1,837,748	(576,453)	1,261,295

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 289,627	26,796	316,423
Expenses	305,823	26,716	332,539
Net	(16,196)	80	(16,116)
Beginning retained earnings	45,164	43,560	88,724
Ending retained earnings	\$ 28,968	43,640	72,608

G. Total (Memorandum Only)

The total columns of the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2002 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, 2002 the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$906,357 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

The District's other investment is categorized to give an indication of the level of risk assumed by the District at year end. The District's investment is a Category 2 which means that the investment is collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

The investment is stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The District's investment at June 30, 2002 is as follows:

Type	Fair Value
Repurchase Agreement	<u>\$ 611,693</u>

**(3) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards, administered by Wells Fargo, 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. Wells Fargo maintains ISCAP accounts for each participating entity and provides monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. A summary of the District's participation in ISCAP as of June 30, 2002 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2001-02A	6/21/2001	6/19/2002	\$ -	4,157	-	-
2002-03A	6/21/2002	6/18/2003	555,269	356	554,000	376
Total			\$ 555,269	4,513	554,000	376

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 that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District did not have any ISCAP advance activity in the General Fund for the year ended June 30, 2002.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2001-02A	3.75%	4.202%
2002-03A	2.75%	2.603%

#### (4) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2002 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land, buildings and building improvements	\$ 3,920,599	335,394	10,000	4,245,993
Machinery and equipment	3,806,386	191,314	29,150	3,968,550
Total	\$ 7,726,985	526,708	39,150	8,214,543

**(5) Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Early Retire- ment	Notes Payable	Total
Balance beginning of year	\$ -	435,000	435,000
Additions	20,146	-	20,146
Reductions	10,073	140,000	150,073
Balance end of year	\$ 10,073	295,000	305,073

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is calculated on a variable percentage based on the age of the employee from 55 to 65 and the difference between \$16,000 and the employee's total salary in the year preceding retirement.

Early retirement benefits paid during the year ended June 30, 2002, totaled \$10,073.

Notes Payable

Details of the District's June 30, 2002 notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 145,000	13,130	158,130
2004	150,000	6,750	156,750
Total	\$ 295,000	19,880	314,880

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$237,824, \$221,137, and \$222,094, respectively, equal to the required contributions for each year.

**(7) Risk Management**

Sheldon Community School 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.

**(8) 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 \$349,094 for the year ended June 30, 2002 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Commitment**

The District is committed to pay the City of Sheldon for the use of the swimming pool facility through the year ending June 30, 2005. At the end of that period, the District may, with the consent of the City of Sheldon, extend the agreement for an additional ten years. The annual payment to the City of Sheldon was \$5,000 for the year ended June 30, 2002.

**(10) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2002, disbursements in the instruction functional area exceeded the amount budgeted.

**(11) Subsequent Event**

In August 2002, the District issued \$6,470,000 of school bonds to construct a new middle school.

**Sheldon Community School District**

## **Supplemental Information**

**Sheldon Community School District**

Sheldon Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
Year ended June 30, 2002

## Revenues:

## Local sources:

## Local tax:

Property tax	\$ 2,241,447
Utility tax replacement excise tax	65,738
Mobile home tax	3,376
	<u>2,310,561</u>

## Other local sources:

Interest on investments	21,793
Iowa Schools Cash Anticipation Program interest	30,029
Tuition from other districts	153,730
Sale of materials	41,528
Miscellaneous	2,139
	<u>249,219</u>
	<u>2,559,780</u>

## State sources:

State foundation aid	3,155,746
School improvement technology funding	21,780
Educational Excellence program:	
Phase I	13,184
Phase II	87,065
Phase III	49,754
Iowa Early Intervention Block Grant	60,819
Vocational education aid	12,085
Instructional support state aid	24,793
Teacher quality salary improvement	62,831
Non-public transportation aid	49,065
Revenue in lieu of taxes - military credit	2,447
AEA flow-through	349,094
Miscellaneous	12,515
	<u>3,901,178</u>

