



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

January 12, 2015

Contact: Andy Nielsen
515/281-5834

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

The District's revenues totaled \$13,476,389 for the year ended June 30, 2014, a 7.5% increase over the prior year. Revenues included \$4,475,467 in local tax, charges for service of \$1,162,593, operating grants, contributions and restricted interest of \$2,002,704, instructional support surtax of \$549,908, statewide sales, services and use tax of \$844,542, unrestricted state grants of \$4,381,155, unrestricted investment earnings of \$30,139 and other general revenues of \$29,881.

Expenses for District operations for the year ended June 30, 2014 totaled \$12,704,973, an increase of 4.4% over the prior year. Expenses included \$7,807,330 for instruction, \$3,335,868 for support services, \$65,789 for non-instructional programs (excluding food service operations), \$914,498 for other expenditures and \$581,488 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/1430-5949-B00F.pdf>.

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SHELDON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Sheldon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

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

(After September 2013 Election)

Gary Ihnen	President	(Resigned Nov 2013)
Kecia Hickman	President	2015
Susan Rensink	Vice President	2017
Mark Brown (Appointed Nov 2013)	Board Member	Nov 2014
Glen Goedken	Board Member	2015
Randy Merley	Board Member	2017

School Officials

Robin Spears	Superintendent	2014
LaDonn Hartzell	District Secretary/Treasurer and Business Manager	2014
Tom Whorley	Attorney	2014

Sheldon Community School District



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Independent Auditor's Report

To the Board of Education of
Sheldon Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sheldon Community School District, Sheldon, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sheldon Community School District as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 16 and 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sheldon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2014 on our consideration of Sheldon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sheldon Community School District's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 9, 2014

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,843,067 in fiscal year 2013 to \$10,531,811 in fiscal year 2014, while General Fund expenditures increased from \$9,910,537 in fiscal year 2013 to \$10,811,704 in fiscal year 2014. The District's General Fund balance decreased from \$1,533,937 at the end of fiscal year 2013 to \$1,254,044 at the end of fiscal year 2014, a decrease of 18.2%.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements report Sheldon Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The governmental fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. The proprietary fund financial statements offer short-term and long-term financial information about activities the District operates like a business. For Sheldon Community School District, the school nutrition program operations are the only enterprise reported as a proprietary fund. The remaining statements provide financial information about activities for which Sheldon Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases.

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

The required financial statements for the District’s fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District’s total net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		% Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$10,395	14,223	315	246	10,710	14,469	-26.0%
Capital assets	12,704	8,685	38	51	12,742	8,736	45.9%
Total assets	23,099	22,908	353	297	23,452	23,205	1.1%
Long-term liabilities	9,374	10,369	-	-	9,374	10,369	-9.6%
Other liabilities	1,697	1,303	10	11	1,707	1,314	29.9%
Total liabilities	11,071	11,672	10	11	11,081	11,683	-5.2%
Deferred inflows of resources	4,141	4,062	-	-	4,141	4,062	1.9%
Net position:							
Net investment in capital assets	4,804	4,525	38	51	4,842	4,576	5.8%
Restricted	1,659	1,188	-	-	1,659	1,188	39.6%
Unrestricted	1,424	1,461	305	234	1,729	1,695	2.0%
Total net position	\$ 7,887	7,174	343	285	8,230	7,459	10.3%

The District's combined net position increased 10.3%, or approximately \$771,000, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. The increase in this net position category is primarily due to the elementary school addition remodel project, still in progress at year end.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$471,000, or 39.6%, over the prior year. This increase is primarily due to an increase in the balance of statewide sales, services and use tax held in the Capital Projects Fund at year end.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$34,000, or 2.0%.

Figure A-2 shows the changes in net position for the years ended June 30, 2014 and 2013.

Figure A-2							
Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		% Total Change June 30, 2013-2014
	2014	2013	2014	2013	2014	2013	
Revenues:							
Program revenues:							
Charges for service	\$ 822	821	341	336	1,163	1,157	0.5%
Operating grants, contributions and restricted interest	1,704	1,607	298	265	2,002	1,872	6.9%
General revenues:							
Property tax	4,475	3,989	-	-	4,475	3,989	12.2%
Instructional support surtax	550	533	-	-	550	533	3.2%
Statewide sales, services and use tax	845	859	-	-	845	859	-1.6%
Unrestricted state grants	4,381	4,057	-	-	4,381	4,057	8.0%
Unrestricted investment earnings	30	9	-	-	30	9	233.3%
Other	30	58	-	-	30	58	-48.3%
Total revenues	<u>12,837</u>	<u>11,933</u>	<u>639</u>	<u>601</u>	<u>13,476</u>	<u>12,534</u>	<u>7.5%</u>
Program expenses:							
Instruction	7,807	7,270	-	-	7,807	7,270	7.4%
Support services	3,336	3,203	-	-	3,336	3,203	4.2%
Non-instructional programs	66	128	581	579	647	707	-8.5%
Other expenses	915	988	-	-	915	988	-7.4%
Total expenses	<u>12,124</u>	<u>11,589</u>	<u>581</u>	<u>579</u>	<u>12,705</u>	<u>12,168</u>	<u>4.4%</u>
Increase in net position	713	344	58	22	771	366	110.7%
Net position beginning of year	7,174	6,830	285	263	7,459	7,093	5.2%
Net position end of year	<u>\$ 7,887</u>	<u>7,174</u>	<u>343</u>	<u>285</u>	<u>8,230</u>	<u>7,459</u>	<u>10.3%</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 92% of the total governmental activities expenses.

Governmental Activities

Revenues for governmental activities were \$12,837,306 and expenses were \$12,123,485.

The following table presents the total and net cost of the District's major governmental activities for fiscal year 2014: instruction, support services, non-instructional programs and other expenses.

	Total Cost of Services			Net Cost of Services		
	2014	2013	% Total	2014	2013	% Total
			Change			Change
			2013-2014			2013-2014
Instruction	\$ 7,807	7,270	7.4%	\$ 5,896	5,487	7.5%
Support services	3,336	3,203	4.2%	3,203	3,102	3.3%
Non-instructional programs	66	128	48.4%	4	(12)	133.3%
Other expenses	915	988	-7.4%	494	585	-15.6%
Total	\$ 12,124	11,589	4.6%	\$ 9,597	9,162	4.7%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$821,800.
- Federal and state governments subsidized certain programs with grants, contributions and restricted interest totaling \$1,704,488.
- The net cost of governmental activities was financed with \$5,869,917 of property and other tax, including statewide sales, services and use tax, and \$4,381,155 of unrestricted state grants and contributions.

