

SHENANDOAH COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS

JUNE 30, 2005

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Shenandoah Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Ken Lee	President	2006
Margaret Brady	Vice-President	2006
Marla Hart	Board Member	2005
Martin Maher	Board Member	2005
Roger Jones	Board Member	2004
Board of Education (After September 2004 Election)		
Margaret Brady	President	2006
Ken Lee	Vice President	2006
Roger Jones	Board Member	2007
Martin Maher	Board Member	2005
Marla Hart	Board Member	2005
School Officials		
Dick Profit	Superintendent	2005
Shirley Lundgren	Board Secretary/ Business Manager	2005
Jeffrey A. Krausman	Attorney	2005

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Shenandoah Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shenandoah Community School District, Shenandoah, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Shenandoah Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated October 7, 2005 on our consideration of Shenandoah Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 39 through 41 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shenandoah Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

NOLTE, CORNMAN & JOHNSON, P.C.

October 7, 2005

Management Discussion and Analysis

The discussion and analysis of Shenandoah Community School District's financial performance provides an overall review of the School District's financial activities, identifies changes in financial position and focuses on significant financial issues for the fiscal year ending June 30, 2005.

This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues and expenditures by program for the General Fund, Management Fund, Capital Projects Fund, Debt Service Fund, Internal Services Fund, PPEL Fund, Activity Fund, Trust Fund and Nutrition Fund.

This reporting model offers a narrative overview and analysis of the school district's financial performance during the fiscal year. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Since the MD&A provides summary level financial information, readers are encouraged to consider this information with the basic financial statements to understand the School District's financial performance.

FINANCIAL HIGHLIGHTS

- ◆ General Fund revenues increased from \$7,131,276 in fiscal year 2004 to \$7,538,998 in fiscal year 2005, while General Fund expenditures increased from \$7,246,481 in fiscal year 2004 to \$7,435,383 in fiscal year 2005. This resulted in an increase in the District's General Fund balance from \$1,330,782 in fiscal year 2004 to \$1,435,547 fiscal year 2005.
- ◆ The increase in general fund revenues was due to an increase in state aid received. We received 3,831,876 in state aid, which is an increase of 390,244 from the previous year.
- ◆ For the first time in two years, the state did not reduce revenues by an across the board reduction.
- ◆ This is the first year for the Board approved Instructional Support Levy is which increased the District's spending authority by \$403,402. The Levy is funded by state aid, property tax and income surtax. An additional \$42,944 was generated by state aid and was generated by property tax. The income surtax revenues will be received in fiscal year 2006.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The financial statements provide insights into the results of this year's operations. This annual report includes this management's discussion and analysis report, the independent auditor's report, and the basic financial statements of the District as a financial whole, an entire operating entity.

The Statement of Net Assets provides information about the activities of the School District as a whole, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the school district's

most significant funds with all other non-major funds presented in total in one column. For Shenandoah Community School District, the general fund is the most significant fund. The PPEL and Debt Service funds are also significant funds.

The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail than the government-wide statements

The statements for governmental fund statements explain how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The statements for proprietary fund statements offer short-term and long-term financial information about the activities the district operates like businesses, such as food service.

The statements for fiduciary fund statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

A government-wide financial statement is the statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net assets presents the financial condition of the governmental activities of the district at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

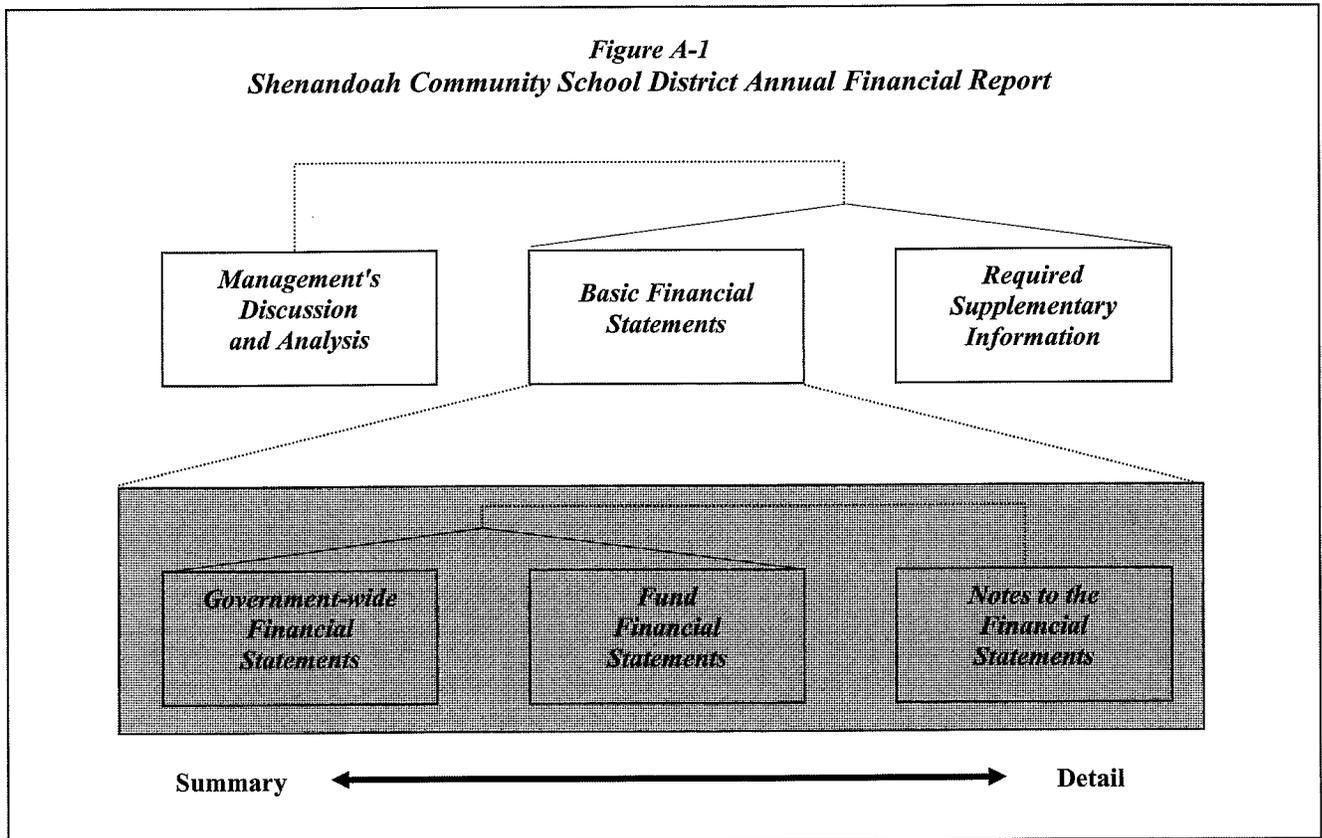


Figure A-2 on the next page summarizes the major features of the government-wide and fund financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and content of each of the statements.

