CITY OF SHELDON

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2016

CITY OF SHELDON

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CITY OF SHELDON

CITY OFFICIALS

NAME	TITLE	TERM EXPIRES
Katricia Meendering	Mayor	January 2018
Brad Hindt	Council Member	January 2020
Ron Rensink	Council Member to January 2016	
Greg Geels	Council Member	January 2020
Randy Fonkert	Council Member	January 2018
Zach Sawyer	Council Member	January 2018
Pete Hamill	Council Member from January 2016	January 2020
Scott Wynja	City Manager	
Angela Beckman	Clerk/Treasurer	
Micah Schreurs	Attorney	

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Sheldon
Sheldon, IA 51201

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 the City of Sheldon, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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.

Auditors' 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 auditors' 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but

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not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sheldon as of June 30, 2016 and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Sheldon's basic financial statements. The supplementary information included in Schedules 1 through 3 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.

The other information, included in Schedules 4 through 7, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016 on our consideration of the City of Sheldon'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 City of Sheldon's internal control over financial reporting and compliance.

Winther, Stave & Co., LLP

November 7, 2016
Spencer, Iowa

BASIC FINANCIAL STATEMENTS

CITY OF SHELDON
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

		Program Receipts		
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	$ 1,272,495	$ 367,221	$ 31,623	$ 5,150
Public works	980,296	134,242	641,173	361,670
Health and social services	10,000	-	-	-
Culture and recreation	495,779	141,920	60,149	2,804
Community and economic development	465,132	13,518	65,920	-
General government	458,455	21,885	-	-
Debt service	1,171,193	-	-	-
Capital projects	1,071,872	-	-	492,604
Total governmental activities	5,925,222	678,786	798,865	862,228
Business type activities:				
Water	997,860	1,037,149	-	-
Sewer	1,030,691	800,239	-	-
Total business type activities	2,028,551	1,837,388	-	-
TOTAL	$ 7,953,773	$ 2,516,174	$ 798,865	$ 862,228
General receipts and transfers:				
Property and other city taxes levied for:				
General purposes				
Debt Service				
Commerical and industrial replacement				
Tax increment financing				
Local option sales tax				
Unrestricted investment earnings				
Miscellaneous				
Operating transfers				
Total general receipts and transfers				
CHANGE IN CASH BASIS NET POSITION				
CASH BASIS NET POSITION - BEGINNING OF YEAR				
CASH BASIS NET POSITION - END OF YEAR				
CASH BASIS NET POSITION:				
Restricted, expendable for:				
Urban renewal purposes				
Community betterment				
Debt Service				
Capital projects				
Other purposes				
Unrestricted				
TOTAL CASH BASIS NET POSITION				

See Notes to Financial Statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
$ (868,501)	$ -	$ (868,501)
156,789	-	156,789
(10,000)	-	(10,000)
(290,906)	-	(290,906)
(385,694)	-	(385,694)
(436,570)	-	(436,570)
(1,171,193)	-	(1,171,193)
(579,268)	-	(579,268)
(3,585,343)	-	(3,585,343)
-	39,289	39,289
-	(230,452)	(230,452)
-	(191,163)	(191,163)
(3,585,343)	(191,163)	(3,776,506)
1,476,277	-	1,476,277
232,070	-	232,070
347,671	-	347,671
2,108,134	-	2,108,134
606,488	-	606,488
6,039	3,828	9,867
20,907	-	20,907
(347,776)	347,776	-
4,449,810	351,604	4,801,414
864,467	160,441	1,024,908
3,087,681	1,399,478	4,487,159
$ 3,952,148	$ 1,559,919	$ 5,512,067
1,550,402	-	1,550,402
344,380	-	344,380
38,300	-	38,300
137,862	-	137,862
448,371	90,300	538,671
1,432,833	1,469,619	2,902,452
$ 3,952,148	$ 1,559,919	$ 5,512,067

