

SHELDON COMMUNITY SCHOOL DISTRICT

Sheldon, Iowa

Independent Auditor's Reports
Basic Financial Statements and
Supplementary Information
Schedule of Findings and Questioned Costs

June 30, 2015

SHELDON COMMUNITY SCHOOL DISTRICT

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SHELDON COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u>		
Kecia Hickman	President	2015
Susan Rensink	Vice President	2017
Glen Goedken	Board Member	2015
Randy Merley	Board Member	2017
Mark Brown	Board Member	2015

SCHOOL OFFICIALS

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



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 (the District), Sheldon, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 that 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 the District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 47 through 53 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 who 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 auditing standards generally accepted in the United States of America, 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 the District's basic financial statements. The supplementary information included in Schedules 1 through 8, including the Schedules 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 auditing standards generally accepted in the United States of America. 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 January 12, 2016, on our consideration of the 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 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 the District's internal control over financial reporting and compliance.

January 12, 2016
Sioux City, Iowa

King Reinsch Prosser & Co LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sheldon Community School District (the 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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 Financial Highlights

- General Fund revenues increased from \$10,531,811 in fiscal year 2014 to \$10,842,421 in fiscal year 2015, while General Fund expenditures increased from \$10,811,704 in fiscal year 2014 to \$10,906,209 in fiscal year 2015. The District's General Fund balance decreased from \$1,254,044 in fiscal year 2014 to \$1,190,456 in fiscal year 2015, a 5.1 percent decrease.
- The increase in General Fund revenues was primarily attributable to a 4.0 percent increase in Supplemental State Aid and an increase in budget enrollment of 27.6 students resulting in an overall budget increase of 6.9 percent for fiscal year 2015. The increase in General Fund expenditures was mainly due to special education expenditures.

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 the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which the 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and Capital Project 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, deferred outflows of resources, 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 that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds.

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

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

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

2. Proprietary Funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is 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's Internal Service Fund is 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 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 net position at June 30, 2015 compared to June 30, 2014.

Figure A-1 (In Thousands)
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-2015
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Current and other assets	\$ 8,923	\$ 10,395	\$ 362	\$ 315	\$ 9,285	\$ 10,710	(13.3%)
Capital assets, net	14,155	12,704	57	38	14,212	12,742	11.5%
Total assets	\$ 23,078	\$ 23,099	\$ 419	\$ 353	\$ 23,497	\$ 23,452	0.1%
Deferred outflows of resources	\$ 699	\$ -	\$ 25	\$ -	\$ 724	\$ -	100.0%
Long-term liabilities	\$ 11,859	\$ 9,374	\$ 122	\$ -	\$ 11,981	\$ 9,374	27.8%
Other liabilities	1,394	1,697	6	10	1,400	1,707	(18.0%)
Total liabilities	\$ 13,253	\$ 11,071	\$ 128	\$ 10	\$ 13,381	\$ 11,081	20.8%
Deferred inflows of resources	\$ 5,877	\$ 4,141	\$ 46	\$ -	\$ 5,923	\$ 4,141	43.0%
Net position:							
Net investment in capital assets	\$ 5,890	\$ 4,804	\$ 57	\$ 38	\$ 5,947	\$ 4,842	22.8%
Restricted	1,332	1,659	-	-	1,332	1,659	(19.7%)
Unrestricted	(2,575)	1,424	213	305	(2,362)	1,729	(236.6%)
Total net position	\$ 4,647	\$ 7,887	\$ 270	\$ 343	\$ 4,917	\$ 8,230	(40.3%)

The District's total net position decreased 40.3 percent, or approximately \$3.3 million from the prior year. The largest portion of the District's net position is invested in capital assets (e.g. land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$327,000, or 19.7 percent, from the prior year due to the current year spending of previously unspent capital projects cash reserves.

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 - decreased approximately \$4.1 million, or 236.6 percent from the prior year. This reduction in unrestricted net position was primarily a result of the District's net pension liability pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$4,234,118 and \$153,569, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-2 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-2 (In Thousands)
Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2014		2014		2014		
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Revenues:							
Program revenues:							
Charges for services	\$ 817	\$ 822	\$ 358	\$ 341	\$ 1,175	\$ 1,163	1.0%
Operating grants, contributions and restricted interest	2,001	1,704	319	298	2,320	2,002	15.9%
Capital grants, contributions and restricted interest	60	-	-	-	60	-	100.0%
General revenues:							
Property tax	4,623	4,475	-	-	4,623	4,475	3.3%
Local surtax	485	550	-	-	485	550	(11.8%)
Statewide sales, services and use tax	960	845	-	-	960	845	13.6%
Unrestricted state grants	4,349	4,381	-	-	4,349	4,381	(0.7%)
Unrestricted investment earnings	8	30	-	-	8	30	(73.3%)
Other	11	30	-	-	11	30	(63.3%)
Total revenues	\$ 13,314	\$ 12,837	\$ 677	\$ 639	\$ 13,991	\$ 13,476	3.8%
Program expenses:							
Instruction	\$ 8,036	\$ 7,807	\$ -	\$ -	\$ 8,036	\$ 7,807	2.9%
Support services	3,544	3,336	6	-	3,550	3,336	6.4%
Non-instructional programs	-	66	590	581	590	647	(8.8%)
Other expenses	740	915	-	-	740	915	(19.1%)
Total expenses	\$ 12,320	\$ 12,124	\$ 596	\$ 581	\$ 12,916	\$ 12,705	1.7%
Change in net position	\$ 994	\$ 713	\$ 81	\$ 58	\$ 1,075	\$ 771	39.4%
Net position beginning of year, as restated	3,653	7,174	189	285	3,842	7,459	(48.5%)
Net position end of year	\$ 4,647	\$ 7,887	\$ 270	\$ 343	\$ 4,917	\$ 8,230	(40.3%)

In fiscal year 2015, property tax and unrestricted state grants account for 67.4 percent of the governmental activities revenue (69.0 percent in 2014) while charges for service and operating grants, contributions and restricted interest accounted for 99.9 percent of business type activities revenue (99.9 percent in 2014). The District's total revenues were approximately \$14.0 million, of which approximately \$13.3 million was for governmental activities and less than \$1 million was for business type activities. The District's expenses primarily relate to instruction and support services, which account for 89.7 percent of the total expenses (87.7 percent in 2014).

As shown in Figure A-2, the District experienced a 3.8 percent increase in revenues and a 1.7 percent increase in expenses. Property taxes and operating grants increased approximately \$466,000 to fund the increase in expenses. The increase in expenses is primarily due to more in special education expenses incurred.

Governmental Activities - Revenues for governmental activities were \$13,314,408 and expenses were \$12,320,185. The District was able to keep expenses at a level less than revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-3 (In Thousands)
Total and Net Cost of Governmental Activities

	Total Cost of Services		Percent	Net Cost of Services		Percent
			Change			Change
	2014			2014		
	2015	(Not Restated)	2014-2015	2015	(Not Restated)	2014-2015
Instruction	\$ 8,036	\$ 7,807	2.9%	\$ 5,711	\$ 5,896	(3.1%)
Support services	3,544	3,336	6.2%	3,480	3,203	8.7%
Non-instructional programs	-	66	(100.0%)	-	4	(100.0%)
Other expenses	740	915	(19.1%)	251	494	(49.2%)
Totals	\$ 12,320	\$ 12,124	1.6%	\$ 9,442	\$ 9,597	(1.6%)

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$817,117 (\$821,800 in 2014).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,061,172 (\$1,704,488 in 2014).
- The net cost of governmental activities was financed with \$6,068,032 in property and other taxes (\$5,869,917 in 2014) and \$4,348,745 in unrestricted state grants (\$4,381,155 in 2014).

Business Type Activities - Revenues for business type activities during the year ended June 30, 2015 were \$676,893 (\$639,083 in 2014), a 5.9 percent increase, while expenses totaled \$596,508 (\$581,488 in 2014), a 2.6 percent increase. 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.