Figure A-2: Major Features of the District Wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of activities 	<ul style="list-style-type: none"> ◆ Balance sheet ◆ Statement of expenditures, revenues, and changes in fund balances 	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of cash flows 	<ul style="list-style-type: none"> ◆ Statement of fiduciary net assets ◆ Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS -- REPORTING THE DISTRICT AS A WHOLE

One of the most important questions that can be asked about the school district is if it is better off or worse off financially than it was a year ago. The government-wide statements report information on the school district as a whole and include all assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenditures regardless of when the cash is received or paid.

The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities are one way to measure the School District's financial health or position. The change in net assets is important because it tells the reader that, for the School District as a whole, if the financial position has improved or diminished. Over time, increases or decreases in the School District's net assets are one indicator of whether its financial health is improving or deteriorating. The causes of this change may be the result of many factors, some financial and some not. The School District's goal is to provide services to our students, not to generate profits as commercial entities do. Therefore, to assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base, the condition of school buildings and other facilities, the quality of the education provided and the safety of the schools. All of these factors are used to assess the overall health of the School District.

Governmental Activities – Most of the school district's services are reported here, including regular and special education instruction, support, plant and transportation services. Property taxes, state foundation, categorical grants, and state and federal grants finance most these activities.

Business Type Activities – These funds are used to account for services provided to school districts where all or most of the costs are recovered through services charged to the users of such services, or from transfers from other funds. The district's food service program would be included here.

FUND FINANCIAL STATEMENTS -- REPORTING THE DISTRICT BY FUNDS

The School District's fund financial statements provide more detailed information about the School District's most significant or "major" funds – not the school district as a whole. The School District uses many funds to account for a multitude of financial transactions. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The funds are established 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. Some funds are required by State law and some by bond covenants. The School District's major governmental funds are the General Fund, the Debt Service Fund, the Capital Projects Fund and the Physical Plant and Equipment Fund.

The District has three types of funds – Governmental funds, Proprietary funds and Fiduciary funds.

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. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the School District’s general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The District’s governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

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 statements. The District’s enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District has one enterprise fund, the School Nutrition Fund. The District also has one Internal Service Fund used to account for employee flex benefit activities. The Internal Service Fund is blended in the government-wide statements in the Governmental Activities.

Fiduciary funds: The district is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust. Private-Purpose Trust funds accounts for outside donations to a school district for a specific purpose. The district is responsible for ensuring that the assets reported in these 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.

NET ASSETS

The Statement of Net Assets provides the summary of the School District as a whole.

Figure A-3 on the following page provides a summary of the District’s net assets for the year ended June 30, 2005 totaling over \$8.9 million government-wide.

Unrestricted net assets of \$1,548,622 represent the accumulated results of all past year’s operations of governmental activities. It means that if we had to pay off all of our bills today, including all of our liabilities, we would have \$1,548,622 left.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 8,445,506	7,371,961	98,080	90,708	8,543,586	7,462,669	14.48%
Capital assets	14,219,986	14,001,874	83,745	65,228	14,303,731	14,067,102	1.68%
Total assets	22,665,492	21,373,835	181,825	155,936	22,847,317	21,529,771	6.12%
Long-term obligations	9,835,650	9,134,300	0	0	9,835,650	9,134,300	7.68%
Other liabilities	4,053,509	3,754,631	2,915	2,613	4,056,424	3,757,244	7.96%
Total liabilities	13,889,159	12,888,931	2,915	2,613	13,892,074	12,891,544	7.76%
Net assets:							
Invested in capital assets, net of related debt	6,559,940	5,947,809	83,745	65,228	6,643,685	6,013,037	10.49%
Restricted	667,771	1,304,513	0	0	667,771	1,304,513	-48.81%
Unrestricted	1,548,622	1,232,582	95,165	88,095	1,643,787	1,320,677	24.47%
Total net assets	\$ 8,776,333	8,484,904	178,910	153,323	8,955,243	8,638,227	3.67%

CHANGES IN NET ASSETS

Figure A-4 on the next page shows the changes in net assets for the year ended June 30, 2005.

In Figure A-4 property tax, local option sales and services tax and unrestricted state grants account for 77% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 83% of the total expenses.

Revenues increased because of the instruction support levy, increased donations, teacher compensation and early childhood revenues and additional open enrollment tuition income.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 746,658	833,013	195,494	186,761	942,152	1,019,774	-7.61%
Operating grants and contributions and restricted interest	918,752	997,953	218,045	198,030	1,136,797	1,195,983	-4.95%
Capital grants and contributions and restricted interest	0	3,534	0	0	0	3,534	-100.00%
General revenues:							
Property tax	3,078,472	3,213,911	0	0	3,078,472	3,213,911	-4.21%
Local option sales and services tax	455,718	511,728	0	0	455,718	511,728	100.00%
Unrestricted state grants	3,835,198	3,444,697	0	0	3,835,198	3,444,697	11.34%
Other	70,880	24,537	1,177	338	72,057	24,875	189.68%
Total revenues	9,105,678	9,029,373	414,716	385,129	9,520,394	9,414,502	1.12%
Program expenses:							
Governmental activities:							
Instructional	5,410,059	5,383,494	0	0	5,410,059	5,383,494	0.49%
Support services	2,251,568	1,850,460	0	0	2,251,568	1,850,460	21.68%
Non-instructional programs	20,236	15,310	389,129	351,176	409,365	366,486	11.70%
Other expenses	1,132,386	1,124,752	0	0	1,132,386	1,124,752	0.68%
Total expenses	8,814,249	8,374,016	389,129	351,176	9,203,378	8,725,192	5.48%
Changes in net assets	291,429	655,357	25,587	33,953	317,016	689,310	-54.01%
Beginning net assets	8,484,904	7,829,547	153,323	119,370	8,638,227	7,948,917	8.67%
Ending net assets	\$ 8,776,333	8,484,904	178,910	153,323	8,955,243	8,638,227	3.67%

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$9,105,678 while expenditures were \$8,814,249. Total expenditures increased due to the increase in salaries and benefits.