## Federal sources:

Title I Grants to Local Educational Agencies	137,848
Class Size Reduction	26,336
Safe and Drug-Free Schools and Communities - State Grants	5,139
Eisenhower Professional Development State Grants	2,334

**Schedule 1**

---

Sheldon Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
Year ended June 30, 2002

## Revenues (continued):

## Federal sources:

Star Schools	35,000
Special Education - Grants to states	16,413
Goals 2000 - State and Local Education Systematic Improvement Grants	24,222
Vocational Education - Basic Grants to States	860
Innovative Education Program Strategies (Title VI Program)	5,877
	<u>254,029</u>
Total revenues	<u>6,714,987</u>

## Expenditures:

## Instruction:

## Regular instruction:

Salaries	2,266,198
Benefits	498,521
Services	271,643
Supplies	131,150
Property	144,600
Other	15,368
	<u>3,327,480</u>

## Special education instruction:

Salaries	482,557
Benefits	95,611
Services	223,928
Supplies	4,442
Property	650
Other	1,465
	<u>808,653</u>

## Other special instruction:

Salaries	4,678
Benefits	1,274
Services	10,109
	<u>16,061</u>

## Vocational instruction:

Salaries	211,934
Benefits	46,750
Services	38
Supplies	4,109
Property	594
	<u>263,425</u>

Sheldon Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
Year ended June 30, 2002

## Expenditures (continued):

## Instruction:

## Co-curricular instruction:

Salaries	190,238
Benefits	24,599
	214,837
Total instruction	4,630,456

## Support services:

## Guidance services:

Salaries	138,789
Benefits	20,756
Services	23,635
Supplies	2,024
Other	5,157
	190,361

## Health services:

Salaries	12,917
Benefits	5,542
Services	2,558
Supplies	3,497
Property	156
	24,670

## Other student support services:

Services	123
----------	-----

## Educational media services:

Salaries	90,163
Benefits	15,967
Supplies	20,700
	126,830

## Board of Education services:

Salaries	10,260
Benefits	1,404
Services	44,617
Supplies	4,254
Other	13,402
	73,937

**Schedule 1**

---

Sheldon Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
Year ended June 30, 2002

Expenditures (continued):	
Support services (continued):	
Executive administration services:	
Salaries	106,444
Benefits	34,186
Services	6,692
Supplies	3,407
Property	10,595
Other	1,250
	<u>162,574</u>
School administration:	
Salaries	225,771
Benefits	64,678
Services	1,307
Supplies	79
Other	559
	<u>292,394</u>
Business administration:	
Salaries	38,000
Benefits	15,019
Services	10,774
Other	19,521
	<u>83,314</u>
Plant operation and maintenance:	
Salaries	187,603
Benefits	74,535
Services	49,736
Supplies	201,320
Property	4,847
Other	13,308
	<u>531,349</u>
Student transportation:	
Salaries	114,154
Benefits	24,641
Services	37,732
Supplies	25,434
Property	47,106
Other	2,118
	<u>251,185</u>

Sheldon Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
Year ended June 30, 2002

Expenditures (continued):	
Support services (continued):	
Central services:	
Salaries	18,620
Benefits	2,619
Services	65,266
Supplies	6,767
Other	18,927
	<u>112,199</u>
Total support services	<u>1,848,936</u>
Other expenditures:	
AEA flow-through	<u>349,094</u>
Total expenditures	<u>6,828,486</u>
Deficiency of revenues under expenditures	(113,499)
Other financing sources:	
Sale of equipment	<u>865</u>
Deficiency of revenues and other financing sources under expenditures	(112,634)
Fund balance beginning of year	<u>840,873</u>
Fund balance end of year	<u>\$ 728,239</u>

See accompanying independent auditor's report.