Business Type Activities

Revenues for business type activities were \$639,083 and expenses were \$581,488. 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 \$4,064,618, a decrease of \$4,267,234 compared to last year's ending fund balance of \$8,331,852. The decrease is primarily due to expenditures incurred for the elementary school addition and remodel project.

Governmental Fund Highlights

General Fund revenues increased approximately \$689,000 from fiscal year 2013 to fiscal year 2014 while expenditures increased approximately \$901,000 from fiscal year 2013 to fiscal year 2014. The Sheldon Board of Education has adopted a policy to maintain a solvency ratio of 12% for the General Fund. A solvency ratio demonstrates the District's management control of financial performance. For the year ended June 30, 2014, the solvency ratio of the District is 10.4%.

The Debt Service Fund balance decreased from \$136,720 to \$134,750. This represents a decrease of \$1,970, or 1.4%.

The Capital Projects Fund balance decreased from \$6,115,311 to \$2,173,550 as a result of continued progress on the elementary school addition and remodel project.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$285,084 at June 30, 2013 to \$342,679 at June 30, 2014, representing an increase of approximately 20.2%, due primarily to an increase in revenue from state and federal sources.

The Internal Service, Employee Health Insurance Fund net position increased from \$99,677 to \$100,752. This represents an increase of \$1,075, or 1.1%.

BUDGETARY HIGHLIGHTS

Sheldon Community School District amended its budget once during fiscal year 2014.

The District’s revenues were \$572,432 more than budgeted revenues, a variance of 4.4 %.

Total expenditures were \$1,580,808 less than budgeted expenditures, a variance of 8.2%. It is the District’s practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District’s certified budget should always exceed actual expenditures for the year.

In spite of the District’s budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested, net of accumulated depreciation, approximately \$12.7 million in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District’s capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was \$593,254 for governmental and business type activities.

Figure A-4							
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,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 173	173	-	-	173	173	0.0%
Construction in progress	4,677	281	-	-	4,677	281	1564.4%
Buildings	6,567	6,819	-	-	6,567	6,819	-3.7%
Improvements other than buildings	850	990	-	-	850	990	-14.1%
Furniture and equipment	419	404	38	51	458	455	0.7%
Infrastructure	18	18	-	-	18	18	0.0%
Total	<u>\$ 12,704</u>	<u>8,685</u>	<u>38</u>	<u>51</u>	<u>12,743</u>	<u>8,736</u>	<u>45.9%</u>

The original cost of the District's capital assets was approximately \$21.7 million. Governmental funds account for approximately \$21.5 million, with the remaining \$.2 million accounted for in the Proprietary, School Nutrition Fund.

Long-Term Liabilities

At June 30, 2014, the District had \$9,115,000 of general obligation bond/note indebtedness outstanding. This represents a decrease of approximately 8.5% from the prior year. Additional information about the District's long-term liabilities is presented in Note 4 to the financial statements.

	Total District		% Total Change
	June 30, 2014	2013	June 30, 2013-2014
General obligation refunding bonds	\$ 3,585	3,995	-10.3%
General obligation school capital loan notes	5,530	5,965	-7.3%
Early retirement	126	307	-59.0%
Net OPEB liability	133	102	30.4%
Total	\$ 9,374	10,369	-9.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has levied for additional cash reserves in the past and will continue to levy for these funds to help offset any reduction in funding from the State of Iowa. The Supplemental State Aid funding from the State of Iowa for fiscal year 2015 was set at 6.92%. The Supplemental State Aid for fiscal year 2016 has not been set as required by Iowa statute. Supplemental State Aid for fiscal year 2016 will not be set until the Legislative session begins in January 2015. The District experienced an enrollment increase of nine (9) students for budget year 2016. The State's inability to set Supplemental State Aid, as required by statute, is problematic for local school districts in the budgeting process. Two of the biggest items which necessitate the need for additional cash reserves are inadequate levels of Supplemental State Aid and the fluctuation of the District's enrollment.

In order to help control the premium costs of the health insurance benefit to the insured employee categories, the District has started a self-insurance program with an effective date of July 1, 2012. The plan is a medical expense reimbursement plan (MERP) and self-funds the gap between the \$3,000 deductible plan purchased by the District from Wellmark Blue Cross & Blue Shield of Iowa and the \$2,000 deductible plan. The MERP is administered by Three Rivers Benefit Corporation. The District has experienced significant benefit in controlling health insurance costs since the implementation of the MERP program. The health insurance increase for fiscal year 2014 was 4.5 %. The health insurance increase for fiscal year 2015 was 0.0%. Previous to implementing the MERP program, the District experienced double digit annual increases.

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

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

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

At the time of the audit completion, negotiations for the fiscal year 2016 wage agreement with Sheldon Education Association had not started. Any increase in the total compensation/benefit package will have an effect on the economic future of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

Sheldon Community School District

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 5,237,228	303,840	5,541,068
Receivables:			
Property tax:			
Delinquent	52,726	-	52,726
Succeeding year	4,141,000	-	4,141,000
Accounts	7,661	150	7,811
Due from other governments	956,688	-	956,688
Inventories	-	10,877	10,877
Capital assets, net of accumulated depreciation	12,703,950	37,854	12,741,804
Total assets	23,099,253	352,721	23,451,974
Liabilities			
Accounts payable	694,315	790	695,105
Salaries and benefits payable	924,860	1,119	925,979
Due to other governments	64,299	-	64,299
Accrued interest payable	13,116	-	13,116
Unearned student meals	-	8,133	8,133
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	415,000	-	415,000
General obligation school capital loan notes	435,000	-	435,000
Early retirement	70,828	-	70,828
Portion due after one year:			
General obligation bonds	3,170,000	-	3,170,000
General obligation school capital loan notes	5,095,000	-	5,095,000
Early retirement	55,139	-	55,139
Net OPEB liability	133,300	-	133,300
Total liabilities	11,070,857	10,042	11,080,899
Deferred Inflows of Resources			
Unavailable property tax revenue	4,141,000	-	4,141,000

Sheldon Community School District

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
Net position			
Net investment in capital assets	4,803,489	37,854	4,841,343
Restricted for:			
Categorical funding	202,435	-	202,435
Debt service	121,634	-	121,634
School infrastructure	916,073	-	916,073
Physical plant and equipment	42,938	-	42,938
Management levy purposes	59,377	-	59,377
Student activities	316,930	-	316,930
Unrestricted	1,424,520	304,825	1,729,345
Total net position	\$ 7,887,396	342,679	8,230,075

See notes to financial statements.