Figure A-5 on the next page presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 5,410,059	4,035,567
Support services	2,251,568	2,247,314
Non-instructional programs	20,236	20,236
Other expenses	1,132,386	845,722
Totals	\$ 8,814,249	7,148,839

Figure A-4 and Figure A-5 on the previous page shows:

- ◆ The cost financed by users of the District's programs was \$746,658.
 - ◆ Federal and state governments subsidized certain programs with grants and contributions totaling \$918,752.
 - ◆ The net cost of governmental activities was financed with \$3,078,472 in property tax, \$455,718 in local option sales and services tax, \$3,835,198 in unrestricted state grants and \$69,730 in interest income.
 - ◆ A K-5 self contained special education program was started.
-

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities were \$414,716 while expenditures were \$389,129. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the school nutrition program purchased a walk in freezer at the PK-8 building. Breakfast participation increased at the PK-8 building.

GOVERNMENTAL AND PROPRIETARY FUND HIGHLIGHTS

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

The strong financial performance of the District as a whole is reflected in the governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,287,592, above last year's ending fund balance of \$3,510,269.

Governmental Fund Highlights:

The District's general fund financial position is a product of many factors.

- ◆ The General Fund balance increased from \$1,330,782 to \$1,435,547 .
- ◆ Other factors that affected the fund balance were: Summer school; gasoline prices increased; hired additional Special Education teacher.

Proprietary Fund Highlights:

The School Nutrition Fund net assets increased from \$153,323 at June 30, 2004 to \$178,910 at June 30, 2005 or 16.7%. Breakfast participation increased this year.

BUDGETARY HIGHLIGHTS

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 its private-purpose trust funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget for all funds is prepared according on a GAAP basis. A schedule showing the original and

final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented individually in the budgetary comparison on pages 39 and 40.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

The most significant budgeted fund is the General Fund.

- ◆ For the General Fund, the GAAP revenues were \$7,538,998 and the GAAP expenditures were \$7,435,383. The General Fund had an ending fund balance of \$1,435,547.

Another significant fund is the Physical Plant and Equipment Levy.

- ◆ For the PPEL fund, the GAAP revenues were \$363,155 and the GAAP expenditures were \$146,845. The PPEL fund had an ending fund balance of \$870,245.
- ◆ This year, out of the PPEL fund, some of the things the District purchased were a school bus; and the District started the HVAC project at the High School.

Another significant fund is the Capital Projects.

- ◆ For the Capital Projects fund, the GAAP revenues were \$458,284 and the GAAP expenditures were \$702,778. The Capital Projects fund had an ending fund balance of \$851,910.

Another significant fund is the Debt Service.

- ◆ For the Debt Service fund, the GAAP revenues were \$377,845 and the GAAP expenditures were \$805,397. The Debt Service fund had an ending fund balance of \$837,943.
- ◆ This year, out of the Debt Service fund, the school district paid debt interest and principal payments for the general obligation bond.

CAPITAL ASSETS

At June 30, 2005, the District had invested \$14,303,731, net of accumulated depreciation in a board range of capital assets, including land, buildings, athletic facilities, computers and transportation equipment. Governmental funds account for \$14,219,986 of the capital assets with the remainder of \$83,745 in the Proprietary, School Nutrition Fund. Depreciation expense for the year was \$489,476.

Figure A-6 presents the capital assets for the district.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Land	\$ 183,000	183,000	0	0	183,000	183,000	0.00%
Construction in progress	539,256	0	0	0	539,256	0	100.00%
Buildings	12,832,794	13,050,171	0	0	12,832,794	13,050,171	-1.69%
Land improvements	337,503	358,271	0	0	337,503	358,271	-6.15%
Machinery and equipment	327,433	410,432	83,745	65,228	411,178	475,660	-15.68%
Total	\$ 14,219,986	14,001,874	83,745	65,228	14,303,731	14,067,102	1.65%

LONG -TERM DEBT

As of June 30, 2005, the School District had \$9,835,650 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of 7.68% from last year.

There was \$7,160,000 in outstanding debt for the PK-8 building. The bonds are paid from property taxes and from Local Option Sales & Service tax monies. The debt is paid over 20 years and the last payment is made in 2020.

The School District had \$445,000 in outstanding debt for the street project for the PK-8 building. The assessment is paid from income surtax monies. The debt will be paid over 10 years with the last payment due in fiscal year 2012.

The School District had \$1,085,000 in outstanding debt for Revenue Bonds for the HVAC project at the high school. The bonds are paid from local option sales and service tax monies. The debt will be paid over five years with the final payment due in fiscal year 2011.

The School District had \$1,000,000 in outstanding debt for the Quality Zone Academy Bonds. The bonds are paid from the QZAB principal and interest and are backed by the income surtax monies. The debt is paid over 9 years with the last payment due in fiscal year 2011.

The School District had \$33,221 in an outstanding lease for a 2002 school bus. The lease is paid for from the PPEL Fund. The lease is paid in arrears with the last payment due in fiscal year 2008.

The School District had \$23,494 in outstanding debt for early retirements from past years. The early retirements are paid for from the Management Fund.

The School District had \$88,935 in outstanding debt for compensated absences from the current year. The compensated absences are paid for from the General Fund.

Figure A-7 presents the outstanding long-term debt for the district.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 7,160,000	7,455,000	-4.0%
Revenue bonds	1,085,000	0	100.0%
QZAB	1,000,000	1,000,000	0.0%
Street assessment	445,000	505,000	-11.9%
Bus lease	33,221	43,084	-22.9%
Compensated absences	88,935	87,390	1.8%
Early Retirement	23,494	43,826	-46.4%
Totals	<u>\$ 9,835,650</u>	<u>9,134,300</u>	<u>7.7%</u>

FACTORS THAT IMPACT THE DISTRICT'S FUTURE

The Shenandoah Community School District is proud of the generous community support of the public schools.