See Notes to Financial Statements

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	General	Tax Increment Financing	Local Option Sales Tax
RECEIPTS:			
Property tax	$ 918,421	$ -	$ -
Tax increment financing	-	2,108,134	-
Other city taxes	204,375	-	606,488
Licenses and permits	12,180	-	-
Use of money and property	88,956	1,739	1,084
Intergovernmental	142,931	212,502	5,000
Charges for service	399,857	-	-
Special assessments	26,470	-	-
Miscellaneous	534,287	-	-
TOTAL RECEIPTS	2,327,477	2,322,375	612,572
DISBURSEMENTS:			
Public safety	949,737	-	-
Public works	245,806	-	-
Health and social services	-	-	10,000
Culture and recreation	419,361	-	-
Community and economic development	203,958	170,613	48,000
General government	302,144	-	123,482
Debt service	-	-	-
Capital projects	-	15,216	253,976
TOTAL DISBURSEMENTS	2,121,006	185,829	435,458
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	206,471	2,136,546	177,114
OTHER FINANCING SOURCES (USES):			
Operating transfers in	113,640	-	-
Operating transfers out	(82,428)	(1,158,592)	(247,834)
Proceeds - sale of assets	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	31,212	(1,158,592)	(247,834)
NET CHANGE IN CASH BALANCES	237,683	977,954	(70,720)
CASH BALANCES - BEGINNING OF YEAR	1,010,501	572,448	415,100
CASH BALANCES - END OF YEAR	$ 1,248,184	$ 1,550,402	$ 344,380

See Notes to Financial Statements

Road Use Tax	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	Total
$ -	$ 227,687	$ -	$ 343,026	$ 1,489,134
-	-	-	-	2,108,134
-	4,383	-	10,455	825,701
-	-	-	-	12,180
-	-	1,061	189	93,029
641,130	21,779	154,290	30,877	1,208,509
-	-	-	-	399,857
-	-	-	-	26,470
-	-	279,241	1,738	815,266
641,130	253,849	434,592	386,285	6,978,280
-	-	-	261,565	1,211,302
537,817	-	-	162,207	945,830
-	-	-	-	10,000
-	-	-	68,485	487,846
-	-	-	33,820	456,391
-	-	-	24,238	449,864
-	1,171,193	-	-	1,171,193
-	-	802,680	-	1,071,872
537,817	1,171,193	802,680	550,315	5,804,298
103,313	(917,344)	(368,088)	(164,030)	1,173,982
-	1,191,020	15,000	164,228	1,483,888
-	(264,424)	-	(60,000)	(1,813,278)
-	-	27,603	-	27,603
-	926,596	42,603	104,228	(301,787)
103,313	9,252	(325,485)	(59,802)	872,195
261,069	29,048	463,347	143,791	2,895,304
$ 364,382	$ 38,300	$ 137,862	$ 83,989	$ 3,767,499

See Notes to Financial Statements

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	General	Tax Increment Financing	Local Option Sales Tax
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes	$ -	$ 1,550,402	$ -
Community betterment	-	-	344,380
Debt service	-	-	-
Capital projects	-	-	-
Community and economic development	-	-	-
Employee benefits	-	-	-
Streets	-	-	-
Police purposes	-	-	-
Commited for:			
Library purposes	147,607	-	-
Airport purposes	130,253	-	-
Park purposes	26,370	-	-
Museum purposes	114,891	-	-
Assigned for:			
Equipment purchases	276,928	-	-
Public safety purposes	278,413	-	-
Recreation trails maintenance	95,760	-	-
Cemetery purposes	5,000	-	-
Unassigned	172,962	-	-
TOTAL CASH BASIS FUND BALANCES	$ 1,248,184	$ 1,550,402	$ 344,380

See Notes to Financial Statements

Road Use Tax	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	Total
$ -	$ -	$ -	$ -	1,550,402
-	-	-	-	344,380
-	38,300	-	-	38,300
-	-	137,862	-	137,862
-	-	-	78,038	78,038
-	-	-	15	15
364,382	-	-	-	364,382
-	-	-	5,936	5,936
-	-	-	-	147,607
-	-	-	-	130,253
-	-	-	-	26,370
-	-	-	-	114,891
-	-	-	-	276,928
-	-	-	-	278,413
-	-	-	-	95,760
-	-	-	-	5,000
-	-	-	-	172,962
$ 364,382	$ 38,300	$ 137,862	$ 83,989	$ 3,767,499

See Notes to Financial Statements

Exhibit C

CITY OF SHELDON
RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B	$3,767,499
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE DIFFERENT BECAUSE:	
The internal service fund is used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds. A portion of the cash balance of the internal service fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.	184,649
CASH BASIS NET POSITION OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A	$3,952,148
NET CHANGE IN CASH BALANCES PER EXHIBIT B	$ 872,195
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE DIFFERENT BECAUSE:	
The internal service fund is used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds. A portion of the change in the cash balance of the internal service fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.	(7,728)
CHANGE IN CASH BASIS NET POSITION OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A	$ 864,467