During the year ended June 30, 2015, the District saw an increase in student enrollment leading to greater participation and an increase in federal monies, allowing the overall increase in net position.

Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,341,708, below last year's ending fund balances of \$4,064,618. However, the primary reason for the decrease in combined fund balance at the end of the fiscal year 2015 is due to expenditures incurred for the elementary school addition and remodel project.

Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$1,190,456 in its fund balance at June 30, 2015. The General Fund balance decreased by \$63,588 during fiscal year 2015 due to increased special education expenditures. The Sheldon Board of Education has adopted a policy to maintain a solvency ratio of 12.0 percent for the General Fund. A solvency ratio demonstrates the District's management control of financial performance. For the year ended June 30, 2015, the solvency ratio of the District is 9.5 percent.

The District's Capital Projects Fund balance decreased \$1,500,153 during fiscal year 2015. This was due to continued progress on the elementary school addition and remodel project.

The District's Debt Service Fund balance decreased \$81,154 during fiscal year 2015. This was due to cash balances existing at June 30, 2014 to allow for transfers to be less than current year bond retirements.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$189,110 at June 30, 2014 to \$269,495 at June 30, 2015, representing a 42.5 percent increase. This was due to an increase in both operating and non-operating revenues due to greater participation and high student counts.

The Internal Service, Employee Health Insurance Fund net position increased from \$100,752 to \$167,748 during the year ended June 30, 2015, representing a 66.5 percent increase.

Budgetary Highlights

Over the course of the year, the District amended its budget one time to more correctly budget for nutrition fund and other expenditures as remodeling projects progressed.

The District's total revenues were \$845,484 more than total budgeted revenues, a variance of 6.5 percent due to a 4.0 percent increase in Supplemental State Aid and an increase in budget enrollment.

The District's total expenditures were \$467,457 less than budgeted, a variance of 2.9 percent. 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.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2015, the District had invested \$14,212,093, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a 11.5 percent increase from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$682,254.

The original cost of the District's capital assets was \$23,814,538. Governmental funds account for \$23,581,661, with the remainder of \$232,877 accounted for in the Proprietary, School Nutrition Fund. The largest changes in capital asset activity during the year occurred in the buildings and construction in progress categories. The significant changes are due to continued progress on the elementary school and remodel project.

Figure A-4 (In Thousands)
Capital Assets, Net of Depreciation

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Percent</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>
Land	\$ 173	\$ 173	\$ -	\$ -	\$ 173	\$ 173	0.0%
Construction in progress	698	4,677	-	-	698	4,677	(85.1%)
Buildings	11,971	6,567	-	-	11,971	6,567	82.3%
Improvements other than buildings	835	850	-	-	835	850	(1.8%)
Furniture and equipment	461	419	57	38	518	457	13.3%
Infrastructure	17	18	-	-	17	18	(5.6%)
Totals	<u>\$ 14,155</u>	<u>\$ 12,704</u>	<u>\$ 57</u>	<u>\$ 38</u>	<u>\$ 14,212</u>	<u>\$ 12,742</u>	<u>11.5%</u>

Long-Term Debt - At June 30, 2015, the District had \$8,265,000 in long-term debt outstanding. This represents a 9.3 percent decrease from last year. (See Figure A-5) Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

Figure A-5 (In Thousands)
Outstanding Long-Term Debt

	<u>June 30,</u>		<u>Percent Change</u>
	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>
General obligation school refunding bonds	\$ 3,170	\$ 3,585	(11.6%)
General obligation capital loan notes	5,095	5,530	(7.9%)
	<u>\$ 8,265</u>	<u>\$ 9,115</u>	<u>(9.3%)</u>

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances which could significantly affect its financial health in the 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 4.00 percent. The Supplemental State Aid for fiscal year 2016 was set at 1.25 percent. Supplemental State Aid for fiscal year 2017 will not be set until the Legislative session begins in January 2016. The District experienced an enrollment increase of 60.5 students for the budget year 2017. 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 regular and special education student enrollment.
- In order to help control the premium costs of the health insurance benefit to the insured employee categories, the District has joined the Iowa Star Health Insurance Trust Program. The Iowa Star Trust has membership of over twenty school districts for a total group census of over 5,000 people. The cost of a single annual health insurance plan for the 2015-2016 school year is \$1,631.84 less than the cost of a single annual health insurance for the 2014-2015 school year. The net savings for health insurance costs was in excess of \$100,000 from the 2014-2015 school year to the 2015-2016 school year as a result of joining the Iowa Star Trust program. The District also experienced a reduction in Long-Term Disability insurance premiums as a result of being members of the Iowa Star Trust program.
- At the time of the audit completion, negotiations for the fiscal year 2017 wage agreement with the Sheldon Education Association had not started. Any increase in the total compensation/benefit package will have an effect on the economic future of the District.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

SHELDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 3,443,424	\$ 345,310	\$ 3,788,734
Receivables:			
Property tax:			
Delinquent	52,997	-	52,997
Succeeding year	4,588,892	-	4,588,892
Accounts	1,780	152	1,932
Due from other governments	836,187	-	836,187
Inventories	-	16,845	16,845
Capital assets, net of accumulated depreciation	<u>14,155,222</u>	<u>56,871</u>	<u>14,212,093</u>
Total assets	<u>\$ 23,078,502</u>	<u>\$ 419,178</u>	<u>\$ 23,497,680</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>\$ 698,595</u>	<u>\$ 25,337</u>	<u>\$ 723,932</u>
LIABILITIES:			
Accounts payable	\$ 350,295	\$ 1,156	\$ 351,451
Salaries and benefits payable	968,830	2,112	970,942
Due to other governments	62,115	-	62,115
Accrued interest payable	12,276	-	12,276
Unearned revenue	-	2,538	2,538
Long-term liabilities:			
Portion due within one year:			
Early retirement	24,980	-	24,980
General obligation school refunding bonds	425,000	-	425,000
General obligation school capital loan notes	440,000	-	440,000
Portion due after one year:			
Early retirement	16,724	-	16,724
General obligation school refunding bonds	2,745,000	-	2,745,000
General obligation school capital loan notes	4,655,000	-	4,655,000
Net pension liability	3,377,430	122,497	3,499,927
Net OPEB liability	<u>175,000</u>	<u>-</u>	<u>175,000</u>
Total liabilities	<u>\$ 13,252,650</u>	<u>\$ 128,303</u>	<u>\$ 13,380,953</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable property tax revenue	\$ 4,588,892	\$ -	\$ 4,588,892
Pension related deferred inflows	<u>1,288,054</u>	<u>46,717</u>	<u>1,334,771</u>
Total deferred inflows of resources	<u>\$ 5,876,946</u>	<u>\$ 46,717</u>	<u>\$ 5,923,663</u>
NET POSITION:			
Net investment in capital assets	\$ 5,890,222	\$ 56,871	\$ 5,947,093
Restricted for:			
Categorical funding	204,670	-	204,670
Student activities	277,427	-	277,427
Management levy purposes	105,128	-	105,128
School infrastructure	704,022	-	704,022
Debt service	41,320	-	41,320
Unrestricted	<u>(2,575,288)</u>	<u>212,624</u>	<u>(2,362,664)</u>
Total net position	<u>\$ 4,647,501</u>	<u>\$ 269,495</u>	<u>\$ 4,916,996</u>

SHELDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular	\$ 5,241,549	\$ 189,436	\$ 974,008	\$ 22,967
Special	1,628,682	192,455	83,122	-
Other	1,165,400	417,306	445,458	-
	<u>\$ 8,035,631</u>	<u>\$ 799,197</u>	<u>\$ 1,502,588</u>	<u>\$ 22,967</u>
Support services:				
Student	\$ 60,547	\$ -	\$ -	\$ -
Instructional staff	536,253	-	-	-
Administration	1,149,545	-	1,227	-
Operation and maintenance of plant	1,298,284	-	-	-
Transportation	499,622	17,920	44,683	-
	<u>\$ 3,544,251</u>	<u>\$ 17,920</u>	<u>\$ 45,910</u>	<u>\$ -</u>
Other expenditures:				
Facilities acquisition	\$ 127,940	\$ -	\$ -	\$ 36,862
Long-term debt interest	159,518	-	-	-
AEA flow through	452,845	-	452,845	-
	<u>\$ 740,303</u>	<u>\$ -</u>	<u>\$ 452,845</u>	<u>\$ 36,862</u>
Total governmental activities	<u>\$ 12,320,185</u>	<u>\$ 817,117</u>	<u>\$ 2,001,343</u>	<u>\$ 59,829</u>
Business type activities:				
Support services:				
Administration	\$ 4,162	\$ -	\$ -	\$ -
Operation and maintenance of plant	2,455	-	-	-
Non-instructional programs:				
Food service operations	589,891	357,477	319,355	-
Total business type activities	<u>\$ 596,508</u>	<u>\$ 357,477</u>	<u>\$ 319,355</u>	<u>\$ -</u>
Total	<u>\$ 12,916,693</u>	<u>\$ 1,174,594</u>	<u>\$ 2,320,698</u>	<u>\$ 59,829</u>

GENERAL REVENUES:

Property tax levied for:	
General purposes	
Management levy purposes	
Physical plant and equipment levy	
Local 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, as restated
Net position end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (4,055,138)	\$ -	\$ (4,055,138)
(1,353,105)	-	(1,353,105)
<u>(302,636)</u>	<u>-</u>	<u>(302,636)</u>
\$ <u>(5,710,879)</u>	\$ <u>-</u>	\$ <u>(5,710,879)</u>
\$ (60,547)	\$ -	\$ (60,547)
(536,253)	-	(536,253)
(1,148,318)	-	(1,148,318)
(1,298,284)	-	(1,298,284)
<u>(437,019)</u>	<u>-</u>	<u>(437,019)</u>
\$ <u>(3,480,421)</u>	\$ <u>-</u>	\$ <u>(3,480,421)</u>
\$ (91,078)	\$ -	\$ (91,078)
(159,518)	-	(159,518)
<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>(250,596)</u>	\$ <u>-</u>	\$ <u>(250,596)</u>
\$ <u>(9,441,896)</u>	\$ <u>-</u>	\$ <u>(9,441,896)</u>
\$ -	\$ (4,162)	\$ (4,162)
-	(2,455)	(2,455)
<u>-</u>	<u>86,941</u>	<u>86,941</u>
\$ <u>-</u>	\$ <u>80,324</u>	\$ <u>80,324</u>
\$ <u>(9,441,896)</u>	\$ <u>80,324</u>	\$ <u>(9,361,572)</u>
\$ 3,619,089	\$ -	\$ 3,619,089
326,251	-	326,251
677,443	-	677,443
484,916	-	484,916
960,333	-	960,333
4,348,745	-	4,348,745
7,694	61	7,755
<u>11,648</u>	<u>-</u>	<u>11,648</u>
\$ <u>10,436,119</u>	\$ <u>61</u>	\$ <u>10,436,180</u>
\$ 994,223	\$ 80,385	\$ 1,074,608
<u>3,653,278</u>	<u>189,110</u>	<u>3,842,388</u>
\$ <u>4,647,501</u>	\$ <u>269,495</u>	\$ <u>4,916,996</u>

SHELDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:					
Cash, cash equivalents and pooled investments	\$ 2,135,630	\$ 53,596	\$ 638,094	\$ 448,356	\$ 3,275,676
Receivables:					
Property tax:					
Delinquent	42,287	-	6,941	3,769	52,997
Succeeding year	3,540,471	-	548,421	500,000	4,588,892
Accounts	1,674	-	-	106	1,780
Due from other governments	<u>687,637</u>	<u>-</u>	<u>148,550</u>	<u>-</u>	<u>836,187</u>
Total assets	<u>\$ 6,407,699</u>	<u>\$ 53,596</u>	<u>\$ 1,342,006</u>	<u>\$ 952,231</u>	<u>\$ 8,755,532</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 206,298	\$ -	\$ 120,188	\$ 23,809	\$ 350,295
Salaries and benefits payable	964,667	-	-	4,163	968,830
Due to other governments	<u>62,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,115</u>
Total liabilities	<u>\$ 1,233,080</u>	<u>\$ -</u>	<u>\$ 120,188</u>	<u>\$ 27,972</u>	<u>\$ 1,381,240</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 3,540,471	\$ -	\$ 548,421	\$ 500,000	\$ 4,588,892
Other	<u>443,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,692</u>
Total deferred inflows of resources	<u>\$ 3,984,163</u>	<u>\$ -</u>	<u>\$ 548,421</u>	<u>\$ 500,000</u>	<u>\$ 5,032,584</u>
Fund balances:					
Restricted for:					
Categorical funding	\$ 204,670	\$ -	\$ -	\$ -	\$ 204,670
Student activities	-	-	-	277,427	277,427
Management levy purposes	-	-	-	146,832	146,832
School infrastructure	-	-	704,022	-	704,022
Debt service	-	53,596	-	-	53,596
Unassigned	<u>985,786</u>	<u>-</u>	<u>(30,625)</u>	<u>-</u>	<u>955,161</u>
Total fund balances	<u>\$ 1,190,456</u>	<u>\$ 53,596</u>	<u>\$ 673,397</u>	<u>\$ 424,259</u>	<u>\$ 2,341,708</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,407,699</u>	<u>\$ 53,596</u>	<u>\$ 1,342,006</u>	<u>\$ 952,231</u>	<u>\$ 8,755,532</u>

SHELDON COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET POSITIONJUNE 30, 2015

Total fund balances of governmental funds	\$ 2,341,708
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.	14,155,222
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.	167,748
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.	443,692
Long-term liabilities, including bonds payable, early retirement, other post employment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(11,859,134)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred outflows of resources	\$ 698,595
Deferred inflows of resources	<u>(1,288,054)</u> (589,459)
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.	<u>(12,276)</u>
Net position of governmental activities	<u>\$ 4,647,501</u>

SHELDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,002,266	\$ -	\$ 663,496	\$ 320,526	\$ 4,986,288
Tuition	318,255	-	-	-	318,255
Other	108,305	25	40,657	428,844	577,831
State sources	6,122,648	-	974,280	5,725	7,102,653
Federal sources	290,947	-	-	-	290,947
Total revenues	<u>\$ 10,842,421</u>	<u>\$ 25</u>	<u>\$ 1,678,433</u>	<u>\$ 755,095</u>	<u>\$ 13,275,974</u>
Expenditures:					
Current:					
Instruction:					
Regular	\$ 4,983,750	\$ -	\$ -	\$ 30,069	\$ 5,013,819
Special	1,574,095	-	-	-	1,574,095
Other	774,665	-	-	435,527	1,210,192
	<u>\$ 7,332,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 465,596</u>	<u>\$ 7,798,106</u>
Support services:					
Student	\$ 58,778	\$ -	\$ -	\$ -	\$ 58,778
Instructional staff	515,831	-	24,038	-	539,869
Administration	1,102,731	-	-	73,630	1,176,361
Operation and maintenance of plant	979,387	-	-	275,946	1,255,333
Transportation	464,127	-	-	17,938	482,065
	<u>\$ 3,120,854</u>	<u>\$ -</u>	<u>\$ 24,038</u>	<u>\$ 367,514</u>	<u>\$ 3,512,406</u>
Other expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 2,225,369	\$ -	\$ 2,225,369
Long-term debt:					
Principal	-	850,000	-	-	850,000
Interest and fiscal charges	-	160,358	-	-	160,358
AEA flow through	452,845	-	-	-	452,845
	<u>\$ 452,845</u>	<u>\$ 1,010,358</u>	<u>\$ 2,225,369</u>	<u>\$ -</u>	<u>\$ 3,688,572</u>
Total expenditures	<u>\$ 10,906,209</u>	<u>\$ 1,010,358</u>	<u>\$ 2,249,407</u>	<u>\$ 833,110</u>	<u>\$ 14,999,084</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ (63,788)</u>	<u>\$ (1,010,333)</u>	<u>\$ (570,974)</u>	<u>\$ (78,015)</u>	<u>\$ (1,723,110)</u>
Other financing sources (uses):					
Sale of capital assets	\$ 200	\$ -	\$ -	\$ -	\$ 200
Transfers in	-	929,179	-	-	929,179
Transfers out	-	-	(929,179)	-	(929,179)
Total other financing sources (uses)	<u>\$ 200</u>	<u>\$ 929,179</u>	<u>\$ (929,179)</u>	<u>\$ -</u>	<u>\$ 200</u>
Change in fund balances	\$ (63,588)	\$ (81,154)	\$ (1,500,153)	\$ (78,015)	\$ (1,722,910)
Fund balances beginning of year	1,254,044	134,750	2,173,550	502,274	4,064,618
Fund balances end of year	<u>\$ 1,190,456</u>	<u>\$ 53,596</u>	<u>\$ 673,397</u>	<u>\$ 424,259</u>	<u>\$ 2,341,708</u>