**Schedule 2**

## Sheldon Community School District

## Combining Balance Sheet

## Special Revenue Funds

June 30, 2002

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 153,340	113,727	282,896	549,963
Receivables:				
Property tax:				
Current year delinquent	1,162	-	5,013	6,175
Succeeding year	40,000	-	468,000	508,000
Accrued interest	183	50	327	560
Due from other governments	-	-	13,761	13,761
<b>Total assets</b>	<b>\$ 194,685</b>	<b>113,777</b>	<b>769,997</b>	<b>1,078,459</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 193	-	15,719	15,912
Salaries and benefits payable	716	-	-	716
Early retirement payable	9,357	-	-	9,357
Deferred revenue:				
Succeeding year property tax	40,000	-	468,000	508,000
Other	-	-	11,418	11,418
Total liabilities	50,266	-	495,137	545,403
Fund equity:				
Unreserved, undesignated fund balance	144,419	113,777	274,860	533,056
<b>Total liabilities and fund equity</b>	<b>\$ 194,685</b>	<b>113,777</b>	<b>769,997</b>	<b>1,078,459</b>

See accompanying independent auditor's report.

## Sheldon Community School District

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

## Special Revenue Funds

Year ended June 30, 2002

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Revenues:</b>				
Local sources:				
Local tax:				
Property tax	\$ 96,811	-	438,003	534,814
Utility tax replacement excise tax	2,812	-	11,709	14,521
Mobile home tax	143	-	597	740
	<u>99,766</u>	<u>-</u>	<u>450,309</u>	<u>550,075</u>
Other local sources:				
Interest on investments	2,312	1,043	6,880	10,235
Student activities	-	420,247	-	420,247
Miscellaneous	-	-	124	124
	<u>2,312</u>	<u>421,290</u>	<u>7,004</u>	<u>430,606</u>
	<u>102,078</u>	<u>421,290</u>	<u>457,313</u>	<u>980,681</u>
State sources:				
Revenue in lieu of taxes - military credit	105	-	455	560
Total revenues	<u>102,183</u>	<u>421,290</u>	<u>457,768</u>	<u>981,241</u>
<b>Expenditures:</b>				
Instruction:				
Co-curricular program instruction:				
Supplies	-	381,218	-	381,218
Support services:				
General administration:				
Benefits	715	-	-	715
Services	71,613	-	-	71,613
	<u>72,328</u>	<u>-</u>	<u>-</u>	<u>72,328</u>

**Schedule 3**

## Sheldon Community School District

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

## Special Revenue Funds

Year ended June 30, 2002

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Expenditures (continued):				
Other expenditures:				
Facilities acquisition:				
Equipment	-	-	120,297	120,297
Repair and maintenance services	-	-	7,673	7,673
Existing buildings	-	-	201,251	201,251
Miscellaneous	-	-	8,790	8,790
	-	-	338,011	338,011
Total expenditures	72,328	381,218	338,011	791,557
Excess of revenues over expenditures	29,855	40,072	119,757	189,684
Other financing uses:				
Operating transfers out:				
Debt Service	-	-	(159,450)	(159,450)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	29,855	40,072	(39,693)	30,234
Fund balance beginning of year	114,564	73,705	314,553	502,822
Fund balance end of year	\$ 144,419	113,777	274,860	533,056

See accompanying independent auditor's report.

Sheldon Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Debt Service Fund  
Year ended June 30, 2002

Revenues:					
None			\$	-	
Expenditures:					
Other expenditures:					
Debt service:					
Principal				140,000	
Interest				19,150	
Miscellaneous				300	
Total expenditures				159,450	
Deficiency of revenues under expenditures				(159,450)	
Other financing sources:					
Operating transfers in:					
Special Revenue:					
Physical Plant and Equipment Levy				159,450	
Net				-	
Balance beginning of year				-	
Balance end of year			\$	-	

See accompanying independent auditor's report.

**Schedule 5**

Sheldon Community School District  
Statement of Revenues, Expenses and Changes in Retained Earnings  
Enterprise Fund  
Year ended June 30, 2002

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 146,720
Adults	13,302
Extra milk	8,206
A la carte	6,597
Miscellaneous	854
Total operating revenues	<u>175,679</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	148,137
Benefits	19,401
Services	4,949
Supplies	151,047
Equipment	18
Other	2,496
Depreciation	6,491
Total operating expenses	<u>332,539</u>
Operating loss	<u>(156,860)</u>
Non-operating revenues:	
Interest income	1,045
State lunch and breakfast program claims	5,690
National School Lunch Program	93,472
School Breakfast Program	13,607
Food distribution	26,930
Total non-operating revenues	<u>140,744</u>
Net loss	(16,116)
Retained earnings beginning of year	<u>88,724</u>
Retained earnings end of year	<u>\$ 72,608</u>

See accompanying independent auditor's report.