See Notes to Financial Statements

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES - PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			Internal Service
	Water	Sewer	Total	Self-Insurance
OPERATING RECEIPTS:				
Charges for services	$ 964,464	$ 750,739	$ 1,715,203	$ -
Reimbursements from operating funds	-	-	-	579,276
Reimbursements from employees and insurance	-	-	-	225,648
Miscellaneous	25,299	2,114	27,413	-
TOTAL OPERATING RECEIPTS	989,763	752,853	1,742,616	804,924
OPERATING DISBURSEMENTS:				
Business type activities:				
Cost of sales and services	729,751	644,280	1,374,031	-
Insurance charges and claims	-	-	-	780,747
TOTAL OPERATING DISBURSEMENTS	729,751	644,280	1,374,031	780,747
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	260,012	108,573	368,585	24,177
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	1,744	1,572	3,316	1,219
Purchase of capital assets	(72,976)	(79,422)	(152,398)	-
Debt service payments:				
Revenue note principal	(129,963)	(262,000)	(391,963)	-
Revenue note interest	(24,897)	(4,716)	(29,613)	-
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	(226,092)	(344,566)	(570,658)	1,219
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	33,920	(235,993)	(202,073)	25,396
OPERATING TRANSFERS IN	100,000	324,424	424,424	-
OPERATING TRANSFERS OUT	(31,667)	(31,667)	(63,334)	(31,700)
NET CHANGE IN CASH BALANCES	102,253	56,764	159,017	(6,304)
CASH BALANCES - BEGINNING OF YEAR	631,115	571,729	1,202,844	389,011
CASH BALANCES - END OF YEAR	$ 733,368	$ 628,493	$ 1,361,861	$ 382,707

See Notes to Financial Statements

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			Internal Service
	Water	Sewer	Total	Self-Insurance
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Water deposits	90,300	-	90,300	-
Unrestricted	643,068	628,493	1,271,561	382,707
TOTAL CASH BASIS FUND BALANCES	$ 733,368	$ 628,493	$ 1,361,861	$ 382,707

See Notes to Financial Statements

Exhibit E

CITY OF SHELDON
RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - ENTERPRISE FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D	$1,361,861
AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE DIFFERENT BECAUSE:	
The internal service fund is used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds. A portion of the cash balance of the internal service fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.	198,058
CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES PER EXHIBIT A	$1,559,919
NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D .	$ 159,017
AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE DIFFERENT BECAUSE:	
The internal service fund is used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds. A portion of the change in the cash balance of the internal service fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.	1,424
CHANGE IN CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES PER EXHIBIT A	$ 160,441

See Notes to Financial Statements

Exhibit F

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES - FIDUCIARY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Agency Cafeteria Plan
CASH BALANCE - BEGINNING OF YEAR	$ (7)
RECEIPTS:	
Contributions	11,781
DISBURSEMENTS:	
Cafeteria plan benefits paid	(11,774)
CASH BALANCE - END OF YEAR	$ 0

See Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sheldon is a political subdivision of the State of Iowa located in O'Brien and Sioux Counties. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Sheldon provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also provides water and sewer utilities services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City'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 City 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 City. It was determined that the City has no component units which meet the Governmental Accounting Standards Board's criteria.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which 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 services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in restricted net position.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Tax Increment Financing Fund is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for property tax relief and community betterment.

The Road Use Tax Fund is used to account for road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City'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.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Additionally, the City reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Fund - Agency Fund is used to account for assets held by the City as an agent for individuals.

C. Measurement Focus and Basis of Accounting

The City of Sheldon maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis 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.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year-end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Subsequent Events

Subsequent events were evaluated by management for disclosure up to the date of the independent auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2016 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 City 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 City Council; 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.