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

The enrollment increased for the second time in nine years and the number of students opened enrolled in is slightly higher than the number of students opened enrolled out.

Concerns that remain in the forefront of the minds of the administration and Board of Directors are the escalating health insurance costs.

CONTACTING THE SCHOOL DISTRICT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Shenandoah Community School District's finances and to demonstrate the School District's accountability for the monies it receives. If you have questions about this report or should desire additional detailed financial program audits they can be obtained by contacting: Shirley Lundgren, Business Manager, Shenandoah Community School District, 304 W. Nishna Road, Shenandoah, IA 51601.

BASIC FINANCIAL STATEMENTS

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
Other	\$ 5,103,234	94,097	5,197,331
Receivables:			
Property tax:			
Delinquent	35,571	0	35,571
Succeeding year	2,926,545	0	2,926,545
Income surtax	217,484	0	217,484
Accounts	9,906	31	9,937
Due from other governments	151,768	0	151,768
Inventories	998	3,952	4,950
Capital assets, net of accumulated depreciation (Note 5)	14,219,986	83,745	14,303,731
TOTAL ASSETS	22,665,492	181,825	22,847,317
LIABILITIES			
Accounts payable	274,809	0	274,809
Salaries and benefits payable	710,633	0	710,633
Accrued interest payable	116,617	0	116,617
Deferred revenue:			
Succeeding year property tax	2,926,545	0	2,926,545
Other	24,905	2,915	27,820
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	315,000	0	315,000
Street assessment payable	60,000	0	60,000
Bus lease payable	10,445	0	10,445
Compensated absences	88,935	0	88,935
Early retirement payable	19,434	0	19,434
Portion due after one year:			
General obligation bonds payable	6,845,000	0	6,845,000
QZAB payable	1,000,000	0	1,000,000
Revenue bonds payable	1,085,000	0	1,085,000
Street assessment payable	385,000	0	385,000
Bus lease payable	22,776	0	22,776
Early retirement payable	4,060	0	4,060
TOTAL LIABILITIES	13,889,159	2,915	13,892,074
NET ASSETS			
Investment in capital assets, net of related debt	6,559,940	83,745	6,643,685
Restricted for:			
Management levy	182,265	0	182,265
Physical plant and equipment levy	380,306	0	380,306
Special purposes by the board	18,136	0	18,136
Inventories	876	0	876
Other special revenue purposes	86,188	0	86,188
Unrestricted	1,548,622	95,165	1,643,787
TOTAL NET ASSETS	\$ 8,776,333	178,910	8,955,243

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,298,370	626,677	631,014
Special instruction	1,053,146	116,801	0
Other instruction	1,058,543	0	0
	<u>5,410,059</u>	<u>743,478</u>	<u>631,014</u>
Support services:			
Student services	169,318	0	0
Instructional staff services	349,654	0	0
Administration services	647,203	0	0
Operation and maintenance of plant services	765,970	0	0
Transportation services	319,423	3,180	1,074
	<u>2,251,568</u>	<u>3,180</u>	<u>1,074</u>
Non-instructional programs:			
Food service operations	20,236	0	0
Other expenditures:			
Facilities and acquisitions	13,427	0	0
Long-term debt interest	444,055	0	0
AEA flowthrough	286,664	0	286,664
Depreciation (unallocated) *	388,240	0	0
	<u>1,132,386</u>	<u>0</u>	<u>286,664</u>
Total governmental activities	8,814,249	746,658	918,752
Business-Type activities:			
Non-instructional programs:			
Nutrition services	389,129	195,494	218,045
Total business-type activities	<u>389,129</u>	<u>195,494</u>	<u>218,045</u>
Total	\$ <u>9,203,378</u>	<u>942,152</u>	<u>1,136,797</u>

General Revenues:

Local tax for:

- General purposes
- Debt Service
- Capital outlay
- Local option sales and services tax

Unrestricted state grants
Unrestricted investment earnings
Sale of equipment

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(2,040,679)	0	(2,040,679)
(936,345)	0	(936,345)
(1,058,543)	0	(1,058,543)
(4,035,567)	0	(4,035,567)
(169,318)	0	(169,318)
(349,654)	0	(349,654)
(647,203)	0	(647,203)
(765,970)	0	(765,970)
(315,169)	0	(315,169)
(2,247,314)	0	(2,247,314)
(20,236)	0	(20,236)
(13,427)	0	(13,427)
(444,055)	0	(444,055)
0	0	0
(388,240)	0	(388,240)
(845,722)	0	(845,722)
(7,148,839)	0	(7,148,839)
0	24,410	24,410
0	24,410	24,410
(7,148,839)	24,410	(7,124,429)
\$ 2,373,395	0	2,373,395
358,276	0	358,276
346,801	0	346,801
455,718	0	455,718
3,835,198	0	3,835,198
69,730	1,177	70,907
1,150	0	1,150
7,440,268	1,177	7,441,445
291,429	25,587	317,016
8,484,904	153,323	8,638,227
\$ 8,776,333	178,910	8,955,243

SHENANDOAH COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS						
Cash and pooled investments						
Other	\$ 2,094,659	868,838	1,012,227	833,539	290,433	5,099,696
Receivables:						
Property tax:						
Delinquent	27,759	1,407	0	4,404	2,001	35,571
Succeeding year	2,353,541	85,675	0	412,329	75,000	2,926,545
Income surtax	0	217,484	0	0	0	217,484
Accounts	8,933	0	0	0	973	9,906
Interfund	438	0	0	0	0	438
Inventories	876	0	0	0	122	998
Due from other governments	83,317	0	68,451	0	0	151,768
TOTAL ASSETS	\$ 4,569,523	1,173,404	1,080,678	1,250,272	368,529	8,442,406
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund payable	\$ 0	0	0	0	438	438
Accounts payable	44,897	0	228,768	0	1,144	274,809
Salaries and benefits payable	710,633	0	0	0	0	710,633
Deferred revenue:						
Succeeding year property tax	2,353,541	85,675	0	412,329	75,000	2,926,545
Income surtax	0	217,484	0	0	0	217,484
Other	24,905	0	0	0	0	24,905
Total liabilities	3,133,976	303,159	228,768	412,329	76,582	4,154,814
Fund balances:						
Reserved for:						
Debt service	0	0	0	837,943	0	837,943
Special purposes by the Board	18,136	0	0	0	0	18,136
Inventories	876	0	0	0	0	876
Unreserved:						
General	1,416,535	0	0	0	0	1,416,535
Management	0	0	0	0	205,759	205,759
Capital Projects	0	0	851,910	0	0	851,910
Physical plant and equipment levy	0	870,245	0	0	0	870,245
Other special revenue purposes	0	0	0	0	86,188	86,188
Total fund balances	1,435,547	870,245	851,910	837,943	291,947	4,287,592
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,569,523	1,173,404	1,080,678	1,250,272	368,529	8,442,406