Sheldon Community School District

Statement of Activities

Year ended June 30, 2014

	Expenses	Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 5,218,236	170,229	896,834
Special instruction	1,521,850	171,632	218,051
Other instruction	1,067,244	405,284	49,210
	<u>7,807,330</u>	<u>747,145</u>	<u>1,164,095</u>
Support services:			
Student	143,080	-	8,622
Instructional staff	484,258	-	19,811
Administration	954,539	-	339
Operation and maintenance of plant	1,162,436	-	-
Transportation	591,555	13,215	91,151
	<u>3,335,868</u>	<u>13,215</u>	<u>119,923</u>
Non-instructional programs	<u>65,789</u>	<u>61,440</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	33,845	-	-
Long-term debt interest	180,545	-	-
AEA flow through	420,470	-	420,470
Depreciation (unallocated)*	279,638	-	-
	<u>914,498</u>	<u>-</u>	<u>420,470</u>
Total governmental activities	<u>12,123,485</u>	<u>821,800</u>	<u>1,704,488</u>
Business type activities:			
Non-instructional programs:			
Food service operations	581,488	340,793	298,216
Total	<u>\$ 12,704,973</u>	<u>1,162,593</u>	<u>2,002,704</u>

General Revenues:

Property tax levied for general purposes
Instructional support surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues
Change in net position
Net position beginning of year
Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(4,151,173)	-	(4,151,173)
(1,132,167)	-	(1,132,167)
(612,750)	-	(612,750)
(5,896,090)	-	(5,896,090)
(134,458)	-	(134,458)
(464,447)	-	(464,447)
(954,200)	-	(954,200)
(1,162,436)	-	(1,162,436)
(487,189)	-	(487,189)
(3,202,730)	-	(3,202,730)
(4,349)	-	(4,349)
(33,845)	-	(33,845)
(180,545)	-	(180,545)
-	-	-
(279,638)	-	(279,638)
(494,028)	-	(494,028)
(9,597,197)	-	(9,597,197)
-	57,521	57,521
(9,597,197)	57,521	(9,539,676)
\$ 4,475,467	-	4,475,467
549,908	-	549,908
844,542	-	844,542
4,381,155	-	4,381,155
30,065	74	30,139
29,881	-	29,881
10,311,018	74	10,311,092
713,821	57,595	771,416
7,173,575	285,084	7,458,659
\$ 7,887,396	342,679	8,230,075

Exhibit C

Sheldon Community School District

Balance Sheet
Governmental Funds

June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 2,042,833	136,750	2,445,228	511,665	5,136,476
Receivables:				-	
Property tax:					
Delinquent	42,135	-	6,418	4,173	52,726
Succeeding year	3,251,000	-	601,000	289,000	4,141,000
Accounts	3,944	-	-	3,717	7,661
Due from other governments	778,655	-	178,033	-	956,688
Total assets	\$ 6,118,567	136,750	3,230,679	808,555	10,294,551
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 218,905	2,000	456,129	17,281	694,315
Salaries and benefits payable	924,860	-	-	-	924,860
Due to other governments	64,299	-	-	-	64,299
Total liabilities	1,208,064	2,000	456,129	17,281	1,683,474
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,251,000	-	601,000	289,000	4,141,000
Other	405,459	-	-	-	405,459
Total deferred inflows of resources	3,656,459	-	601,000	289,000	4,546,459
Fund balances:					
Restricted for:					
Categorical funding	202,435	-	-	-	202,435
Debt service	-	134,750	-	-	134,750
School infrastructure	-	-	916,073	-	916,073
Physical plant and equipment	-	-	1,257,477	-	1,257,477
Management levy purposes	-	-	-	185,344	185,344
Student activities	-	-	-	316,930	316,930
Unassigned	1,051,609	-	-	-	1,051,609
Total fund balances	1,254,044	134,750	2,173,550	502,274	4,064,618
Total liabilities, deferred inflows of resources and fund balances	\$ 6,118,567	136,750	3,230,679	808,555	10,294,551

See notes to financial statements.

Sheldon Community School District

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

June 30, 2014

Total fund balances of governmental funds (page 22)	\$ 4,064,618
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,703,950
The Internal Service Fund is used by management to charge the costs of the partial self funding of the District's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position.	100,752
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	405,459
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(13,116)
Long-term liabilities, including bonds payable, notes payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(9,374,267)</u>
Net position of governmental activities (page 19)	<u><u>\$ 7,887,396</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, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,069,095	-	643,371	344,659	5,057,125
Tuition	312,645	-	-	-	312,645
Other	88,613	20	23,916	421,251	533,800
State sources	5,800,686	-	844,542	-	6,645,228
Federal sources	260,772	-	-	-	260,772
Total revenues	10,531,811	20	1,511,829	765,910	12,809,570
Expenditures:					
Current:					
Instruction:					
Regular	5,115,090	-	-	20,734	5,135,824
Special	1,527,954	-	-	-	1,527,954
Other	656,208	-	-	391,857	1,048,065
	7,299,252	-	-	412,591	7,711,843
Support services:					
Student	92,604	-	-	-	92,604
Instructional staff	481,029	-	-	-	481,029
Administration	973,278	-	-	161,984	1,135,262
Operation and maintenance of plant	942,919	-	-	217,049	1,159,968
Transportation	602,152	-	-	17,896	620,048
	3,091,982	-	-	396,929	3,488,911
Other expenditures:					
Facilities acquisition	-	-	4,429,721	-	4,429,721
Long-term debt:					
Principal	-	845,000	-	-	845,000
Interest and other charges	-	168,359	12,500	-	180,859
AEA flow through	420,470	-	-	-	420,470
	420,470	1,013,359	4,442,221	-	5,876,050
Total expenditures	10,811,704	1,013,359	4,442,221	809,520	17,076,804
Deficiency of revenues under expenditures	(279,893)	(1,013,339)	(2,930,392)	(43,610)	(4,267,234)
Other financing sources (uses):					
Operating transfers in	-	1,011,369	-	-	1,011,369
Operating transfers out	-	-	(1,011,369)	-	(1,011,369)
Total other financing sources (uses)	-	1,011,369	(1,011,369)	-	-
Change in fund balances	(279,893)	(1,970)	(3,941,761)	(43,610)	(4,267,234)
Fund balances beginning of year	1,533,937	136,720	6,115,311	545,884	8,331,852
Fund balances end of year	\$ 1,254,044	134,750	2,173,550	502,274	4,064,618