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, 2015

Net change in fund balances - total governmental funds \$ (1,722,910)

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	\$ 2,121,468	
Depreciation expense	<u>(670,196)</u>	1,451,272

Certain local taxes 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. 38,233

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. 850,000

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 518,668

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. 66,996

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. 840

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	\$ 84,263	
Pension expense	(251,439)	
Other postemployment benefits	<u>(41,700)</u>	<u>(208,876)</u>

Change in net position of governmental activities \$ 994,223

SHELDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2015

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Enterprise, School Nutrition	Internal Service, Employee Health Insurance
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 345,310	\$ 167,748
Accounts receivable	152	-
Inventories	<u>16,845</u>	<u>-</u>
Total current assets	<u>\$ 362,307</u>	<u>\$ 167,748</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>\$ 56,871</u>	<u>\$ -</u>
Total assets	<u>\$ 419,178</u>	<u>\$ 167,748</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension related deferred outflows	<u>\$ 25,337</u>	<u>\$ -</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 1,156	\$ -
Salaries and benefits payable	2,112	-
Unearned revenues	<u>2,538</u>	<u>-</u>
Total current liabilities	<u>\$ 5,806</u>	<u>\$ -</u>
Noncurrent liabilities:		
Net pension liability	<u>\$ 122,497</u>	<u>\$ -</u>
Total liabilities	<u>\$ 128,303</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES:		
Pension related deferred inflows	<u>\$ 46,717</u>	<u>\$ -</u>
NET POSITION:		
Net investment in capital assets	\$ 56,871	\$ -
Unrestricted	<u>212,624</u>	<u>167,748</u>
Total net position	<u>\$ 269,495</u>	<u>\$ 167,748</u>

SHELDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015

	<u>Business Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>
	Enterprise, School Nutrition	Internal Service, Employee Health Insurance
Operating revenues:		
Local sources:		
Charges for service	\$ 357,477	\$ -
Reimbursements from operating funds	-	116,660
Reimbursements from employees and others	-	3,325
Total operating revenues	<u>\$ 357,477</u>	<u>\$ 119,985</u>
Operating expenses:		
Support services:		
Administration	\$ 4,162	\$ -
Operation and maintenance of plant	2,455	-
	<u>\$ 6,617</u>	<u>\$ -</u>
Non-instructional programs:		
Food service operations:		
Salaries	\$ 230,594	\$ -
Benefits	29,712	-
Purchased services	862	-
Supplies	316,665	-
Depreciation	12,058	-
Insurance:		
Medical claims	-	40,136
Administrative fees	-	12,935
	<u>\$ 589,891</u>	<u>\$ 53,071</u>
Total operating expenses	<u>\$ 596,508</u>	<u>\$ 53,071</u>
Operating income (loss)	<u>\$ (239,031)</u>	<u>\$ 66,914</u>
Non-operating revenues:		
Interest income	\$ 61	\$ 82
State sources	5,032	-
Federal sources	314,323	-
Total non-operating revenues	<u>\$ 319,416</u>	<u>\$ 82</u>
Increase in net position	\$ 80,385	\$ 66,996
Net position beginning of year, as restated	<u>189,110</u>	<u>100,752</u>
Net position end of year	<u>\$ 269,495</u>	<u>\$ 167,748</u>

See notes to financial statements.

SHELDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015

	<u>Business Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>
	Enterprise, School Nutrition	Internal Service, Employee Health Insurance
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 351,880	\$ -
Cash received from operating funds	-	116,660
Cash received from employees and others	-	3,325
Cash paid to employees for services	(269,005)	-
Cash paid to suppliers for goods or services	(284,722)	(53,071)
Net cash provided by (used for) operating activities	<u>\$ (201,847)</u>	<u>\$ 66,914</u>
Cash flows from non-capital financing activities:		
State grants received	\$ 5,032	\$ -
Federal grants received	269,299	-
Net cash provided by non-capital financing activities	<u>\$ 274,331</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ (31,075)	\$ -
Net cash used by capital and related financing activities	<u>\$ (31,075)</u>	<u>\$ -</u>
Cash flows from investing activities:		
Interest on investments	\$ 61	\$ 82
Net increase in cash and cash equivalents	\$ 41,470	\$ 66,996
Cash and cash equivalents beginning of year	303,840	100,752
Cash and cash equivalents end of year	<u>\$ 345,310</u>	<u>\$ 167,748</u>
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:		
Operating income (loss)	\$ (239,031)	\$ 66,914
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Commodities used	45,024	-
Depreciation	12,058	-
Increase in accounts receivable	(2)	-
Increase in inventories	(5,968)	-
Increase in accounts payable	366	-
Increase in salaries and benefits payable	993	-
Decrease in net pension liability	(49,121)	-
Increase in deferred inflows of resources	46,717	-
Increase in deferred outflows of resources	(7,288)	-
Decrease in unearned revenues	(5,595)	-
Net cash provided by (used for) operating activities	<u>\$ (201,847)</u>	<u>\$ 66,914</u>

Supplemental schedule of non-cash items; non-capital financing activities:

During the year ended June 30, 2015, the District received \$45,024 of federal commodities.

SHELDON COMMUNITY SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDSJUNE 30, 2015

	Private Purpose Trust <u>Scholarship</u>	<u>Agency</u>
ASSETS:		
Cash, cash equivalents and pooled investments	\$ <u>649,679</u>	\$ <u>2,940</u>
LIABILITIES:		
Due to others	\$ -	\$ <u>2,940</u>
NET POSITION:		
Reserved for scholarships	\$ <u>649,679</u>	\$ <u>-</u>

SHELDON COMMUNITY SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDYEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 6,966
Investment income	<u>11,556</u>
Total additions	<u>\$ 18,522</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>\$ 22,500</u>
Change in net position	\$ (3,978)
Net position beginning of year	<u>653,657</u>
Net position end of year	<u>\$ 649,679</u>

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Sheldon Community School District (the 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. The geographic areas served includes the city of Sheldon, Iowa, and the predominant agricultural territory in O'Brien, Sioux, Lyon and Osceola Counties in Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan 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 (GASB).

- A. Reporting Entity - For financial reporting purposes, the 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. The District has no component units which meet the Governmental Accounting Standards Board criteria.

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

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary 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 non-fiduciary assets, deferred outflows of resources, 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/amortization 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 use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

Net position restricted through enabling legislation as of June 30, 2015 consists of \$778,525 for the management levy, statewide sales tax and physical plant and equipment levy combined.