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances of governmental funds (page 19)	\$ 4,287,592
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	14,219,986
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	3,538
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	217,484
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(116,617)
Long-term liabilities, including early retirement and general obligation bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,835,650)</u>
Net assets of governmental activities (page 16)	<u><u>\$ 8,776,333</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 2,216,105	346,801	455,718	358,685	158,884	3,536,193
Tuition	340,218	0	0	0	0	340,218
Other	229,451	16,223	2,566	19,160	208,770	476,170
State sources	4,418,928	131	0	0	186	4,419,245
Federal sources	334,296	0	0	0	0	334,296
Total revenues	7,538,998	363,155	458,284	377,845	367,840	9,106,122
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	3,229,940	0	0	0	71,618	3,301,558
Special instruction	1,053,146	0	0	0	0	1,053,146
Other instruction	881,384	0	0	0	177,159	1,058,543
	5,164,470	0	0	0	248,777	5,413,247
Support services:						
Student services	169,318	0	0	0	0	169,318
Instructional staff services	349,654	0	0	0	0	349,654
Administration services	642,190	0	0	0	0	642,190
Operation and maintenance of plant services	563,832	146,845	0	0	57,122	767,799
Transportation services	239,019	0	0	0	18,647	257,666
	1,964,013	146,845	0	0	75,769	2,186,627
Non-instructional programs	20,236	0	0	0	0	20,236
Other expenditures:						
Facilities acquisitions	0	0	702,778	0	0	702,778
Long-term debt:						
Principal	0	0	0	364,863	0	364,863
Interest and fiscal charges	0	0	0	440,534	0	440,534
AEA flowthrough	286,664	0	0	0	0	286,664
	286,664	0	702,778	805,397	0	1,794,839
Total expenditures	7,435,383	146,845	702,778	805,397	324,546	9,414,949
Excess(deficiency) of revenues over(under) expenditures	103,615	216,310	(244,494)	(427,552)	43,294	(308,827)
Other financing sources(uses):						
Revenue bonds issued	0	0	1,085,000	0	0	1,085,000
Operating transfers in	0	0	65,378	356,279	0	421,657
Operating transfers out	0	(257,868)	(163,789)	0	0	(421,657)
Sale of equipment	1,150	0	0	0	0	1,150
Total other financing sources(uses)	1,150	(257,868)	986,589	356,279	0	1,086,150
Net change in fund balances	104,765	(41,558)	742,095	(71,273)	43,294	777,323
Fund balance beginning of year	1,330,782	911,803	109,815	909,216	248,653	3,510,269
Fund balance end of year	\$ 1,435,547	870,245	851,910	837,943	291,947	4,287,592

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2005

Net change in fund balances - total governmental funds (page 21)	\$	777,323
 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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 697,458	
Depreciation expense	<u>(479,346)</u>	218,112
 Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		2,459
 Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:		
Issued	(1,085,000)	
Repaid	<u>364,863</u>	(720,137)
 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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		(3,521)
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(1,594)
 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.		
Compensated absences	(1,545)	
Early retirement	<u>20,332</u>	<u>18,787</u>
 Changes in net assets of governmental activities (page 18)	 \$	 <u><u>291,429</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	Business-Type Activities	
	Enterprise: Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 94,097	3,538
Accounts receivable	31	0
Inventories	3,952	0
Capital assets, net of accumulated depreciation(Note 5)	83,745	0
TOTAL ASSETS	<u>181,825</u>	<u>3,538</u>
LIABILITIES		
Deferred revenue:		
Other	2,915	0
TOTAL LIABILITIES	<u>2,915</u>	<u>0</u>
NET ASSETS		
Investment in capital assets, net of related debt	83,745	0
Unrestricted	95,165	3,538
TOTAL NET ASSETS	<u>\$ 178,910</u>	<u>3,538</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 195,494	29,860
TOTAL OPERATING REVENUES	<u>195,494</u>	<u>29,860</u>
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	116,910	0
Benefits	15,618	27,401
Services	9,829	0
Supplies	233,189	0
Other	3,453	0
Depreciation	10,130	0
TOTAL OPERATING EXPENSES	<u>389,129</u>	<u>27,401</u>
OPERATING INCOME (LOSS)	<u>(193,635)</u>	<u>2,459</u>
NON-OPERATING REVENUES:		
State sources	5,369	0
Federal sources	212,676	0
Interest on investments	1,177	0
TOTAL NON-OPERATING REVENUES	<u>219,222</u>	<u>0</u>
Change in net assets	25,587	2,459
Net assets beginning of year	<u>153,323</u>	<u>1,079</u>
Net assets end of year	<u>\$ 178,910</u>	<u>3,538</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type Activites:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 193,700	0
Cash received from miscellaneous	2,101	29,860
Cash payments to employees for services	(132,528)	(27,401)
Cash payments to suppliers for goods or services	(225,064)	0
Net cash provided by(used in) operating activities	<u>(161,791)</u>	<u>2,459</u>
Cash flows from non-capital financing activities:		
State grants received	5,369	0
Federal grants received	190,637	0
Net cash provided by non-capital financing activities	<u>196,006</u>	<u>0</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(28,647)	0
Net cash used in capital and related financing activities	<u>(28,647)</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	1,177	0
Net cash provided by investing activities	<u>1,177</u>	<u>0</u>
Net increase in cash and cash equivalents	6,745	2,459
Cash and cash equivalents at beginning of year	<u>87,352</u>	<u>1,079</u>
Cash and cash equivalents at end of year	<u>\$ 94,097</u>	<u>3,538</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income (loss)	\$ (193,635)	2,459
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities consumed	22,039	0
Depreciation	10,130	0
Increase in inventories	(596)	0
Increase in accounts receivable	(31)	0
Decrease in accounts payable	(36)	0
Increase in deferred revenue	338	0
Net cash provided by(used in) operating activities	<u>\$ (161,791)</u>	<u>2,459</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	<u>\$ 94,097</u>	<u>3,538</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2005, the District received Federal commodities valued at \$22,039.		