The City's cash and investments consisted of the following at June 30, 2016:

Cash on hand	$ 160
Demand deposits	1,546,249
Certificates of deposit/savings accounts	3,965,658
	$5,512,067

Interest rate risk - The City'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) in 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 City.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's long-term debt are as follows:

Governmental Activities

Year Ending June 30,	General Obligation Bonds/Notes Principal	General Obligation Bonds/Notes Interest	USDA Airport Loan Principal	USDA Airport Loan Interest	Total Principal	Total Interest
2017	$1,010,000	$132,658	$ 25,720	$ 6,708	$1,035,720	$139,366
2018	1,030,000	110,930	26,941	5,487	1,056,941	116,417
2019	910,000	85,473	28,221	4,207	938,221	89,680
2020	925,000	66,942	29,562	2,867	954,562	69,809
2021	950,000	48,145	30,784	1,462	980,784	49,607
2022-2024	1,560,000	53,930			1,560,000	53,930
Total	$6,385,000	$498,078	$141,228	$ 20,731	$6,526,228	$518,809

Revenue Notes

Year Ending June 30,	Water Revenue Capital Loan Notes Principal	Water Revenue Capital Loan Notes Interest
2017	$136,138	$ 21,650
2018	142,390	18,249
2019	149,001	14,691
2020	155,888	10,969
2021	161,180	7,074
2022	165,536	3,071
Total	$910,133	$ 75,704

General Obligation Bonds/Notes
The City's total general obligation bonds/notes at June 30, 2016 were $6,385,000.

Revenue Notes
The City has pledged future water customer receipts, net of specific operating expenses, to repay the $1,900,000 water revenue capital loan notes issued in March 2007. Proceeds from the notes provided financing for the prepayment of the City's obligation to Lewis and Clark Regional Water System. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments are expected to require less than 60% of net revenues. The total principal and interest payments remaining to be paid on the notes are $985,837. For the current year, principal and interest paid and total customer net receipts were $154,860 and $260,012, respectively.

The notes were purchased by a local bank in participation with three other local banks.

The resolution providing for the issuance of the water revenue capital loan notes include the following provisions:

(A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.

(B) Sufficient monthly transfers shall be made into a separate water revenue sinking account for the purpose of making the principal and interest payments when due.

(C) Additional monthly transfers shall be made to a separate water reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.

(D) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the notes falling due in the same year.

The purchaser of the notes has waived provisions (B) and (C). The City was in compliance with the other water revenue notes provisions during the year ended June 30, 2016.

Airport Loan
This loan was made through the United States Department of Agriculture for improvements at the City's airport. The loan has an unpaid balance of $141,228 as of June 30, 2016, which will be paid from the general fund. The notes call for annual payments of $32,428 including interest at 4.75%.

4. DUE FROM SHELDON CHAMBER AND DEVELOPMENT CORPORATION

The City has granted the Sheldon Community and Development Corporation (SCDC) land and also financed SCDC's purchase of land. The land is being held for development and resale. The SCDC has agreed to pay a portion of the sales price back to the City as the land is sold.

5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount	Purpose
General	Special Revenue:		
	Local option sales tax	$ 50,306	Street lighting and improvements
	Proprietary:		
	Enterprise:		
	Water	31,667	Street lighting
	Sewer	31,667	Street lighting
		113,640	
Debt Service	General	32,428	Principal and interest payments
	Special revenue:		
	Tax increment financing	1,158,592	Principal and interest payments
		1,191,020	
Capital Projects	Special revenue:		
	Local option sales tax	15,000	Trails maintenance
Special Revenue:			
Employee benefits	General	50,000	Property tax relief
	Special revenue:		
	Local option sales tax	82,528	Property tax relief
	Internal service:		
	Self insurance	31,700	Property tax relief
		164,228	
Proprietary:			
Enterprise:	Special revenue:		
Water	Local option sales tax	100,000	Repayment of loan
Proprietary:			
Enterprise:			
Sewer	Debt service	264,424	To payoff loan
	Special revenue:		
	LMI	60,000	Improvements in LMI areas
		324,424	
TOTAL OPERATING TRANSFERS		$1,908,312	

6. IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City 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, PO Box 9117, Des Moines, IA 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 information 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, anytime 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-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% for each month the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% 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.

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 - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll for a total rate of 14.88%. Protective occupation members contributed 6.56% of covered payroll, and the City contributed 9.84% of covered payroll for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 were $145,847.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of $755,397 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was .015290% which was an increase of .001550% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City pension expense, deferred outflows of resources, and deferred inflows of resources totaled $83,541, $205,441, and $274,697 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' 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 IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	$1,585,277	$ 755,397	$ 55,256

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

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City operates a single-employer retiree benefit plan which provides medical/ prescription drug benefits to active and retired employees and their eligible dependents. There are 27 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are $718 for single coverage and $1,874 for family coverage. For the year ended June 30, 2016, the City contributed $579,276 and plan members eligible for benefits contributed $8,865 to the plan.

8. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. In addition, employees over age 55 have accumulated earned but unused sick pay which is payable upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2016 is as follows:

Governmental activities:	
General fund	$ 109,092
Special revenue:	
Road use tax	40,192
Total governmental activities	149,284
Business type activities:	
Proprietary:	
Enterprise:	
Water	39,255
Sewer	21,279
Total business type activities	60,534
TOTAL	$ 209,818

9. HEALTH CARE FACILITY REVENUE BONDS AND HOUSING REVENUE NOTES

The City has issued Health Care Facility Revenue Bonds and Housing Revenue Notes under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The outstanding balance at June 30, 2016 has not been determined.

10. RELATED PARTY TRANSACTIONS

The City has business transactions between the City and City officials, totaling $5,611 during the year ended June 30, 2016. See item 16-II-D in the Schedule of Findings.

11. CONTRACT AND OTHER COMMITMENTS

The City has entered into construction contracts for various projects. A summary of the contracts is as follows:

Contract total	$5,288,745
Paid as of June 30, 2016	11,924
Balance to complete	$5,300,669

The City has also entered into several tax increment financing rebate agreements with local businesses. The City has agreed to rebate the taxes paid by the business over a period of years. The City will expense the rebates as the taxes are collected and returned to the businesses.

12. SUBSEQUENT EVENTS

Subsequent to June 30, 2016, the City issued $3,400,000 in taxable general obligation capital loan notes for a new events center.

13. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2016 were $118,867.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss, or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City has established a self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City's plan has established a specific stop-loss amount of $20,000 and an aggregate stop-loss of 125% of expected claims for the year. The City purchases commercial insurance for claims in excess of coverage provided.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. COLLECTIVE BARGAINING AGREEMENT

All employees, except for the office personnel and management, are covered by collective bargaining agreements which expire June 30, 2017.

SUPPLEMENTARY INFORMATION

CITY OF SHELDON
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds		
	LHAP Reuse	Employee Benefits	LMI
RECEIPTS:			
Property tax	$ -	$ 343,026	$ -
Other city taxes	-	10,455	-
Use of money and property	-	-	189
Intergovernmental	-	30,877	-
Miscellaneous	-	-	-
TOTAL RECEIPTS	-	384,358	189
DISBURSEMENTS:			
Public safety	-	259,821	-
Public works	-	162,207	-
Culture and recreation	-	68,485	-
Community and economic development	-	33,820	-
General government	-	24,238	-
TOTAL DISBURSEMENTS	-	548,571	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(164,213)	189
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	164,228	-
Operating transfers out	-	-	(60,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	164,228	(60,000)
NET CHANGE IN CASH BALANCES	-	15	(59,811)
CASH BALANCES - BEGINNING OF YEAR	57,295	-	80,554
CASH BALANCES - END OF YEAR	$ 57,295	$ 15	$ 20,743
CASH BASIS FUND BALANCES:			
Restricted for:			
Comunity and economic development	$ 57,295	$ -	$ 20,743
Employee benefits	-	15	-
Police purposes	-	-	-
TOTAL CASH BASIS FUND BALANCES	$ 57,295	$ 15	$ 20,743

See Accompanying Independent Auditors' Report

Seizure	Total
$ -	$ 343,026
-	10,455
-	189
-	30,877
1,738	1,738
1,738	386,285
1,744	261,565
-	162,207
-	68,485
-	33,820
-	24,238
1,744	550,315
(6)	(164,030)
-	164,228
-	(60,000)
-	104,228
(6)	(59,802)
5,942	143,791
$ 5,936	$ 83,989
$ -	$ 78,038
-	15
5,936	5,936
$ 5,936	$ 83,989

CITY OF SHELDON
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2016

Obligation	Date of Issue	Amount Interest Rates	Originally Issued	Final Due Date
GOVERNMENTAL ACTIVITIES:				
General Obligation Bonds/Notes:				
Capital loan notes, series 2008	4-01-2008	3.55 - 3.65%	$1,860,000	6-01-2018
Taxable capital loan notes, series 2011A	1-31-2011	3.85 - 4.30%	2,200,000	6-01-2019
Capital loan notes, series 2011B	1-31-2011	3.10 - 3.60%	1,020,000	6-01-2021
Capital loan notes, series 2013	5-29-2013	0.60 - 1.90%	5,350,000	6-01-2024
Total General Obligation Bonds/Notes				
Other Long-Term Debt:				
USDA airport loan	6-06-2001	4.75%	400,000	6-05-2021
TOTAL GOVERNMENTAL ACTIVITIES				
BUSINESS TYPE ACTIVITIES:				
Revenue Notes:				
Sewer revenue capital loan notes	9-15-1999	1.80%	$ 814,000	
Water revenue capital loan notes	3-25-2007	2.47%	1,900,000	6-01-2022
TOTAL BUSINESS TYPE ACTIVITIES				