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.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for property tax and other 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 major proprietary fund:

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

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.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 government 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 special termination benefits 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.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources, 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 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.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. 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 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

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

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles 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 \$5,000 for governmental activities and \$500 for the proprietary School Nutrition Fund and estimated useful lives in excess of two years.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and infrastructure	20-50
Improvements other than buildings	5-20
Furniture and equipment	2-20

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 receivable and other receivables not collected within 60 days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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 imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

The Districts restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Successful progression for early readers	\$ 35,792
Weighted at risk programs	26,964
Dropout prevention programs	15,030
Preschool state aid	108,916
Other	<u>17,968</u>
	<u>\$ 204,670</u>

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted in any functional area.

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2015 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, 2015, the District had the following investments associated with the Bowers Scholarship Trust Portfolio:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>
Cash and money market	\$ 103,243	N/A
Municipal and corporate bonds	103,441	various
Unit trusts	2,280	various
Mutual funds	<u>174,906</u>	various
	<u>\$ 383,870</u>	

In addition, the District had investments in the Iowa Schools Joint Investment Trust Diversified Fund which are valued at an amortized cost of \$1,213,176 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS (CONTINUED):

During the year ending June 30, 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. The investments in the Bowers Scholarship Trust Portfolio had ratings from unrated to AAA by Moody's Investors Service and Standard & Poor's.

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.

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 24.0 percent of the District's total investments.

NOTE 3 - INTERFUND TRANSFERS:

During the year ended June 30, 2015, \$929,179 was transferred from the Capital Projects Fund to the Debt Service Fund in order to provide for principal and interest payments on the District's long-term debt. Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	Balance End <u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 173,303	\$ -	\$ -	\$ 173,303
Construction in progress	<u>4,676,753</u>	<u>176,216</u>	<u>4,154,919</u>	<u>698,050</u>
Total capital assets not being depreciated	<u>\$ 4,850,056</u>	<u>\$ 176,216</u>	<u>\$ 4,154,919</u>	<u>\$ 871,353</u>
Capital assets being depreciated:				
Buildings	\$ 10,780,179	\$ 5,774,873	\$ -	\$ 16,555,052
Improvements other than buildings	3,313,316	129,465	-	3,442,781
Furniture and equipment	2,501,258	195,833	10,579	2,686,512
Infrastructure	<u>25,963</u>	<u>-</u>	<u>-</u>	<u>25,963</u>
Total capital assets being depreciated	<u>\$ 16,620,716</u>	<u>\$ 6,100,171</u>	<u>\$ 10,579</u>	<u>\$ 22,710,308</u>
Less accumulated depreciation for:				
Buildings	\$ 4,213,227	\$ 370,588	\$ -	\$ 4,583,815
Improvements other than buildings	2,463,502	144,184	-	2,607,686
Furniture and equipment	2,081,439	154,558	10,579	2,225,418
Infrastructure	<u>8,654</u>	<u>866</u>	<u>-</u>	<u>9,520</u>
Total accumulated depreciation	<u>\$ 8,766,822</u>	<u>\$ 670,196</u>	<u>\$ 10,579</u>	<u>\$ 9,426,439</u>
Total capital assets being depreciated, net	<u>\$ 7,853,894</u>	<u>\$ 5,429,975</u>	<u>\$ -</u>	<u>\$ 13,283,869</u>
Governmental activities capital assets, net	<u>\$ 12,703,950</u>	<u>\$ 5,606,191</u>	<u>\$ 4,154,919</u>	<u>\$ 14,155,222</u>
Business type activities:				
Furniture and equipment	\$ 201,802	\$ 31,075	\$ -	\$ 232,877
Less accumulated depreciation	<u>163,948</u>	<u>12,058</u>	<u>-</u>	<u>176,006</u>
Business type activities capital assets, net	<u>\$ 37,854</u>	<u>\$ 19,017</u>	<u>\$ -</u>	<u>\$ 56,871</u>

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular	\$	260,112
Special		92,727
Other		110,447
Support services:		
Student		3,462
Instructional staff		31,803
Administration		69,297
Operation and maintenance of plant		73,950
Transportation		<u>28,398</u>
Total depreciation expense - governmental activities	\$	<u>670,196</u>
Business type activities:		
Food service operations	\$	<u>12,058</u>

NOTE 5 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of <u>Year Restated</u>	<u>Additions</u>	<u>Reductions</u>	Balance End of Year	Due Within <u>One Year</u>
Early retirement	\$ 125,967	\$ -	\$ 84,263	\$ 41,704	\$ 24,980
General obligation school refunding bonds	3,585,000	-	415,000	3,170,000	425,000
General obligation school capital loan notes	5,530,000	-	435,000	5,095,000	440,000
Net pension liability	4,731,753	-	1,354,323	3,377,430	-
Net OPEB liability	<u>133,300</u>	<u>136,000</u>	<u>94,300</u>	<u>175,000</u>	<u>-</u>
Total	<u>\$ 14,106,020</u>	<u>\$ 136,000</u>	<u>\$ 2,382,886</u>	<u>\$ 11,859,134</u>	<u>\$ 889,980</u>
	Balance Beginning of <u>Year Restated</u>	<u>Additions</u>	<u>Reductions</u>	Balance End of Year	Due Within <u>One Year</u>
Business type activities:					
Net pension liability	<u>\$ 171,618</u>	<u>\$ -</u>	<u>\$ 49,121</u>	<u>\$ 122,497</u>	<u>\$ -</u>

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

General Obligation School Refunding Bonds - 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 are payable from the Capital Projects, Statewide Sales, Services, and Use Tax Fund.

General Obligation School Capital Loan Notes - 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 bonds are payable from the Capital Projects, Physical Plant and Equipment Levy Fund.

Details of the District's June 30, 2015 general obligation bond indebtedness are as follows:

Year Ending June 30.	<u>School Refunding Bond Issue of 2010</u>			<u>School Capital Loan Notes Issue of 2013</u>			<u>Total</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	2.40%	\$ 425,000	\$ 75,140	0.50%	\$ 440,000	\$ 72,177	\$ 865,000	\$ 147,317	\$ 1,012,317
2017	2.40%	435,000	66,640	0.70%	440,000	69,978	875,000	136,618	1,011,618
2018	2.50%	445,000	57,940	0.90%	445,000	66,897	890,000	124,837	1,014,837
2019	2.60%	455,000	48,595	1.05%	450,000	62,892	905,000	111,487	1,016,487
2020	2.70%	455,000	38,130	1.25%	455,000	58,168	910,000	96,298	1,006,298
Thereafter	2.80-2.90%	<u>955,000</u>	<u>40,820</u>	1.45-2.15%	<u>2,865,000</u>	<u>197,870</u>	<u>3,820,000</u>	<u>238,690</u>	<u>4,058,690</u>
		<u>\$ 3,170,000</u>	<u>\$ 327,265</u>		<u>\$ 5,095,000</u>	<u>\$ 527,982</u>	<u>\$ 8,265,000</u>	<u>\$ 855,247</u>	<u>\$ 9,120,247</u>

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 55 by June 30, 2013 and must have completed 11 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 \$70,828 were paid during the year ended June 30, 2015. At June 30, 2015, the District had obligations to four participants with a total liability of \$41,704 through June 30, 2018. The total liability is recorded in the government-wide financial statements and is calculated assuming a 5.0 percent discount rate.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - PENSION PLAN:

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - PENSION PLAN (CONTINUED):

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$537,480.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$3,499,927 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.0882504 percent, which was an increase of 0.002851 from its proportion measured as of June 30, 2013.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - PENSION PLAN (CONTINUED):