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2005

		Private Purpose Trust
		Scholarship
ASSETS		
Cash and pooled investments	\$	257,016
Accounts receivable		64
		257,080
LIABILITIES		0
NET ASSETS		
Reserved for scholarships	\$	257,080

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2005

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and contributions	\$ 1,027
Interest on investments	4,393
Total additions	5,420
Deductions:	
Scholarships awarded	3,331
Change in net assets	2,089
Net assets beginning of year	254,991
Net assets end of year	\$ 257,080

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(1) **Summary of Significant Accounting Policies**

The Shenandoah Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the city of Shenandoah, Iowa, and the predominate agricultural territory in Page, Fremont, Montgomery and Mills Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Page, Fremont, Montgomery and Mills Counties Assessors' Conference Board.

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Physical Plant and Equipment Levy Fund is utilized to account for equipment purchases as well as capital improvements.

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

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

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The

Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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

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

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 compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations; Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at 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, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

Asset Class	Amount
Land	\$ 3,000
Buildings	3,000
Land improvements	3,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current

period. Deferred revenue in the governmental fund financial statements 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 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 and the Treasurer of the State of Iowa; 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, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 3,253,400</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rate Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Student Activity	\$ 438

(4) Transfers

The detail of transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	PPEL	\$ 192,948
Debt Service	Capital Projects	163,331
Capital Projects	PPEL	64,920
Total		\$ 421,199

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 183,000	0	0	183,000
Construction in progress	0	539,256	0	539,256
Total capital assets not being depreciated	183,000	539,256	0	722,256
Capital assets being depreciated:				
Buildings	17,767,605	142,220	0	17,909,825
Land improvements	630,064	7,875	0	637,939
Machinery and equipment	1,310,513	8,107	76,909	1,241,711
Total capital assets being depreciated	19,708,182	158,202	76,909	19,789,475
Less accumulated depreciation for:				
Buildings	4,717,434	359,597	0	5,077,031
Land improvements	271,793	28,643	0	300,436
Machinery and equipment	900,081	91,106	76,909	914,278
Total accumulated depreciation	5,889,308	479,346	76,909	6,291,745
Total capital assets being depreciated, net	13,818,874	(321,144)	0	13,497,730
Governmental activities capital assets, net	\$ 14,001,874	218,112	0	14,219,986

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 156,524	28,647	3,407	181,764
Less accumulated depreciation	91,296	10,130	3,407	98,019
Business-type activities capital assets, net	\$ 65,228	18,517	0	83,745

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 21,065
Support services:			
Administration			5,013
Operation and maintenance of plant services			3,271
Transportation			61,757
			<u>91,106</u>
Unallocated depreciation			<u>388,240</u>
Total governmental activities depreciation expense			<u>\$ 479,346</u>
Business-type activities:			
Food services			\$ 10,130
Total business-type activities depreciation expense			<u>\$ 10,130</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 7,455,000	0	295,000	7,160,000	315,000
Revenue bonds	0	1,085,000	0	1,085,000	0
QZAB	1,000,000	0	0	1,000,000	0
Street assessment	505,000	0	60,000	445,000	60,000
Bus lease	43,084	0	9,863	33,221	10,445
Compensated absences	87,390	88,935	87,390	88,935	88,935
Early Retirement	43,826	0	20,332	23,494	19,434
Total	\$ 9,134,300	1,173,935	472,585	9,835,650	493,814

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated March 13, 2000		
	Principal	Interest	Total
2006	\$ 315,000	\$ 397,029	712,029
2007	330,000	377,733	707,733
2008	350,000	357,783	707,783
2009	375,000	336,333	711,333
2010	395,000	313,533	708,533
2011	415,000	291,802	706,802
2012	445,000	269,592	714,592
2013	465,000	245,437	710,437
2014	495,000	220,115	715,115
2015	515,000	192,789	707,789
2016	545,000	164,115	709,115
2017	575,000	133,727	708,727
2018	610,000	101,250	711,250
2019	645,000	66,530	711,530
2020	685,000	29,355	714,355
Total	\$ 7,160,000	3,497,123	10,657,123

Revenue Bonds

Details of the District's June 30, 2005 revenue bonded indebtedness is as follows:

Year Ending June 30,	Issue dated May 13, 2005			
	Interest Rate	Principal	Interest	Total
2006	-	\$ -	42,315	42,315
2007	3.90	200,000	38,415	238,415
2008	3.90	210,000	30,420	240,420
2009	3.90	215,000	22,132	237,132
2010	3.90	225,000	13,553	238,553
2011	3.90	235,000	4,582	239,582
Total		\$ 1,085,000	109,102	1,194,102

Quality Zone Academy Bonds Payable

During the year ended June 30, 2002, the District issued zero interest Quality Zone Academy Bonds (QZAB). Annual transfers from the Capital Projects Fund to a Debt Sinking Fund will be made to pay the indebtedness due November 13, 2011, of \$1,000,000.

Street Assessment Payable

Details of the District's June 30, 2005 street assessment payable indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 60,000	\$ 20,088	80,088
2007	60,000	17,838	77,838
2008	65,000	15,438	80,438
2009	65,000	12,675	77,675
2010	65,000	9,750	74,750
2011	65,000	6,663	71,663
2012	65,000	3,412	68,412
Total	\$ 445,000	85,864	530,864

Bus Lease Payable

Details of the District's June 30, 2005 bus lease payable indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 10,445	\$ 1,960	12,405
2007	11,062	1,344	12,406
2008	11,714	691	12,405
Total	\$ 33,221	3,995	37,216

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age 58 but may not surpass age 62 on or before June 30 of the year in which the employee wishes to retire and employees must have completed at least ten years of full-time service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentive is \$10,000. The District did not have an early retirement policy for FY 05. It is a policy that ends each year at June 30th and the board looks at it each fall to see if it will be offered on a year to year basis.