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, 2014

Change in fund balances - total governmental funds (page 24) \$ (4,267,234)

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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 4,598,828	
Depreciation expense	<u>(579,800)</u>	4,019,028

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. (33,732)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 845,000

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. 314

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	180,870	
Other postemployment benefits	<u>(31,500)</u>	149,370

The Internal Service Fund is used by management to charge the costs of the partial self funding of the District's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 1,075

Change in net position of governmental activities (page 21) \$ 713,821

See notes to financial statements.

Exhibit G

Sheldon Community School District

Statement of Net Position
Proprietary Funds

June 30, 2014

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Employee Health Insurance
Assets		
Current assets:		
Cash and cash equivalents	\$ 303,840	100,752
Accounts receivable	150	-
Inventories	10,877	-
Noncurrent assets:		
Capital assets, net of accumulated depreciation	37,854	-
Total assets	<u>352,721</u>	<u>100,752</u>
Liabilities		
Current liabilities:		
Accounts payable	790	-
Salaries and benefits payable	1,119	-
Unearned student meals	8,133	-
Total liabilities	<u>10,042</u>	<u>-</u>
Net Position		
Net investment in capital assets	37,854	-
Unrestricted	304,825	100,752
Total net position	<u>\$ 342,679</u>	<u>100,752</u>

See notes to financial statements.

Sheldon Community School District

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

Year ended June 30, 2014

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Employee Health Insurance
Operating revenues:		
Local sources:		
Charges for service	\$ 340,793	-
Reimbursements from operating funds	-	451,562
Reimbursements from employees and others	-	61,440
Total operating revenues	<u>340,793</u>	<u>513,002</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries and benefits	248,964	-
Purchased services	7,573	-
Supplies	310,484	-
Depreciation	13,454	-
Travel	1,013	-
Insurance:		
Medical claims	-	26,296
Insurance premiums	-	473,703
Administrative fees	-	11,955
Total operating expenses	<u>581,488</u>	<u>511,954</u>
Operating income (loss)	<u>(240,695)</u>	<u>1,048</u>
Non-operating revenues:		
State sources	5,116	-
Federal sources	293,100	-
Interest income	74	27
Total non-operating revenues	<u>298,290</u>	<u>27</u>
Increase in net position	57,595	1,075
Net position beginning of year	<u>285,084</u>	<u>99,677</u>
Net position end of year	<u>\$ 342,679</u>	<u>100,752</u>

See notes to financial statements.

Exhibit I

Sheldon Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Employee Health Insurance
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 339,354	-
Cash received from operating funds	-	451,562
Cash received from employees and others	-	61,440
Cash paid to employees for services	(249,836)	-
Cash paid to suppliers for goods or services	(282,445)	(511,954)
Net cash provided by (used for) operating activities	<u>(192,927)</u>	<u>1,048</u>
Cash flows from non-capital financing activities:		
State grants received	5,116	-
Federal grants received	259,641	-
Net cash provided by non-capital financing activities	<u>264,757</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(699)	-
Cash flows from investing activities:		
Interest on investments	74	27
Net increase in cash and cash equivalents	71,205	1,075
Cash and cash equivalents beginning of year	232,635	99,677
Cash and cash equivalents end of year	<u>\$ 303,840</u>	<u>100,752</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (240,695)	1,048
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Commodities used	33,459	-
Depreciation	13,454	-
Decrease in inventories	2,406	-
Increase in accounts receivable	(150)	-
Increase in accounts payable	760	-
Decrease in salaries and benefits payable	(872)	-
Decrease in unearned student meals	(1,289)	-
Net cash provided by (used for) operating activities	<u>\$ (192,927)</u>	<u>1,048</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$33,459 of federal commodities.

See notes to financial statements.

Sheldon Community School District

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	Private Purpose Trust <u>Scholarship</u>	<u>Agency</u>
Assets		
Cash, cash equivalents and pooled investments	\$ 653,657	2,936
Liabilities		
Due to other governments	-	2,936
Net position		
Reserved for scholarships	<u>\$ 653,657</u>	<u>-</u>

See notes to financial statements.

Exhibit K

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

Year ended June 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Interest income	\$ 938
Net increase in fair value of investments	28,903
Total additions	<u>29,841</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	20,000
Change in net position	9,841
Net position beginning of year	643,816
Net position end of year	<u><u>\$ 653,657</u></u>

See notes to financial statements.

Sheldon Community School District

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position results when constraints placed on net position are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current 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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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

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

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

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

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

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

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

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the support services function exceeded the amount budgeted.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 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, 2014, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
<u>Bowers Scholarship Trust Portfolio</u>		
Cash and Money Market	\$ 88,835	N/A
Municipal and Corporate Bonds	114,457	varies
Unit Trusts	4,309	varies
Mutual Funds	177,331	varies
Total	<u>\$ 384,932</u>	

In addition, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,247,535 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk – The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services. The investments in the Bowers Scholarship Trust Portfolio had ratings from A to BBB- by Moody's Investors Service and Standard & Pours.

Concentration of credit risk – The District places no limit on the amount that may be invested in any one issuer. The District’s investment in the Bowers Scholarship Trust Portfolio is 14.5% of the District’s total investments.