Sheldon Community School District  
 Schedule of Changes in Assets and Liabilities  
 Agency Fund  
 Year ended June 30, 2002

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 1,917	11,166	9,930	3,153
Accounts receivable	99	898	99	898
Due from other governments	-	9,811	-	9,811
<b>Total assets</b>	<b>\$ 2,016</b>	<b>21,875</b>	<b>10,029</b>	<b>13,862</b>
<b>Liabilities</b>				
Excess of outstanding checks over book balance	\$ 99	-	99	-
Trusts payable	1,917	21,875	9,930	13,862
<b>Total liabilities</b>	<b>\$ 2,016</b>	<b>21,875</b>	<b>10,029</b>	<b>13,862</b>

See accompanying independent auditor's report.

**Schedule 7**

## Sheldon Community School District

## Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2002

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Basketball	\$ 2,000	2,503	3,003	1,500
Cross Country	1,500	1,894	1,894	1,500
Football	9,000	13,072	12,572	9,500
Golf	1,000	1,526	1,526	1,000
Track	2,000	3,593	4,093	1,500
Baseball	2,000	3,127	3,627	1,500
Wrestling	2,000	2,757	3,257	1,500
Girls Basketball	1,700	2,295	2,495	1,500
Girls Softball	2,300	2,939	3,739	1,500
Girls Track	2,000	4,352	4,852	1,500
Girls Volleyball	2,000	2,295	2,795	1,500
Girls Golf	1,000	1,147	1,147	1,000
Weightlifting	1,556	1,550	3,106	-
Scoreboard	20	-	20	-
Drill Team	3,079	6,020	5,078	4,021
Cheerleaders	3,783	15,038	11,112	7,709
Activity Tickets	-	11,660	11,660	-
Concession	416	32,225	33,689	(1,048)
Reserved Seat Tickets	(494)	93	-	(401)
Activity Passes	-	495	495	-
All Sports	6,589	7,910	11,343	3,156
Flags	(1,760)	2,859	486	613
Spanish Club	8,021	8,061	4,241	11,841
Art Club	1,292	566	-	1,858
Science Club	2,191	560	-	2,751
Speech Club	4,626	1,565	1,662	4,529
Computer Club	1,766	-	1,766	-
Fellowhip of Christian Athletes	-	1,120	-	1,120
Future Business Leaders	1,061	760	712	1,109
Future Farmers of America	(859)	30,136	24,486	4,791
College Farm	(6,896)	41,532	39,215	(4,579)
Talented and Gifted	485	1,087	1,572	-
SOAR	2,445	48,423	49,847	1,021
Middle School:				
Band Uniform Rent	101	572	673	-
Band	(1,314)	2,857	1,427	116
Student Council	4,138	5,262	7,293	2,107
Magazine Sales	-	40,495	40,495	-

Sheldon Community School District  
 Schedule of Changes in Individual Student Activity Accounts  
 Year ended June 30, 2002

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>High School:</b>				
Student Council	2,320	2,699	3,498	1,521
National Honor Society	122	1,015	1,137	-
Leadership Group	201	-	-	201
Band Uniform Rent	(517)	1,872	1,355	-
Musical	3,003	3,818	3,055	3,766
Annual	(2,768)	6,895	3,859	268
Band	(5,754)	13,629	7,525	350
Band Instrument Rent	350	-	350	-
Jazz Band	-	119	119	-
Vocal Music	389	12,108	10,493	2,004
Choir Robes	-	11,680	8,804	2,876
Choir Trip	2,113	455	1,684	884
Swing Choir	-	3,897	2,376	1,521
Summer Theatre	9,932	9,758	9,352	10,338
Band Trip	(12,572)	36,313	20,186	3,555
Prom	-	475	475	-
Graduation	(1,940)	5,112	3,172	-
Science Department	151	-	-	151
Elementary Boxtop	4,473	4,556	4,716	4,313
Investments	4,085	1,043	1,000	4,128
<b>Class of:</b>				
2002	1,121	-	1,121	-
2003	3,250	-	1,563	1,687
2004	3,500	-	-	3,500
2005	3,500	-	-	3,500
2006	-	3,500	-	3,500

See accompanying independent auditor's report.