Early retirement benefits paid during the year ended June 30, 2005 totaled \$20,332 from the Special Revenue Fund, Management Levy. The cost of early retirement payments expected to be liquidated currently are recorded as a liability in the government-wide Statement of Net Assets representing the District's commitments to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$268,885, \$257,407, and \$247,127 respectively, equal to the required contributions for each year.

(8) Risk Management

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

(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 \$286,664 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 4,352,581	196,671
Intermediate sources	0	0
State sources	4,419,245	5,369
Federal sources	334,296	212,676
Total revenues	<u>9,106,122</u>	<u>414,716</u>
Expenditures:		
Instruction	5,413,247	0
Support services	2,186,627	0
Non-instructional programs	20,236	389,129
Other expenditures	1,794,839	0
Total expenditures	<u>9,414,949</u>	<u>389,129</u>
Excess(deficiency) of revenues over(under) expenditures	(308,827)	25,587
Other financing sources, net	<u>1,086,150</u>	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures	777,323	25,587
Balance beginning of year	<u>3,510,269</u>	<u>153,323</u>
Balance end of year	<u>\$ 4,287,592</u>	<u>178,910</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
4,549,252	4,605,311	4,605,311	(56,059)
0	35,000	35,000	(35,000)
4,424,614	4,464,842	4,464,842	(40,228)
546,972	875,000	875,000	(328,028)
9,520,838	9,980,153	9,980,153	(459,315)
5,413,247	5,677,248	5,677,248	264,001
2,186,627	2,296,000	2,296,000	109,373
409,365	574,291	574,291	164,926
1,794,839	2,129,767	2,129,767	334,928
9,804,078	10,677,306	10,677,306	873,228
(283,240)	(697,153)	(697,153)	(413,913)
1,086,150	0	0	(1,086,150)
802,910	(697,153)	(697,153)	(1,500,063)
3,663,592	3,755,618	3,755,618	(92,026)
4,466,502	3,058,465	3,058,465	1,408,037

SHENANDOAH COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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 comparison for the General Fund and each major Special Revenue Fund.

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

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

OTHER SUPPLEMENTAL INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds			Total Special Revenue Funds
	Manage- ment	Student Activity	Expendable Trust	
ASSETS				
Cash and pooled investments	\$ 203,758	79,760	6,915	290,433
Receivables:				
Property tax:				
Current year delinquent	2,001	0	0	2,001
Succeeding year	75,000	0	0	75,000
Accounts	0	973	0	973
Inventories	0	122	0	122
TOTAL ASSETS	\$ 280,759	80,855	6,915	368,529
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 0	1,144	0	1,144
Interfund payable	0	438	0	438
Deferred revenue:				
Succeeding year property tax	75,000	0	0	75,000
	75,000	1,582	0	76,582
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	205,759	79,273	6,915	291,947
Total fund balances	205,759	79,273	6,915	291,947
TOTAL LIABILITIES AND FUND EQUITY	\$ 280,759	80,855	6,915	368,529

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds			Total Special Revenue Funds
	Manage- ment	Student Activity	Expendable Trust	
REVENUES:				
Local sources:				
Local tax	\$ 158,884	0	0	158,884
Other	26,338	178,067	4,365	208,770
State sources	186	0	0	186
TOTAL REVENUES	<u>185,408</u>	<u>178,067</u>	<u>4,365</u>	<u>367,840</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	71,618	0	0	71,618
Other instruction	0	175,659	1,500	177,159
Support services:				
Operation and maintenance of plant services	57,122	0	0	57,122
Student transportation	18,647	0	0	18,647
TOTAL EXPENDITURES	<u>147,387</u>	<u>175,659</u>	<u>1,500</u>	<u>324,546</u>
EXCESS OF REVENUES OVER EXPENDITURES	38,021	2,408	2,865	43,294
FUND BALANCE BEGINNING OF YEAR	<u>167,738</u>	<u>76,865</u>	<u>4,050</u>	<u>248,653</u>
FUND BALANCE END OF YEAR	<u>\$ 205,759</u>	<u>79,273</u>	<u>6,915</u>	<u>291,947</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Boys Basketball	\$ 0	7,662	7,662	0
MS Boys Basketball	0	460	460	0
Football	0	12,922	12,922	0
MS Football	0	979	979	0
Baseball	0	1,494	1,494	0
Boys Track	0	345	345	0
Boys Cross Country	0	928	928	0
Boys Tennis	0	25	25	0
Boys Golf	0	1,567	1,567	0
Wrestling	3,248	2,500	5,748	0
MS Wrestling	0	427	427	0
Girls Basketball	0	5,281	5,281	0
MS Girls Basketball	0	601	601	0
Volleyball	0	4,191	4,191	0
MS Volleyball	0	647	647	0
Softball	0	1,071	1,071	0
Girls Track	0	3,258	3,258	0
Girls Cross Country	0	786	786	0
Girls Golf	0	1,785	1,785	0
HS General Athletics	20,724	6,385	(4,221)	31,330
MS General Athletics	944	0	433	511
Athletic Tournaments	0	1,541	1,541	0
Annual	2,698	6,488	3,880	5,306
Cheerleaders	847	1,290	1,155	982
Class of 2005	3,801	63	3,353	511
Class of 2006	3,189	7,398	8,814	1,773
Class of 2007	812	1,378	264	1,926
Class of 2008	600	423	60	963
Concession Pop	(1,454)	10,186	8,732	0
FFA	3,360	14,851	13,345	4,866
FCCLA	1,313	970	1,648	635
Interest	593	198	689	102
Marching Mustangs	2,027	243	364	1,906
National Art Honor Society	65	1,948	1,724	289
National Honor Society	194	0	177	17
Pep Club	86	0	0	86
Investment Interest	1,085	630	1,085	630
Shen Basketball Boys	171	1,569	1,485	255
Shen Basketball Girls	47	3,666	3,713	0
Shen Boys Golf	1,102	1,607	1,470	1,239
Shen Boys Cross Country	510	237	558	189
Shen Boys Tennis	561	386	428	519
Shen Boys Track	506	0	292	214
Shen Football	1,623	10,692	11,103	1,212
Shen Girls Track	368	298	497	169
Shen Girls Tennis	344	740	764	320
Shen Girls Cross Country	1,182	1,217	1,771	628
Shen Singers	1,933	695	1,560	1,068