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
$ 420,000		$ 135,000	$ 285,000	$ 14,920
1,225,000		340,000	885,000	47,628
1,020,000			1,020,000	34,657
4,705,000		510,000	4,195,000	54,560
7,370,000		985,000	6,385,000	151,765
165,781		24,553	141,228	7,875
$ 7,535,781		$1,009,553	$6,526,228	$159,640
$ 262,000		$ 262,000		$ 4,716
1,040,096		129,963	$ 910,133	24,897
$ 1,302,096		$ 391,963	$ 910,133	$ 29,613

OTHER INFORMATION

CITY OF SHELDON
BOND AND NOTE MATURITIES
JUNE 30, 2016

General Obligation Bonds/Notes

Year Ending June 30,	Capital Loan Notes Issued 4-1-2008 Interest Rate	Amount	Taxable Capital Loan Notes Issued 1-31-2011 Interest Rate	Amount	Capital Loan Notes Issued 1-31-2011 Interest Rate	Amount
2017	3.55%	$ 140,000	3.85%	$ 355,000		
2018	3.65%	145,000	4.10%	365,000		
2019			4.30%	165,000	3.10%	$ 215,000
2020					3.35%	395,000
2021					3.60%	410,000
2022						
2023						
2024						
		$ 285,000		$ 885,000		$ 1,020,000

Year Ending June 30,	Capital Loan Notes Issued 5-29-2013 Interest Rate	Amount	General Obligation Total
2017	0.60%	$ 515,000	$ 1,010,000
2018	1.00%	520,000	1,030,000
2019	0.90%	530,000	910,000
2020	1.05%	530,000	925,000
2021	1.25%	540,000	950,000
2022	1.50%	545,000	545,000
2023	1.75%	550,000	550,000
2024	1.90%	465,000	465,000
		$ 4,195,000	$ 6,385,000

CITY OF SHELDON
BOND AND NOTE MATURITIES - Continued
JUNE 30, 2016

Other Governmental Activities Bonds/Notes

Year Ending June 30,	USDA Airport Loan Issued 6-6-2001 Interest Rate	Amount
2017	4.75%	$ 25,720
2018	4.75%	26,941
2019	4.75%	28,221
2020	4.75%	29,562
2021	4.75%	30,784
		$ 141,228

Revenue Notes

Year Ending June 30,	Water Revenue Capital Loan Notes Issued 3-25-2007 Interest Rate	Amount
2017	2.47%	$ 136,138
2018	2.47%	142,390
2019	2.47%	149,001
2020	2.47%	155,888
2021	2.47%	161,180
2022	2.47%	165,536
		$ 910,133

CITY OF SHELDON
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL AND PROPRIETARY FUNDS
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
RECEIPTS:			
Property taxes	$1,489,134		$1,489,134
Other city taxes	825,701		825,701
Tax increment financing revenues	2,108,134		2,108,134
Licenses and permits	12,180		12,180
Use of money and property	93,029	$ 4,535	97,564
Intergovernmental	1,208,509		1,208,509
Charges for services	399,857	2,294,479	2,694,336
Special assessments	26,470		26,470
Miscellaneous	815,266	264,842	1,080,108
TOTAL RECEIPTS	6,978,280	2,563,856	9,542,136
DISBURSEMENTS:			
Program:			
Public safety	1,211,302		1,211,302
Public works	945,830		945,830
Health and social services	10,000		10,000
Culture and recreation	487,846		487,846
Community and economic development	456,391		456,391
General government	449,864		449,864
Debt service	1,171,193		1,171,193
Capital projects	1,071,872		1,071,872
Business-type activities		1,948,005	1,948,005
Non-program		792,521	792,521
TOTAL DISBURSEMENTS	5,804,298	2,740,526	8,544,824
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	1,173,982	(176,670)	997,312
OTHER FINANCING SOURCES (USES):			
Operating transfer in	1,483,888	424,424	1,908,312
Operating transfer out	(1,813,278)	(95,034)	(1,908,312)
Proceeds - sale of assets	27,603		27,603
TOTAL OTHER FINANCING SOURCES (USES)	(301,787)	329,390	27,603
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	872,195	152,720	1,024,915
BALANCE - BEGINNING OF YEAR	2,895,304	1,591,848	4,487,152
BALANCE - END OF YEAR	$3,767,499	$1,744,568	$5,512,067