**Schedule 8****Sheldon Community School District****Comparison of Taxes and Intergovernmental Revenues**

	Years ended June 30,			
	2002	2001	2000	1999
<b>Local sources:</b>				
<b>Local tax:</b>				
Property tax	\$ 2,776,261	2,709,013	2,681,507	2,751,187
Income surtax	-	117,758	73,127	-
Utility tax replacement excise tax	80,259	81,978	-	-
Mobile home tax	4,116	4,485	4,165	15,004
	<u>2,860,636</u>	<u>2,913,234</u>	<u>2,758,799</u>	<u>2,766,191</u>
<b>State sources:</b>				
State foundation aid	3,155,746	3,099,321	3,179,015	3,121,876
School improvement technology funding	21,780	63,393	66,192	67,432
Instructional support state aid	24,793	-	19,182	19,965
<b>Education Excellence program:</b>				
Phase I	13,184	13,184	13,948	14,273
Phase II	87,065	86,415	90,937	93,101
Phase III	49,754	48,147	50,295	51,086
Iowa Early Intervention Block Grant	60,819	-	-	-
Teacher quality salary improvement	62,831	-	-	-
Vocational education aid	12,085	17,854	7,173	31,823
Revenue in lieu of taxes - military credit	3,007	3,033	3,075	2,806
Lunch and breakfast program claims	5,690	6,521	6,736	6,989
Non-public transportation aid	49,065	61,040	86,489	-
Other state aid	12,515	53,927	46,286	40,159
AEA flow-through	349,094	355,112	356,626	355,499
	<u>3,907,428</u>	<u>3,807,947</u>	<u>3,925,954</u>	<u>3,805,009</u>
<b>Federal sources:</b>				
Title I Grants to Local Educational Agencies	137,848	137,959	155,828	102,497
<b>Innovative Education Program</b>				
Strategies (Title VI Program)	5,877	-	12,309	6,211
<b>Safe and Drug-Free Schools and Communities - State Grants</b>				
Star Schools	5,139	3,960	3,693	5,650
Eisenhower Professional Development	35,000	-	10,000	-
<b>State Grants</b>				
Goals 2000 - State and Local Education	2,334	2,663	2,269	-
<b>Systematic Improvement Grants</b>				
Class Size Reduction	24,222	-	15,823	-
National School Lunch Program	26,336	21,761	20,421	-
School Breakfast Program	93,472	90,890	93,134	90,813
Food distribution	13,607	13,257	14,990	14,129
Vocational Education - Basic	26,930	25,673	25,424	24,309
<b>Grants to States</b>				
Other federal aid	860	13,072	26,375	28,248
	<u>16,413</u>	<u>9,610</u>	<u>-</u>	<u>-</u>
	<u>388,038</u>	<u>318,845</u>	<u>380,266</u>	<u>271,857</u>
<b>Total</b>	<u>\$ 7,156,102</u>	<u>7,040,026</u>	<u>7,065,019</u>	<u>6,843,057</u>

See accompanying independent auditor's report.