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Shen Softball	1,167	356	850	673
Shen Volleyball	71	1,450	1,215	306
Shen Weight Club	513	7,947	7,831	629
Shen Wrestlers	1,576	7,832	7,535	1,873
SHS Speech Club	1,848	1,476	2,110	1,214
Student Activity	0	4,410	4,410	0
Student Council	8,457	19,876	22,639	5,694
Shen Baseball	513	1,502	1,411	604
MS Annual	1,047	2,866	2,422	1,491
MS Cheerleaders	371	0	0	371
MS FCCLA	687	3,659	3,296	1,050
MS Weight Room	0	719	469	250
MS Leadership Academy	786	1,737	768	1,755
MS Marching Mustangs	2,692	1,497	1,901	2,288
MS Swing Choir	2,595	192	494	2,293
MS Pride Builders	1,481	520	865	1,136
Class of 2004	582	0	582	0
Total	\$ 76,865	178,067	175,659	79,273

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 3,536,193	3,754,560	3,841,094	4,072,011
Tuition	340,218	302,508	228,698	210,148
Other	476,170	555,042	359,445	692,032
Intermediate sources	0	36,106	32,480	32,587
State sources	4,419,245	4,041,618	4,124,883	4,175,215
Federal sources	334,296	368,460	355,722	347,062
Total	\$ 9,106,122	9,058,294	8,942,322	9,529,055
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,301,558	3,262,129	3,040,843	3,166,488
Special instruction	1,053,146	1,461,875	1,207,787	1,307,704
Other instruction	1,058,543	674,085	683,090	610,774
Support services:				
Student services	169,318	169,012	131,803	207,800
Instructional staff services	349,654	253,071	376,276	356,721
Administration services	642,190	662,371	665,375	676,769
Operation and maintenance of plant services	767,799	531,580	511,242	477,517
Transportation services	257,666	230,387	264,665	204,559
Non-instructional programs	20,236	15,310	11,530	18,314
Other expenditures:				
Facilities acquisitions	702,778	341,688	1,284,673	6,440,821
Long-term debt:				
Principal	364,863	344,314	331,480	245,000
Interest	440,534	460,083	457,521	464,170
AEA flow-through	286,664	287,741	308,801	309,593
Total	\$ 9,414,949	8,693,646	9,275,086	14,486,230

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	\$ <u>22,039</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	39,086
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	<u>151,551</u>
			<u>190,637</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6592-G	<u>181,964</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
	84.298	FY 05	<u>5,444</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 04	2,948
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 05	<u>67,095</u>
			<u>70,043</u>
SAFE AND DRUG-FREE SCHOOLS - STATES GRANTS			
	84.186	FY 05	<u>7050</u>
IOWA WESTERN COMMUNITY COLLEGE:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 05	<u>15,409</u>
LOESS HILLS AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
	84.027	FY 05	<u>57,334</u>
EISENHOWER PROFESSIONAL DEVELOPMENT STATE GRANTS			
	84.281	FY 05	<u>806</u>
TOTAL			<u>\$ 550,726</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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 the
Shenandoah Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Shenandoah Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

Compliance and Other Matters

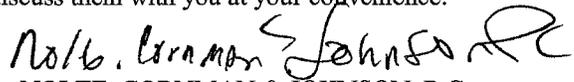
As part of obtaining reasonable assurance about whether Shenandoah Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have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

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 7, 2005

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the
Shenandoah Community School District:

Compliance

We have audited the compliance of Shenandoah Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Shenandoah Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Shenandoah Community School District's management. Our responsibility is to express an opinion on Shenandoah Community School District's compliance based on our audit.

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

In our opinion, Shenandoah Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

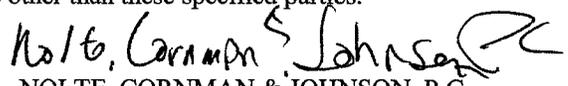
The management of Shenandoah Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Shenandoah Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in

our judgment, could adversely affect Shenandoah Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-05 is a material weakness.

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 7, 2005

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - Individual
 - CFDA Number 84.010 – Title I grants to Local Educational agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Shenandoah Community School District did not qualify as a low-risk auditee.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties amount employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - Personnel changes will allow us to have another person doing some of these duties.

Conclusion - Response accepted.

II-B-05 Computers Purchased from Student Activity Fund - We noted during our audit that several computers were purchased from the Student Activity Fund. Computers are not an appropriate expenditure from the Student Activity Fund. If students are fundraising for the computer purchases, the money raised should be placed in the General Fund where the purchase of computers would be an allowable expenditure.

Recommendation - The District should review its purchasing procedures to ensure that expenditures are being made from the correct funds.

Response - The District will review its purchasing procedures and to ensure that expenditures are made from the correct fund.

Conclusion - Response accepted.

II-C-05 Gate Admissions - The gate admissions were reconciled to pre-numbered tickets sold, however, the two controls have never balanced.

Recommendation - The District should review its gate reconciliation process and implement procedures to ensure controls are in place. Individuals taking tickets should be trained on the importance of the process and need for accuracy when selling, collecting and reconciling tickets to cash.

Response - The District has reviewed its gate reconciliation process. Ticket takers are receiving additional training.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 10.553 – School Nutrition Program
CFDA Number 10.555 – National School Lunch Program
Federal Award Year: 2005
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 – Title I – Grants to Local Educational Agencies
Federal Award Year: 2005
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties amount employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - Personnel changes will allow us to have another person doing some of these duties.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 did not exceed the certified budget amounts in the functional area.

IV-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-05 Business Transactions - Business transactions between the District and District Officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ken Lee, Board Member Officiated for the District	Purchased Services	\$725

According to Chapter 279.7A of the Code of Iowa, the above transactions with the board member do not appear to represent a conflict of interest.

IV-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.