During fiscal 2007, the District entered into an agreement to receive a donation of \$604,309 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) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 173,303	-	-	173,303
Construction in progress	280,877	4,395,876	-	4,676,753
Total capital assets not being depreciated	454,180	4,395,876	-	4,850,056
Capital assets being depreciated:				
Buildings	10,780,179	-	-	10,780,179
Improvements other than buildings	3,313,316	-	-	3,313,316
Furniture and equipment	2,394,430	202,952	96,124	2,501,258
Infrastructure	25,963	-	-	25,963
Total capital assets being depreciated	16,513,888	202,952	96,124	16,620,716
Less accumulated depreciation for:				
Buildings	3,961,280	251,947	-	4,213,227
Improvements other than buildings	2,323,601	139,901	-	2,463,502
Furniture and equipment	1,990,477	187,086	96,124	2,081,439
Infrastructure	7,788	866	-	8,654
Total accumulated depreciation	8,283,146	579,800	96,124	8,766,822
Total capital assets being depreciated, net	8,230,742	(376,848)	-	7,853,894
Governmental activities capital assets, net	\$ 8,684,922	4,019,028	-	12,703,950
Business type activities:				
Furniture and equipment	\$ 201,103	699	-	201,802
Less accumulated depreciation	150,494	13,454	-	163,948
Business type activities capital assets, net	\$ 50,609	(12,755)	-	37,854

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:		
Regular		\$ 60,749
Special		2,498
Other		19,279
Support services:		
Student		66,016
Instructional staff		3,237
Operation and maintenance of plant		33,247
Transportation		110,662
Non-instructional programs		4,474
		<u>300,162</u>
Unallocated		279,638
		<u>\$ 579,800</u>
Business type activities:		
Food service operations		<u>\$ 13,454</u>

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation school refunding bonds	\$ 3,995,000	-	410,000	3,585,000	415,000
General obligation school capital loan notes	5,965,000	-	435,000	5,530,000	435,000
Early retirement	306,837	4,562	185,432	125,967	70,828
Net OPEB liability	101,800	130,500	99,000	133,300	-
Total	<u>\$ 10,368,637</u>	<u>135,062</u>	<u>1,129,432</u>	<u>9,374,267</u>	<u>920,828</u>

Details of the District's June 30, 2014 general obligation indebtedness are as follows:

Year Ending June 30,	General Obligation School Refunding Bonds		General Obligation School Capital Loan Notes		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 415,000	83,440	435,000	73,918	850,000	157,358	1,007,358
2016	425,000	75,140	440,000	72,177	865,000	147,317	1,012,317
2017	435,000	66,640	440,000	69,978	875,000	136,618	1,011,618
2018	445,000	57,940	445,000	66,897	890,000	124,837	1,014,837
2019	455,000	48,595	450,000	62,892	905,000	111,487	1,016,487
2020-2024	1,410,000	78,950	2,330,000	224,738	3,740,000	303,688	4,043,688
2025-2028	-	-	990,000	31,300	990,000	31,300	1,021,300
Total	<u>\$ 3,585,000</u>	<u>410,705</u>	<u>5,530,000</u>	<u>601,900</u>	<u>9,115,000</u>	<u>1,012,605</u>	<u>10,127,605</u>

General Obligation Bonds/Notes

On November 17, 2010, the District issued \$4,395,000 of general obligation school refunding bonds, Series 2010, to refund the District's general obligation bonds, series 2002. The bonds bear interest at 0.85% to 2.90% per annum and are payable from the Capital Projects, Statewide Sales, Services and Use Tax Fund.

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

Early Retirement

The District offered a voluntary early retirement plan to its certified employees until June 30, 2013. Eligible employees must have been at least age fifty-five by June 30, 2013 and must have completed eleven years of service to the District. Employees must have completed an application which was subject to approval by the Board of Education. The early retirement incentive for each eligible employee is payable in three equal installments and was calculated as the percentage of total salary determined based on the severance benefit option selected by the employee. Eligible employees also received single group health insurance for the time period defined in the severance benefit option selected.

Early retirement benefits of \$185,432 were paid during the year ended June 30, 2014, including \$86,519 related to the 2013 early retirement plan and \$98,813 related to previous early retirement plans.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects:	
	Statewide Sales, Services and Use Tax	\$ 456,070
	Physical Plant and Equipment Levy	555,299
Total		<u>\$ 1,011,369</u>

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

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$513,918, \$485,613 and \$445,983, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 83 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount determined using the alternative measurement method as permitted by GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 130,000
Interest on net OPEB obligation	4,600
Adjustment to annual required contribution	(4,100)
Annual OPEB cost	<u>130,500</u>
Contributions made	<u>(99,000)</u>
Increase in net OPEB obligation	31,500
Net OPEB obligation beginning of year	<u>101,800</u>
Net OPEB obligation end of year	<u>\$ 133,300</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation as calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$99,000 to the medical plan. Plan members eligible for benefits contributed \$17,900, or 15.3% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 85,115	58.7%	\$ 82,105
2013	130,695	84.9	101,800
2014	130,500	75.9	133,300

Funded Status and Funding Progress - At June 30, 2014, the actuarial accrued liability was \$1,228,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,228,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,546,000 and the ratio of the UAAL to covered payroll was 27.0%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 valuation date, a simplified version of the unit credit actuarial cost method was used. The assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Employees were assumed to retire at age 60 subject to the minimum age or service requirement eligibility.

Projected claim costs of the medical plan are \$17,710 per year for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$420,470 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Three Rivers Benefit Corporation from the Employee Health Insurance Fund. The District's contribution for the year ended June 30, 2014 was \$26,209.

The District was not required to obtain an actuarial report for the period ended June 30, 2014 since its plan qualified as a "mini plan." A liability is established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. There were no amounts payable from the Employee Health Insurance Fund at June 30, 2014. A reconciliation of changes in the aggregate liability for claims in the current year is as follows:

Unpaid claims beginning of year	\$	-
Incurred claims		26,209
Payments on claims during the year		<u>26,209</u>
Unpaid claims end of year	\$	<u><u>-</u></u>

(11) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the District's proportionate share of the employee pension plan.

(12) Subsequent Event

On July 9, 2014, the District awarded contracts totaling \$777,782 for a ball field and recreation area, a joint project with the City of Sheldon. The District's share of the project will be paid from proceeds of the Capital Projects, Statewide Sales, Services and Use Tax Fund.