For the year ended June 30, 2015, the District recognized pension expense of \$260,558. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 38,037	\$ -
Changes of assumptions	154,460	-
Net difference between projected and actual earnings on pension plan investments	-	1,334,771
Changes in proportion and differences between District contributions and proportionate share of contributions	(6,045)	-
District contributions subsequent to the measurement date	<u>537,480</u>	<u>-</u>
Total	<u>\$ 723,932</u>	<u>\$ 1,334,771</u>

\$537,480 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2016	\$ (290,129)
2017	(290,129)
2018	(290,129)
2019	(290,128)
2020	<u>12,196</u>
Total	<u>\$ (1,148,319)</u>

There were no non-employer contributing entities at IPERS.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - PENSION PLAN (CONTINUED):

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	(0.69)
Total	<u>100%</u>	

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - PENSION PLAN (CONTINUED):

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease</u> <u>(6.5%)</u>	<u>Discount Rate</u> <u>(7.5%)</u>	<u>1% Increase</u> <u>(8.5%)</u>
District's proportionate share of the net pension liability	<u>\$ 6,613,014</u>	<u>\$ 3,499,927</u>	<u>\$ 872,159</u>

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$68,123 for legally required employer contributions, and \$45,390 for legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 86 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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 actuarially determined in accordance with 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, 2015, 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	6,000
Adjustment to annual required contribution	<u>(5,300)</u>
Annual OPEB cost	\$ 130,700
Contributions made	<u>(89,000)</u>
Increase in net OPEB obligation	\$ 41,700
Net OPEB obligation beginning of year	<u>133,300</u>
Net OPEB obligation end of year	<u>\$ 175,000</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 was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$89,000 to the medical plan. Plan members eligible for benefits contributed \$23,193, or 20.7 percent 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:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 130,695	84.9%	\$ 101,800
2014	130,500	75.9%	133,300
2015	130,700	68.1%	175,000

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$1,228,000, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of approximately \$1,228,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6.0 million and the ratio of the UAAL to covered payroll was 20.4 percent. As of June 30, 2015, 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 multi-year 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 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 10.0 percent. The ultimate medical trend rate is 5.0 percent. The medical trend rate is reduced 0.5 percent each year until reaching the 5.0 percent ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on historical average retirement age for the covered group. Active plan members were assumed to retire at age 60, or the first subsequent year in which the member would qualify for benefits.

Projected claim costs of the medical plan are \$656 per month for retirees. The salary increase rate was assumed to be 3.5 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 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.

NOTE 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 \$452,845 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 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, 2015 was \$40,136.

The District was not required to obtain an actuarial report for the period ended June 30, 2015 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 are no amounts payable from the Employee Health Insurance Fund at June 30, 2015. A reconciliation of changes in the aggregate liability for claims in the current year is as follows:

Unpaid claims beginning of year	\$	-
Incurred claims		40,136
Payments on claims during the year		<u>40,136</u>
Unpaid claims end of year	\$	<u>-</u>

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 11 - CONSTRUCTION COMMITMENTS:

The District has entered into various construction contracts for building and facilities improvements totaling \$744,072. As of June 30, 2015, costs of \$706,868 have been incurred against the contracts. The balance of \$37,204 remaining at June 30, 2015 will be paid as work on the projects progresses.

NOTE 12 - ACCOUNTING CHANGE/RESTATEMENT:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27* was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 7,887,396	\$ 342,679
Net pension liability at June 30, 2014	(4,731,753)	(171,618)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>497,635</u>	<u>18,049</u>
Net position July 1, 2014, as restated	<u>\$ 3,653,278</u>	<u>\$ 189,110</u>

NOTE 13 - DEFICIT BALANCE:

The District's Physical Plant and Equipment Levy had a deficit balance at June 30, 2015. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of local source revenues.

REQUIRED SUPPLEMENTARY INFORMATION

SHELDON COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND ENTERPRISE FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

	<u>Governmental Funds Actual</u>	<u>Enterprise Fund Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 5,882,374	\$ 357,538	\$ 6,239,912
State sources	7,102,653	5,032	7,107,685
Federal sources	<u>290,947</u>	<u>314,323</u>	<u>605,270</u>
Total revenues	<u>\$ 13,275,974</u>	<u>\$ 676,893</u>	<u>\$ 13,952,867</u>
Expenditures/expenses:			
Instruction	\$ 7,798,106	\$ -	\$ 7,798,106
Support services	3,512,406	6,617	3,519,023
Non-instructional programs	-	589,891	589,891
Other expenditures	<u>3,688,572</u>	<u>-</u>	<u>3,688,572</u>
Total expenditures/expenses	<u>\$ 14,999,084</u>	<u>\$ 596,508</u>	<u>\$ 15,595,592</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ (1,723,110)	\$ 80,385	\$ (1,642,725)
Other financing sources, net	<u>200</u>	<u>-</u>	<u>200</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditure/expenses and other financing uses	\$ (1,722,910)	\$ 80,385	\$ (1,642,525)
Balances beginning of year	<u>4,064,618</u>	<u>189,110</u>	<u>4,253,728</u>
Balances end of year	<u>\$ 2,341,708</u>	<u>\$ 269,495</u>	<u>\$ 2,611,203</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Actual
		<u>Variance</u>
\$ 6,457,303	\$ 6,457,303	\$ (217,391)
6,113,762	6,113,762	993,923
<u>536,318</u>	<u>536,318</u>	<u>68,952</u>
<u>\$ 13,107,383</u>	<u>\$ 13,107,383</u>	<u>\$ 845,484</u>
\$ 7,950,000	\$ 7,950,000	\$ 151,894
3,765,000	3,765,000	245,977
600,000	600,000	10,109
<u>3,130,779</u>	<u>3,748,049</u>	<u>59,477</u>
<u>\$ 15,445,779</u>	<u>\$ 16,063,049</u>	<u>\$ 467,457</u>
<u>\$ (2,338,396)</u>	<u>\$ (2,955,666)</u>	<u>\$ (1,312,941)</u>

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2015

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 the Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$617,270.

During the year ended June 30, 2015, expenditures did not exceed the amount budgeted in any functional area.

SHELDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IN THOUSANDS)

LAST FISCAL YEAR*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.0882504%
District's proportionate share of the net pension liability	\$ 3,500
District's covered-employee payroll	\$ 5,745
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.92%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SHELDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IN THOUSANDS)

LAST TEN FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 537	\$ 514	\$ 486	\$ 446	\$ 367	\$ 351	\$ 332	\$ 308	\$ 275	\$ 263
Contributions in relation to the statutorily required contribution	<u>(537)</u>	<u>(514)</u>	<u>(486)</u>	<u>(446)</u>	<u>(367)</u>	<u>(351)</u>	<u>(332)</u>	<u>(308)</u>	<u>(275)</u>	<u>(263)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	<u>\$ 6,019</u>	<u>\$ 5,745</u>	<u>\$ 5,606</u>	<u>\$ 5,539</u>	<u>\$ 5,281</u>	<u>\$ 5,278</u>	<u>\$ 5,228</u>	<u>\$ 5,091</u>	<u>\$ 4,783</u>	<u>\$ 4,574</u>
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

CHANGES OF BENEFIT TERMS:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

CHANGES OF ASSUMPTIONS:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

SHELDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

CHANGES OF ASSUMPTIONS (CONTINUED):

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SHELDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
2010	July 1, 2009	\$ -	\$ 759	\$ 759	0.0%	\$ 5,278	14.4%
2011	July 1, 2009	-	759	759	0.0%	5,281	14.4%
2012	July 1, 2009	-	759	759	0.0%	5,539	13.7%
2013	July 1, 2012	-	1,228	1,228	0.0%	5,606	21.9%
2014	July 1, 2012	-	1,228	1,228	0.0%	5,745	21.4%
2015	July 1, 2012	-	1,228	1,228	0.0%	6,019	20.4%

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.