See Accompanying Independent Auditors' Report

Less Funds Not Required to be Budgeted	Net Actual	Original Budget	Final Budget	Final to Actual Variance
	$1,489,134	$1,521,648	$1,521,648	$ (32,514)
	825,701	702,230	732,230	93,471
	2,108,134	2,155,023	2,155,023	(46,889)
	12,180	15,453	15,453	(3,273)
$ 1,219	96,345	102,278	102,278	(5,933)
	1,208,509	891,287	891,287	317,222
579,276	2,115,060	2,177,511	2,177,511	(62,451)
	26,470	14,030	14,030	12,440
237,429	842,679	904,844	1,672,844	(830,165)
817,924	8,724,212	8,484,304	9,282,304	(558,092)
	1,211,302	1,175,870	1,333,870	122,568
	945,830	1,190,703	1,190,703	244,873
	10,000	10,000	10,000	
	487,846	573,211	577,711	89,865
	456,391	443,187	473,187	16,796
	449,864	375,677	460,560	10,696
	1,171,193	1,171,693	1,171,693	500
	1,071,872	933,500	1,164,500	92,628
	1,948,005	2,407,352	2,802,494	854,489
792,521				
792,521	7,752,303	8,281,193	9,184,718	1,432,415
25,403	971,909	203,111	97,586	874,323
	1,908,312	2,671,159	2,676,992	(768,680)
(31,700)	(1,876,612)	(2,671,159)	(2,676,992)	800,380
	27,603	15,000	27,000	603
(31,700)	59,303	15,000	27,000	32,303
(6,297)	1,031,212	218,111	124,586	906,626
389,004	4,098,148	3,747,022	3,747,022	351,126
$382,707	$5,129,360	$3,965,133	$3,871,608	$1,257,752

See Accompanying Independent Auditors' Report

CITY OF SHELDON
NOTES TO SCHEDULE 4 - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2016

The budgetary comparison is presented in accordance with Government 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 City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by $903,525. This budget amendment is reflected in the final budgeted amounts.

CITY OF SHELDON
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	2016	2015	2014	2013
RECEIPTS:				
Property tax	$ 1,489,134	$ 1,477,922	$ 1,501,872	$1,432,048
Tax increment financing	2,108,134	1,878,277	1,878,787	1,839,228
Other City taxes	825,701	719,792	700,968	701,949
Licenses and permits	12,180	15,353	14,816	12,447
Use of money and property	93,029	98,081	109,418	117,492
Intergovernmental	1,208,509	1,367,642	3,364,788	854,341
Charges for services	399,857	469,954	371,215	395,800
Special assessments	26,470	35,631	18,485	2,227
Miscellaneous	815,266	233,645	185,928	168,519
TOTAL RECEIPTS	$ 6,978,280	$ 6,296,297	$ 8,146,277	$5,524,051
DISBURSEMENTS:				
Public safety	$ 1,211,302	$ 986,414	$ 1,145,638	$1,128,661
Public works	945,830	1,184,090	1,386,304	1,013,510
Health and social services	10,000	16,500	26,500	16,500
Culture and recreation	487,846	495,255	477,045	503,533
Community and economic development	456,391	444,411	394,121	501,782
General government	449,864	342,415	407,858	423,095
Debt service	1,171,193	3,113,168	1,281,730	1,088,690
Capital projects	1,071,872	1,651,939	6,648,345	1,390,607
TOTAL DISBURSEMENTS	$ 5,804,298	$ 8,234,192	$11,767,541	$6,066,378