Sheldon Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2002

Grantor/Program	CFDA Number	Grant Number	Expend- itures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY02	\$ 26,930
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY02	13,607
National School Lunch Program	10.555	FY02	93,472
			<u>107,079</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3607A	15,532
Title I Grants to Local Educational Agencies	84.010	3608	122,316
			<u>137,848</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY02	<u>5,139</u>
Innovative Education Program Strategies (Title VI Program)	84.298	FY02	<u>5,877</u>
Class Size Reduction	84.340	FY02	<u>26,336</u>
Vocational Education - Basic Grants to States	84.048	FY02	<u>10,764</u>
Star Schools	84.203	FY02	<u>35,000</u>
Fund for the Improvement of Education	84.215	FY02	<u>11,418</u>
Area Education Agency 4:			
Goals 2000 - State and Local Education Systematic Improvement Grants	84.276	FY02	<u>24,222</u>
Special Education - Grants to States	84.027	FY02	<u>16,413</u>
Eisenhower Professional Development State Grants	84.281	FY02	<u>2,334</u>
Total			<u>\$ 409,360</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sheldon Community School District and is presented in conformity with 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 general-purpose financial statements.

See accompanying independent auditor's report.

**Sheldon Community School District**

**Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting**

**Sheldon Community School District**



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

Richard D. Johnson, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting**

To the Board of Education of  
Sheldon Community School District:

We have audited the general purpose financial statements of Sheldon Community School District as of and for the year ended June 30, 2002, and have issued our report thereon dated September 17, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Sheldon Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have all been resolved except for items IV-B-02 and IV-K-02.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Sheldon Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. Prior year reportable conditions have all been resolved except for item II-A-02.

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

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

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 17, 2002

**Independent Auditor's Report on Compliance with  
Requirements Applicable to Each  
Major Program and Internal Control over Compliance**

**Sheldon Community School District**



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

Richard D. Johnson, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance**

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 the 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, 2002. 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 grants 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, Chapter 11 of the Code of Iowa, and 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 provisions 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 that 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, 2002.

**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 grants applicable to federal programs. In planning and performing our audit, we considered Sheldon Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Sheldon Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item III-A-02 in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-02 is a material weakness.

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.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 17, 2002

Sheldon Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2002

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was 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 84.010 - Title I Grants to Local Educational Agencies
  - 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, 2002

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

II-A-02 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts to the cash receipts journal, reconciling, investing, and data processing functions were all performed by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We have used the part-time employee for the preparation of deposits and receipts during FY02, and plan to expand the duties of this part-time employee during FY03 to help in the segregation of duties.

Conclusion - Response accepted.

Sheldon Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2002

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

**CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Agency Numbers 3607A and 3608  
Federal Award Year: 2002  
U. S. Department of Education  
Passed through the Iowa Department of Education**

III-A-02 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts to the cash receipts journal reconciling, investing, and data processing functions were all performed by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We have used the part-time employee for the preparation of deposits and receipts during FY02, and plan to expand the duties of this part-time employee during FY-3 to help in the segregation of duties.

Conclusion - Response accepted.

Sheldon Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2002

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

IV-A-02 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2002.

IV-B-02 Certified Budget - Disbursements for the year ended June 30, 2002, exceeded the amount budgeted in the instruction functional area.

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

Response - The District will monitor and amend the budget if expenditures exceed the amount budgeted in the functional areas.

Conclusion - Response accepted.

IV-C-02 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-02 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-02 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-F-02 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 insure that the coverage is adequate for current operations.

IV-G-02 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-H-02 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

IV-I-02 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.

IV-J-02 Sale of Property - During the year ended June 30, 2002, the District sold used tires from the school buses. The District did not publish notice of the sale for two consecutive weeks in accordance with Chapter 297.22 of the Code of Iowa.

Recommendation - The District should publish the required notices for sale of District property in accordance with Chapter 297.22 of the Code of Iowa.

Sheldon Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2002

Response - The district will take all steps necessary to insure that proper publication of the notice of sale of District property is adhered to.

Conclusion - Response accepted.

IV-K-02 Student Activity Fund - Three accounts had deficit balances at June 30, 2002.

Recommendation - The District should continue to monitor these Student Activity Fund accounts and investigate alternatives to eliminate the deficits.

Response - The District will continue to monitor the fund accounts and seek alternatives to eliminate the deficits.

Conclusion - Response accepted.

---

Sheldon Community School District

Staff

This audit was performed by:

Susan D. Battani, CPA, Director  
Nancy F. Curtis, CPA, Senior Auditor II  
Nicholas A. Freymann, CGFM, Senior Auditor  
Trevor Theulen, Assistant Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State