SUPPLEMENTARY INFORMATION

SHELDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>Special Revenue</u>		<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 147,404	\$ 300,952	\$ 448,356
Receivables:			
Property tax:			
Delinquent	3,769	-	3,769
Succeeding year	500,000	-	500,000
Accounts	<u>106</u>	<u>-</u>	<u>106</u>
Total assets	<u>\$ 651,279</u>	<u>\$ 300,952</u>	<u>\$ 952,231</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 284	\$ 23,525	\$ 23,809
Salaries and benefits payable	<u>4,163</u>	<u>-</u>	<u>4,163</u>
Total liabilities	<u>\$ 4,447</u>	<u>\$ 23,525</u>	<u>\$ 27,972</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>
Total deferred inflows of resources	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>
Fund balances:			
Restricted for:			
Student activities	\$ -	\$ 277,427	\$ 277,427
Management levy purposes	<u>146,832</u>	<u>-</u>	<u>146,832</u>
Total fund balances	<u>\$ 146,832</u>	<u>\$ 277,427</u>	<u>\$ 424,259</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 651,279</u>	<u>\$ 300,952</u>	<u>\$ 952,231</u>

SHELDON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	<u>Special Revenue</u>		
	<u>Management</u>	<u>Student</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 320,526	\$ -	\$ 320,526
Other	11,364	417,480	428,844
State sources	<u>5,725</u>	<u>-</u>	<u>5,725</u>
Total revenues	<u>\$ 337,615</u>	<u>\$ 417,480</u>	<u>\$ 755,095</u>
Expenditures:			
Current:			
Instruction:			
Regular	\$ 30,069	\$ -	\$ 30,069
Other	<u>-</u>	<u>435,527</u>	<u>435,527</u>
	<u>\$ 30,069</u>	<u>\$ 435,527</u>	<u>\$ 465,596</u>
Support services:			
Administration	\$ 73,630	\$ -	\$ 73,630
Operation and maintenance of plant	254,490	21,456	275,946
Transportation	<u>17,938</u>	<u>-</u>	<u>17,938</u>
	<u>\$ 346,058</u>	<u>\$ 21,456</u>	<u>\$ 367,514</u>
Total expenditures	<u>\$ 376,127</u>	<u>\$ 456,983</u>	<u>\$ 833,110</u>
Change in fund balances	\$ (38,512)	\$ (39,503)	\$ (78,015)
Fund balances beginning of year	<u>185,344</u>	<u>316,930</u>	<u>502,274</u>
Fund balances end of year	<u>\$ 146,832</u>	<u>\$ 277,427</u>	<u>\$ 424,259</u>

SHELDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2015

ACCOUNT:	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Basketball	\$ 1,956	\$ 1,049	\$ 829	\$ 2,176
Cross Country	1,704	1,180	1,764	1,120
Football	5,822	5,365	5,200	5,987
Boys Golf	1,291	856	1,538	609
Boys Track	1,852	1,967	2,377	1,442
Baseball	2,593	1,064	2,012	1,645
Wrestling	1,374	1,623	1,523	1,474
Girls Basketball	3,328	1,049	2,789	1,588
Girls Softball	2,167	1,853	1,565	2,455
Girls Track	1,873	1,049	1,371	1,551
Girls Volleyball	3,017	1,049	402	3,664
Girls Golf	765	704	339	1,130
Weightlifting	878	323	127	1,074
Dance Team	4,590	10,333	9,143	5,780
Cheerleaders	6,460	12,317	9,974	8,803
Concession - High School	-	26,522	26,522	-
Concession - Middle School	-	3,040	3,040	-
Reserved Seat Tickets	105	-	-	105
All Sports	-	52,837	52,837	-
Athletic Uniforms	6,703	8,691	7,432	7,962
Athletics - AD	6,413	5,811	6,926	5,298
Color Guard	1,209	323	1,222	310
Spanish Club	22,486	14,197	22,030	14,653
Art Club	3,818	-	40	3,778
Science Club	647	783	694	736
Speech Club	332	4,849	1,160	4,021
Yearbook	52	7,034	6,978	108
FCCLA	4,358	162	297	4,223
Orab FB Club	1,458	4,275	5,095	638
Orab VB Club	1,412	4,860	4,700	1,572
Orab Boys BB Club	2,202	3,050	3,314	1,938
Orab Girls BB Club	2,277	3,406	1,207	4,476
Fellowship of Christian Athletes (FCA)	1,611	-	1,611	-
Future Business Leaders	4,334	1,006	1,402	3,938
Future Farmers of America	10,794	47,981	41,452	17,323
College Farm	80,217	59,088	91,125	48,180
M.S. SOAR	26,212	12,479	7,318	31,373
M.S. Band	1,477	2,151	1,753	1,875
M.S. Vocal Music	3,428	631	541	3,518
M.S. Student Council	3,012	3,242	4,462	1,792
M.S. Magazine Sales	-	14,602	14,602	-
M.S. Uniforms	5,629	858	2,485	4,002
M.S. 5/6 Entrepreneur	3,247	2,575	2,301	3,521
H.S. Student Council	800	6,949	7,531	218
H.S. National Honor Society	2,777	9,586	10,153	2,210
H.S. SADD	521	161	340	342
H.S. Band Uniform Rent	17,738	1,891	-	19,629
H.S. Musical	7,852	3,266	5,921	5,197
H.S. Band	6,010	13,261	12,225	7,046
H.S. Jazz Band	23	-	-	23
H.S. Vocal Music	3,067	4,342	3,738	3,671
H.S. Choir Robes	999	-	-	999
H.S. Swing Choir	7,065	19,138	22,810	3,393
H.S. Summer Theater	18,602	17,224	23,011	12,815
H.S. Science Department	100	-	-	100
Elementary Boxtop	11,672	12,988	13,227	11,433
Student Vending Machines	353	-	353	-
Investments	103	175	-	278
Class of 2015	1,285	2,265	3,550	-
Class of 2016	1,535	-	475	1,060
Class of 2017	1,535	-	75	1,460
Class of 2018	1,790	-	75	1,715
Total	\$ 316,930	\$ 417,480	\$ 456,983	\$ 277,427

SHELDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTS

JUNE 30, 2015

	<u>Capital Projects</u>			<u>Total</u>
	<u>Middle School Construction</u>	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 10,376	\$ 576,527	\$ 51,191	\$ 638,094
Receivables:				
Property tax:				
Delinquent	-	-	6,941	6,941
Succeeding year	-	-	548,421	548,421
Due from other governments	-	148,550	-	148,550
Total assets	<u>\$ 10,376</u>	<u>\$ 725,077</u>	<u>\$ 606,553</u>	<u>\$ 1,342,006</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ -	\$ 31,431	\$ 88,757	\$ 120,188
Total liabilities	<u>\$ -</u>	<u>\$ 31,431</u>	<u>\$ 88,757</u>	<u>\$ 120,188</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ -	\$ -	\$ 548,421	\$ 548,421
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,421</u>	<u>\$ 548,421</u>
Fund balances:				
Restricted for:				
School infrastructure	\$ 10,376	\$ 693,646	\$ -	\$ 704,022
Unassigned	-	-	(30,625)	(30,625)
Total fund balances	<u>\$ 10,376</u>	<u>\$ 693,646</u>	<u>\$ (30,625)</u>	<u>\$ 673,397</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,376</u>	<u>\$ 725,077</u>	<u>\$ 606,553</u>	<u>\$ 1,342,006</u>