Required Supplementary Information

Sheldon Community School District

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

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds Actual	Enterprise Fund Actual	Total Actual
Revenues:			
Local sources	\$ 5,903,570	340,867	6,244,437
State sources	6,645,228	5,116	6,650,344
Federal sources	260,772	293,100	553,872
Total revenues	<u>12,809,570</u>	<u>639,083</u>	<u>13,448,653</u>
Expenditures/Expenses:			
Instruction	7,711,843	-	7,711,843
Support services	3,488,911	-	3,488,911
Non-instructional programs	-	581,488	581,488
Other expenditures	5,876,050	-	5,876,050
Total expenditures/expenses	<u>17,076,804</u>	<u>581,488</u>	<u>17,658,292</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(4,267,234)	57,595	(4,209,639)
Balances beginning of year	8,331,852	285,084	8,616,936
Balances end of year	<u>\$ 4,064,618</u>	<u>342,679</u>	<u>4,407,297</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance
Original	Final	
6,660,671	6,660,671	(416,234)
5,732,750	5,732,750	917,594
482,800	482,800	71,072
12,876,221	12,876,221	572,432
8,148,350	8,148,350	436,507
3,466,750	3,466,750	(22,161)
535,000	650,000	68,512
2,278,472	6,974,000	1,097,950
14,428,572	19,239,100	1,580,808
(1,552,351)	(6,362,879)	2,153,240
2,381,615	7,491,556	1,125,380
829,264	1,128,677	3,278,620

Sheldon Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District amended the certified budget once during the year, increasing budgeted expenditures by \$4,810,528.

During the year ended June 30, 2014, expenditures in the support services function exceeded the amount budgeted.

Sheldon Community School District

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 759,000	759,000	0.0%	\$ 4,366,000	17.4%
2011	Jul 1, 2009	-	759,000	759,000	0.0	4,331,000	17.5
2012	Jul 1, 2009	-	759,000	759,000	0.0	4,781,000	15.9
2013	Jul 1, 2012	-	1,228,000	1,228,000	0.0	4,585,000	26.8
2014	Jul 1, 2012	-	1,228,000	1,228,000	0.0	4,546,000	27.0

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

See accompanying independent auditor's report.

Sheldon Community School District

Supplementary Information

Schedule 1

Sheldon Community School District

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 190,361	321,304	511,665
Receivables:			
Property tax:			
Delinquent	4,173	-	4,173
Succeeding year	289,000	-	289,000
Accounts	-	3,717	3,717
Total assets	\$ 483,534	325,021	808,555
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 9,190	8,091	17,281
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	289,000	-	289,000
Fund balances:			
Restricted for:			
Management levy purposes	185,344	-	185,344
Student activities	-	316,930	316,930
Total fund balances	185,344	316,930	502,274
Total liabilities, deferred inflows of resources and fund balances.	\$ 483,534	325,021	808,555

See accompanying independent auditor's report.

Sheldon Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds

Year ended June 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 344,659	-	344,659
Other	1,118	420,133	421,251
Total revenues	345,777	420,133	765,910
Expenditures:			
Current:			
Instruction:			
Regular	20,734	-	20,734
Other	-	391,857	391,857
Support services:			
Administration	161,984	-	161,984
Operations and maintenance of plant	217,049	-	217,049
Transportation	17,896	-	17,896
Total expenditures	417,663	391,857	809,520
Change in fund balances	(71,886)	28,276	(43,610)
Fund balances beginning of year	257,230	288,654	545,884
Fund balances end of year	\$ 185,344	316,930	502,274

See accompanying independent auditor's report.

Schedule 3

Sheldon Community School District

Combining Balance Sheet
Capital Projects Accounts

June 30, 2014

	Capital Projects			Total
	Middle School Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets				
Cash, cash equivalents and pooled investments	\$ 10,373	727,667	1,707,188	2,445,228
Receivables:				
Property tax:				
Delinquent	-	-	6,418	6,418
Succeeding year	-	-	601,000	601,000
Due from other governments	-	178,033	-	178,033
Total assets	\$ 10,373	905,700	2,314,606	3,230,679
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	456,129	456,129
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	601,000	601,000
Fund balances:				
Restricted for:				
School infrastructure	10,373	905,700	-	916,073
Physical plant and equipment	-	-	1,257,477	1,257,477
Total fund balances	10,373	905,700	1,257,477	2,173,550
Total liabilities, deferred inflows of resources and fund balances	\$ 10,373	\$ 905,700	\$ 2,314,606	\$ 3,230,679

See accompanying independent auditor's report.

Sheldon Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Projects Accounts

Year ended June 30, 2014

	Capital Projects			Total
	Middle School Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	643,371	643,371
Other	1	82	23,833	23,916
State sources	-	844,542	-	844,542
Total revenues	1	844,624	667,204	1,511,829
Expenditures:				
Other expenditures:				
Facilities acquisition	-	48,550	4,381,171	4,429,721
Long-term debt:				
Interest and other charges	-	-	12,500	12,500
Total expenditures	-	48,550	4,393,671	4,442,221
Excess (deficiency) of revenues over (under) expenditures	1	796,074	(3,726,467)	(2,930,392)
Other financing uses:				
Operating transfers out	-	(456,070)	(555,299)	(1,011,369)
Change in fund balances	1	340,004	(4,281,766)	(3,941,761)
Fund balances beginning of year	10,372	565,696	5,539,243	6,115,311
Fund balances end of year	\$ 10,373	905,700	1,257,477	2,173,550

See accompanying independent auditor's report.