See Accompanying Independent Auditors' Report

2012	2011	2010	2009	2008	2007
$1,369,670	$1,204,482	$1,129,515	$1,101,847	$1,000,580	$1,088,289
1,750,174	2,215,974	2,063,537	1,849,357	1,381,795	1,215,979
681,333	638,549	526,941	683,965	591,117	519,010
12,173	11,975	11,739	10,757	11,838	41,560
114,330	117,228	120,068	159,167	204,717	143,511
929,224	705,140	960,474	512,412	1,242,981	1,380,683
377,538	395,888	540,672	626,339	490,988	480,405
401	14,998		1,815	109	833
257,097	125,529	251,783	164,289	218,222	238,533
$5,491,940	$5,429,763	$5,604,729	$5,109,948	$5,142,347	$5,108,803
$1,116,261	$ 831,273	$1,003,796	$ 964,191	$ 765,503	$1,011,219
706,086	880,355	1,199,692	955,752	1,193,661	862,975
15,500	15,500	15,500	15,500		
527,914	464,512	492,326	532,690	371,462	500,724
388,552	356,868	453,534	368,431	309,073	837,469
332,493	342,258	374,716	324,849	318,461	337,527
971,366	881,645	1,586,968	1,128,038	1,340,354	699,461
2,435,130	3,370,859	1,091,594	1,951,447	3,441,879	1,007,943
$6,493,302	$7,143,270	$6,218,126	$6,240,898	$7,740,393	$5,257,318

CITY OF SHELDON
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	2016	2015
City's proportion of the net pension liability	.015290%	.013740%
City's proportionate share of the net pension liability	$ 755	$ 545
City's covered-employee payroll	$ 1,550	$ 1,464
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	48.71%	37.23%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

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 City will present information for those years for which information is available.

CITY OF SHELDON
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST SIX FISCAL YEARS
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	2016	2015	2014	2013
Statutorily required contribution	$ 146	$ 144	$ 136	$ 129
Contributions in relation to the statutorily required contribution	146	144	136	129
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0
City's covered-employee payroll	$ 1,590	$ 1,550	$ 1,464	$ 1,417
Contributions as a percentage of covered-employee payroll	9.18%	9.29%	9.29%	9.10%

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 City will present information for those years for which information is available.

Schedule 7

2012	2011
$ 118	$ 103
118	103
$ 0	$ 0
$ 1,374	$ 1,328
8.59%	7.76%

Changes of Benefit Terms

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 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.

Changes of Assumptions

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

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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.

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 a one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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INDEPENDENT AUDITORS' 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*

The Honorable Mayor and
Members of the City Council
City of Sheldon
Sheldon, IA 51201

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 *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sheldon, Iowa, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 7, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a material misstatement of the City'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 which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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 City's financial statements are free of 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 that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City'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 result of that testing and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Winther, Staver & Co., LLP

November 7, 2016
Spencer, Iowa

CITY OF SHELDON
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements

Internal control over Financial Reporting:

No findings were noted.

Instances of Non-Compliance:

No findings were noted.

Part II: Other Findings Related to Required Statutory Reporting

16-II-A Certified Budget - Disbursements for the year ended June 30, 2016 did not exceed budgeted amounts.

16-II-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

16-II-C Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

16-II-D Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Brad Hindt, Council Member, Owner of Downtown Hardware	Supplies	$ 4,805
Greg Geels, Council Member, Owner of Vogel Paint and Glass, Inc.	Supplies	806

The transactions with Mr. Geels do not appear to be a conflict of interest since the total paid to his business was less than $1,500.

The transactions with Mr. Hindt may represent a conflict of interest since the total paid to his business was more than $1,500 and competitive bidding was not utilized.

Recommendation - The City should use the competitive bidding process when practical.

Response - These transactions were for normal expenses. The City will monitor spending and use competitive bidding when practical.

Conclusion - Response accepted.

16-II-E Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

Part II: Other Findings Related to Required Statutory Reporting - Continued

16-II-F Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

16-II-G Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

16-II-H Revenue Notes - No noncompliance with revenue note provisions were noted.

16-II-I Urban Renewal Annual Report - The urban renewal report for the fiscal year ended June 30, 2015 was approved and certified to the Iowa Department of Management by December 1, 2015. We noted that the City understated the June 30, 2014 debt balance by $580,443. Two internal loans were not included in the June 30, 2014 balance. This resulted in the ending balance at June 30, 2015 being understated by $580,443.

Recommendation - The City should correct this error on future reports.

Response - This error was corrected on the June 30, 2016 report.

Conclusion - Response accepted.

16-II-J Economic Development - We noted that the City paid the Sheldon Chamber and Development Corporation (SCDC) $40,000 from tax increment financing revenues, $135,084 from hotel/motel tax, and $10,000 from local option sales tax.

In addition, we noted that the City paid the O'Brien County Economic Development Corporation $5,811 from tax increment financing revenues.

It appears the City properly evaluated the public purpose and requires documentation of how the funds were used.