SHELDON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2015

	<u>Capital Projects</u>			<u>Total</u>
	<u>Middle School Construction</u>	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	
Revenues:				
Local sources:				
Local tax	\$ -	\$ -	\$ 663,496	\$ 663,496
Other	3	167	40,487	40,657
State sources	-	960,333	13,947	974,280
Total revenues	<u>\$ 3</u>	<u>\$ 960,500</u>	<u>\$ 717,930</u>	<u>\$ 1,678,433</u>
Expenditures:				
Support Services:				
Instructional staff	\$ -	\$ -	\$ 24,038	\$ 24,038
Other expenditures:				
Facilities acquisition	-	715,584	1,509,785	2,225,369
Total expenditures	<u>\$ -</u>	<u>\$ 715,584</u>	<u>\$ 1,533,823</u>	<u>\$ 2,249,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3</u>	<u>\$ 244,916</u>	<u>\$ (815,893)</u>	<u>\$ (570,974)</u>
Other financing sources (uses):				
Transfers out	\$ -	\$ (456,970)	\$ (472,209)	\$ (929,179)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (456,970)</u>	<u>\$ (472,209)</u>	<u>\$ (929,179)</u>
Change in fund balances	\$ 3	\$ (212,054)	\$ (1,288,102)	\$ (1,500,153)
Fund balances beginning of year	<u>10,373</u>	<u>905,700</u>	<u>1,257,477</u>	<u>2,173,550</u>
Fund balances end of year	<u>\$ 10,376</u>	<u>\$ 693,646</u>	<u>\$ (30,625)</u>	<u>\$ 673,397</u>

SHELDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 2,936	\$ 4	\$ -	\$ 2,940
LIABILITIES:				
Due to others	\$ 2,936	\$ 4	\$ -	\$ 2,940

SHELDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 4,986,288	\$ 5,057,125	\$ 5,389,098	\$ 5,031,932	\$ 4,778,567	\$ 4,642,163	\$ 4,218,043	\$ 3,713,942	\$ 3,783,369	\$ 3,778,943
Tuition	318,255	312,645	225,331	172,596	189,929	210,991	174,806	227,067	228,469	205,636
Other	577,831	533,800	524,244	569,106	441,454	392,770	468,238	514,158	596,990	525,867
State sources	7,102,653	6,645,228	5,410,183	5,557,504	5,567,582	4,876,180	5,663,888	4,884,895	4,727,058	4,348,956
Federal sources	290,947	260,772	252,939	462,649	546,513	670,172	337,095	225,695	271,408	231,222
Total	\$ 13,275,974	\$ 12,809,570	\$ 11,801,795	\$ 11,793,787	\$ 11,524,045	\$ 10,792,276	\$ 10,862,070	\$ 9,565,757	\$ 9,607,294	\$ 9,090,624
Expenditures:										
Instruction:										
Regular	\$ 5,013,819	\$ 5,135,824	\$ 3,735,164	\$ 3,783,884	\$ 3,996,233	\$ 3,839,273	\$ 4,241,257	\$ 3,679,180	\$ 3,594,270	\$ 3,965,895
Special	1,574,095	1,527,954	1,705,550	1,364,782	1,981,627	1,950,572	1,541,143	1,531,007	1,452,227	963,874
Other	1,210,192	1,048,065	1,824,801	1,888,254	1,026,065	990,530	974,648	1,017,840	932,961	837,581
Support services:										
Student	58,778	92,604	98,734	86,274	53,925	53,364	55,830	50,906	116,807	94,290
Instructional staff	539,869	481,029	396,261	504,303	145,727	98,639	136,095	136,384	148,092	131,141
Administration	1,176,361	1,135,262	1,311,212	1,166,518	1,037,847	938,589	1,003,993	918,615	1,169,018	908,871
Operation and maintenance of plant	1,255,333	1,159,968	785,305	865,558	758,416	764,563	811,773	801,142	760,164	770,570
Transportation	482,065	620,048	440,321	549,050	384,124	388,181	341,938	393,383	346,948	301,381
Central support	-	-	-	-	-	38,432	-	-	-	123
Non-instructional programs	-	-	-	7,182	3,565	3,548	56	6,960	5,117	71
Other expenditures:										
Facilities acquisition	2,225,369	4,429,721	473,194	709,292	705,246	1,433,401	590,733	439,767	553,113	257,939
Long-term debt:										
Principal	850,000	845,000	565,000	480,000	305,000	300,000	275,000	265,000	255,000	250,000
Interest and fiscal charges	160,358	180,859	104,350	305,672	296,776	218,826	228,451	237,063	245,351	252,851
AEA flow through	452,845	420,470	402,233	402,323	444,320	431,559	394,824	362,665	352,494	334,941
Total	\$ 14,999,084	\$ 17,076,804	\$ 11,842,125	\$ 12,113,092	\$ 11,138,871	\$ 11,449,477	\$ 10,595,741	\$ 9,839,912	\$ 9,931,562	\$ 9,069,528

SHELDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY15	\$ 46,532
National School Lunch Program	10.555	FY15	<u>267,791</u> *
			<u>\$ 314,323</u>
U.S. DEPARTMENT OF EDUCATION:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY15	\$ 148,422
Career and Technical Education - Basic Grants to States	84.048	FY15	11,182
English Language Acquisition State Grants	84.365	FY15	5,970
Improving Teacher Quality State Grants	84.367	FY15	37,060
Grants for State Assessments and Related Activities	84.369	FY15	4,930
Area Education Agency #4:			
Special Education - Grants to States	84.027	FY15	82,683
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	FY15	<u>700</u>
Total			<u>\$ 605,270</u>

* Includes \$45,024 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.



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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 (the District) as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters 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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sheldon Community School District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The 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.

January 12, 2016
Sioux City, Iowa

A handwritten signature in cursive script, reading "King Reinisch Prosser & Co. LLP".



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL 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 (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2015. The 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 grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 noncompliance 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



Opinion on the Major Federal Program

In our opinion, the 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, 2015.

Report on Internal Control Over Compliance

Management of the 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 the 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 that are 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 the 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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

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

January 12, 2016
Sioux City, Iowa

King Reinisch Prosser & Co LLP

SHELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) The audit did not disclose any significant deficiencies or material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) The audit did not disclose any significant deficiencies or material weaknesses in internal control over the major program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office Management and Budget Circular A-133, Section 510(a).
- (g) The major program was:
 - Child Nutrition Cluster
 - 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.

Part II: Findings Related to the Financial Statements:

None.

Part III: Findings and Questioned Costs for Federal Awards:

None.

SHELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

(CONTINUED)

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-15 Certified Budget - No expenditures for the year ended June 30, 2015 exceeded the amended certified budget amounts in any functional area.
- IV-B-15 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-15 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-15 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-15 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 that the coverage is adequate for current operations.
- IV-F-15 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-15 Certified Enrollment - Variances in the basic enrollment data certified to the Iowa Department of Education were noted.

Recommendation - In the future, the District should ensure that all certified counts are accurate prior to submission.

Response - Variances will be reported to the Department of Management and the Iowa Department of Education. Also, all counts will be verified by District management prior to submission to ensure accuracy.

Conclusion - Response accepted.

- IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

SHELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

(CONTINUED)

Part IV: Other Findings Related to Statutory Reporting (Continued):

- IV-I-15 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-15 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.
- IV-K-15 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-L-15 Statewide Sales, Services and Use Tax - No instances of noncompliance with the allowable uses 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	905,700
Revenues/transfers in:			
Sales tax revenues	\$	960,333	
Other local revenues		167	960,500
			\$ 1,866,200
Expenditures/transfers out:			
Buildings	\$	578,695	
Improvements other than buildings		104,048	
Furniture and equipment		32,841	
Transfers to debt service		456,970	1,172,554
Ending Balance			\$ 693,646

SHELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

(CONTINUED)

Part IV: Other Findings Related to Statutory Reporting (Continued):

For the year ended June 30, 2015, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Reduction per \$1,000 of Taxable <u>Valuation</u>	Property Tax Dollars <u>Reduced</u>
Debt Service Levy	\$ 1.13605	\$ 456,970

IV-M-15 Deficit Balances - The Physical Plant and Equipment Levy had a deficit fund balance at June 30, 2015.

Recommendation - The District should continue to investigate alternatives to eliminate the deficit in order to return the fund to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate the deficit in the Physical Plant and Equipment Levy Fund at the end of the fiscal year.

Conclusion - Response accepted.