Schedule 5

Sheldon Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Basketball	\$ 1,325	1,449	818	1,956
Cross Country	1,500	634	430	1,704
Football	4,174	6,216	4,568	5,822
Boys Golf	1,016	1,180	905	1,291
Boys Track	679	1,365	192	1,852
Baseball	2,109	3,194	2,710	2,593
Wrestling	1,363	2,286	2,275	1,374
Girls Basketball	2,620	1,449	741	3,328
Girls Softball	1,827	1,996	1,656	2,167
Girls Track	823	1,591	541	1,873
Girls Volleyball	2,087	1,632	702	3,017
Girls Golf	1,024	634	893	765
Weightlifting	983	729	834	878
Dance Team	3,076	10,989	9,475	4,590
Cheerleaders	9,144	11,431	14,115	6,460
Concession - High School	-	25,245	25,245	-
Concession - Middle School	6,738	-	6,738	-
Reserved Seat Tickets	105	-	-	105
All Sports	6,119	40,962	47,081	-
Athletic Uniforms	620	11,608	5,525	6,703
Athletics -- AD	-	6,413	-	6,413
Flags	2,262	645	1,698	1,209
Spanish Club	20,171	6,054	3,739	22,486
Art Club	3,866	-	48	3,818
Science Club	-	1,093	446	647
Speech Club	2,018	5,855	7,541	332
Yearbook	-	4,839	4,787	52
Family Career & Community Leaders of America (FCCLA)	4,518	453	613	4,358
Orab FB Club	1,045	5,534	5,121	1,458
Orab VB Club	1,447	2,846	2,881	1,412
Orab Boys BB Club	1,231	3,729	2,758	2,202
Orab Girls BB Club	1,988	4,396	4,107	2,277
Fellowship of Christian Athletes (FCA)	1,498	1,213	1,100	1,611
Future Business Leaders	3,263	2,482	1,411	4,334
Future Farmers of America	9,720	42,455	41,381	10,794
College Farm	82,225	72,532	74,540	80,217
Middle School:				
SOAR	5,071	30,727	9,586	26,212
Band	1,060	2,383	1,966	1,477
Vocal Music	3,150	586	308	3,428
Student Council	4,420	3,825	5,233	3,012
Magazine Sales	13,812	5,146	18,958	-
Playground Equipment	130	-	130	-
Uniforms	-	5,629	-	5,629
5/6 Entrepreneur	974	3,760	1,487	3,247

Sheldon Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Student Council	870	11,122	11,192	800
National Honor Society	1,303	7,847	6,373	2,777
SADD	1,056	182	717	521
Band Uniform Rent	16,846	1,264	372	17,738
Musical	5,346	7,275	4,769	7,852
Band	6,035	10,933	10,958	6,010
Jazz Band	23	-	-	23
Vocal Music	3,448	7,190	7,571	3,067
Choir Robes	999	-	-	999
Swing Choir	4,162	13,037	10,134	7,065
Summer Theater	15,494	19,137	16,029	18,602
Science Department	100	-	-	100
Elementary Boxtop	10,141	4,807	3,276	11,672
Student Vending Machines	353	-	-	353
Investments	-	154	51	103
Class of:				
2014/2024	2,225	-	2,225	-
2015/2025	2,375	-	1,090	1,285
2016/2026	2,226	-	691	1,535
2017/2027	2,226	-	691	1,535
2018/2028	2,225	-	435	1,790
Total	\$ 288,654	420,133	391,857	316,930

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, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 2,394	542	-	2,936
Accounts receivable	100	-	100	-
Total assets	\$ 2,494	542	100	2,936
Liabilities				
Due to other governments	\$ 2,494	542	100	2,936
Total liabilities	\$ 2,494	542	100	2,936

See accompanying independent auditor's report.

Sheldon Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 5,057,125	5,389,098	5,031,932	4,778,567
Tuition	312,645	225,331	172,596	189,929
Other	533,800	524,244	569,106	441,454
State sources	6,645,228	5,410,183	5,557,504	5,567,582
Federal sources	260,772	252,939	462,649	546,513
Total	<u>\$ 12,809,570</u>	<u>11,801,795</u>	<u>11,793,787</u>	<u>11,524,045</u>
Expenditures:				
Instruction:				
Regular	\$ 5,135,824	3,735,164	3,783,884	3,996,233
Special	1,527,954	1,705,550	1,364,782	1,981,627
Other	1,048,065	1,824,801	1,888,254	1,026,065
Support services:				
Student	92,604	98,734	86,274	53,925
Instructional staff	481,029	396,261	504,303	145,727
Administration services	1,135,262	1,311,212	1,166,518	1,037,847
Operation and maintenance of plant	1,159,968	785,305	865,558	758,416
Transportation	620,048	440,321	549,050	384,124
Central support	-	-	-	-
Non-instructional programs	-	-	7,182	3,565
Other expenditures:				
Facilities acquisition	4,429,721	473,194	709,292	705,246
Long-term debt:				
Principal	845,000	565,000	480,000	305,000
Interest and other charges	180,859	104,350	305,672	296,776
AEA flow through	420,470	402,233	402,323	444,320
Total	<u>\$ 17,076,804</u>	<u>11,842,125</u>	<u>12,113,092</u>	<u>11,138,871</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
4,642,163	4,218,043	3,713,942	3,783,369	3,778,943	3,705,094
210,991	174,806	227,067	228,469	205,636	195,411
392,770	468,238	514,158	596,990	525,867	549,856
4,876,180	5,663,888	4,884,895	4,727,058	4,348,956	4,158,412
670,172	337,095	225,695	271,408	231,222	350,161
10,792,276	10,862,070	9,565,757	9,607,294	9,090,624	8,958,934
3,839,273	4,241,257	3,679,180	3,594,270	3,965,895	3,730,320
1,950,572	1,541,143	1,531,007	1,452,227	963,874	979,108
990,530	974,648	1,017,840	932,961	837,581	945,675
53,364	55,830	50,906	116,807	94,290	72,821
98,639	136,095	136,384	148,092	131,141	136,586
938,589	1,003,993	918,615	1,169,018	908,871	823,388
764,563	811,773	801,142	760,164	770,570	649,462
388,181	341,938	393,383	346,948	301,381	246,718
38,432	-	-	-	123	27,631
3,548	56	6,960	5,117	71	9,042
1,433,401	590,733	439,767	553,113	257,939	733,736
300,000	275,000	265,000	255,000	250,000	240,000
218,826	228,451	237,063	245,351	252,851	260,051
431,559	394,824	362,665	352,494	334,941	325,668
11,449,477	10,595,741	9,839,912	9,931,562	9,069,528	9,180,206

Schedule 8

Sheldon Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

Grantor/Program	CFDA Number	Grant Number	Expen- ditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY14	\$ 43,937
National School Lunch Program	10.555	FY14	241,983 *
			285,920
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY14	153,303
Career and Technical Education - Basic Grants to States	84.048	FY14	11,076
English Language Acquisition State Grants	84.365	FY14	11,249
Improving Teacher Quality State Grants	84.367	FY14	35,737
Grants for State Assessments and Related Activities	84.369	FY14	5,308
Area Education Agency #4:			
Special Education - Grants to States	84.027	FY14	55,010
U.S. Department of Health and Human Services:			
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	FY14	339
Total			\$ 557,942

* - Includes \$33,459 of non-cash awards.

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, 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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sheldon Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2014

Internal Control Over Financial Reporting

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

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item II-A-14, we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sheldon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Sheldon Community School District's Responses to the Findings


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

Purpose of this Report

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

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

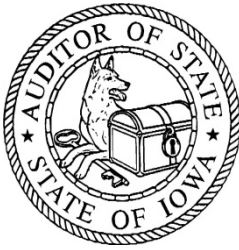

MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 9, 2014

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

Sheldon Community School District



OFFICE OF AUDITOR OF STATE

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

To the Board of Education of
Sheldon Community School District:

Report on Compliance for Each Major Federal Program

We have audited Sheldon Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Sheldon Community School District's major federal program for the year ended June 30, 2014. Sheldon Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Sheldon Community School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sheldon Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Sheldon Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Sheldon Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance


The management of Sheldon Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sheldon Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sheldon Community School District's internal control over compliance.


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying schedule of Findings and Questioned Costs as item III-A-14, we consider to be a significant deficiency.

Sheldon Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Sheldon Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 9, 2014

Sheldon Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

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

- (a) Unmodified 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.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was:
 - School Nutrition Cluster Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sheldon Community School District did not qualify as a low-risk auditee.

Sheldon Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part II: Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-14 Information Systems – The District adopted a written disaster recovery plan in September 2011. However, the following key items are not included in the plan: staff responsibilities, steps for system recovery, computer equipment needed for temporary processing, an inventory of hardware and software components and a business location which could be used to process critical applications in the event of an emergency. In addition, a copy of the plan, user documentation, policies and procedures manual and extra paper supplies are not required to be kept off site and the plan has not been tested.

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

Response – The District is working with the Iowa Association of School Boards, EMC Insurance Company, and Grant Wood Area Education Agency to develop a disaster recovery plan should be periodically tested.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sheldon Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part III: Finding and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

Child Nutrition Cluster:

CFDA Number 10.553 School Breakfast Program
CFDA Number 10.555 National School Lunch Program
Federal Award Year: 2014
U.S Department of Education
Passed-through the Iowa Department of Education

III-A-14 (2014-001) CNP-1 Report – The District submits a monthly CNP-1 report to the Iowa Department of Education to request reimbursement for meals provided under the school nutrition program. This report is not reviewed by an independent person prior to submittal.

Recommendation – The CNP-1 report should be reviewed by an independent person prior to submittal and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response and Corrective Action Planned – The District will use the services of an independent person to review the monthly CNP-1 report and provide a signature and date of review for each monthly CNP-1 report.

Conclusion – Response accepted.

Sheldon Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget – During the year ended June 30, 2014, expenditures in the support services function exceeded the amount budgeted.

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

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

Conclusion – Response accepted.

IV-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-14 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Perspective Insurance, owned by Ron Rensink, husband of Board Member Susan Rensink	Property and liability insurance	\$ 153,879

This transaction may represent a conflict of interest in accordance with Chapter 279.7A of the Code of Iowa since the total exceeds \$2,500 and the transaction was not competitively bid.

Recommendation – The District should comply with Chapter 279.7A of the Code of Iowa and competitively bid business transactions between the District and District officials when total transactions are expected to exceed \$2,500.

Response – The District is aware of the potential conflict of interest when dealing with members of the District’s Board of Directors, its employees, and relatives of directors and employees. When Susan Rensink became a Board member in the 2009-10 school year, the school district issued an RFP for a competitive bid for the District’s property and casualty insurance. Perspective Insurance had the low bid and was selected to provide the District’s property and casualty insurance since the 2010-11 school year.

The opinion of legal counsel indicates that the school district should take necessary steps to minimize potential conflicts of interest by making an attempt to obtain competitive bids for purchases that may seem to be conflict of interest. Chapter 279.7A of the Code of Iowa indicates that the competitive bidding process should occur on an annual basis; therefore, the Board of Education will attempt to obtain competitive bids for property and casualty insurance annually in the future.

Conclusion – Response accepted.

Sheldon Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- IV-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

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

- IV-J-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable use of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 565,696
Revenues:		
Statewide sales, services and use tax	\$ 844,542	
Interest on investments	<u>82</u>	<u>844,624</u>
Expenditures/transfers out:		
School infrastructure:		
Buildings	48,550	
Debt service for school infrastructure:		
General obligation debt	<u>456,070</u>	<u>504,620</u>
Ending balance		<u>\$ 905,700</u>

Sheldon Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2014

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.17857	456,070
Physical plant and equipment levy	1.00388	<u>388,472</u>
Total		<u>\$ 844,542</u>


- IV-K-14 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-L-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

Sheldon Community School District

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Jennifer L. Wall, CPA, Senior Auditor II
Trisha S. Kunze, Staff Auditor
Jenna M. Paysen, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State

MATT MEENDERING, HIGH SCHOOL PRINCIPAL

1700 E. Fourth Street, Sheldon IA 51201

712.324.2501

Fax: 712.324.5607

CYNTHIA BARWICK, MIDDLE SCHOOL PRINCIPAL

310 23rd Avenue, Sheldon IA 51201

712.324.4346

Fax: 712.324.4347



JASON GROENDYKE, ELEMENTARY PRINCIPAL

501 Normal College Avenue, Sheldon IA 51201

712.324.4337

Fax: 712.324.4338

ROBIN W. SPEARS, SUPERINTENDENT

1700 E. Fourth Street, Sheldon IA 51201

712-324-2504

Fax: 712.324.5607

"Striving for excellence in education"

Sheldon Community School District
Corrective Action Plan for Federal Audit Findings
Year Ended June 30, 2014

Comment Reference	Comment Title	Corrective Action Plan	Contact Person Title Phone Number	Anticipated Date of Completion
2014-001	CNP-1 Report	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Robin Spears Superintendent 712-324-2504	Immediately

Robin W. Spears, Superintendent
SHELDON COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION:

Kecia Hickman, President Susan Rensink, Vice-President Mark Brown Glen Goedken Randy Merley LaDonn Hartzell, Secretary

THE MISSION of the Sheldon Community School District is to prepare all learners to be productive citizens.

