

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

JUNE 30, 2009

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Shenandoah Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Margaret Brady	President	2009
Marty Maher	Vice President	2008
Brian Maxine	Board Member	2008
Keith Meyer	Board Member (Appointed)	2008
Lance Hensen	Board Member (Resigned)	2009
Dwight Mayer	Board Member	2010
Board of Education (After September 2008 Election)		
Brian Maxine	President	2011
Margaret Brady	Vice President	2009
William Sons	Board Member	2009
LeRoy Heatherington	Board Member	2011
Dwight Mayer	Board Member	2009 *
School Officials		
Dick Profit	Superintendent	2009
Shirley Lundgren	Business Manager and District Secretary (Resigned September 2008)	2009
Joyce Morgan	Business Manager and District Secretary (Appointed September 2008)	2009
Jeffrey A. Krausman	Attorney	2009

* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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, 2009, 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, 2009, 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 report dated March 2, 2010 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 38 through 39 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 seven years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2001 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, 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.

March 2, 2010

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, 2009.

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.

Comprehensive comparison to the prior year's data will be provided for all key financial information.

FINANCIAL HIGHLIGHTS

- ◆ General Fund revenues decreased from \$9,271,923 in fiscal year 2008 to \$9,270,686 in fiscal year 2009, while General Fund expenditures increased from \$9,390,401 in fiscal year 2008 to \$9,650,425 in fiscal year 2009. This resulted in a decrease in the District's General Fund balance from \$1,377,863 in fiscal year 2008 to \$998,124 fiscal year 2009, representing a decrease of 27.56%.
- ◆ The increase in general fund expenditures was due to an increase in salary and benefits, due to the payment of increased teacher compensation funds.
- ◆ The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 14.27% at June 30, 2008 to 9.58% at June 30, 2009. Although the District's solvency ratio decreased, it is still within the State School Budget Committee's recommendation of a solvency ratio of 5% - 10%.

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 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.

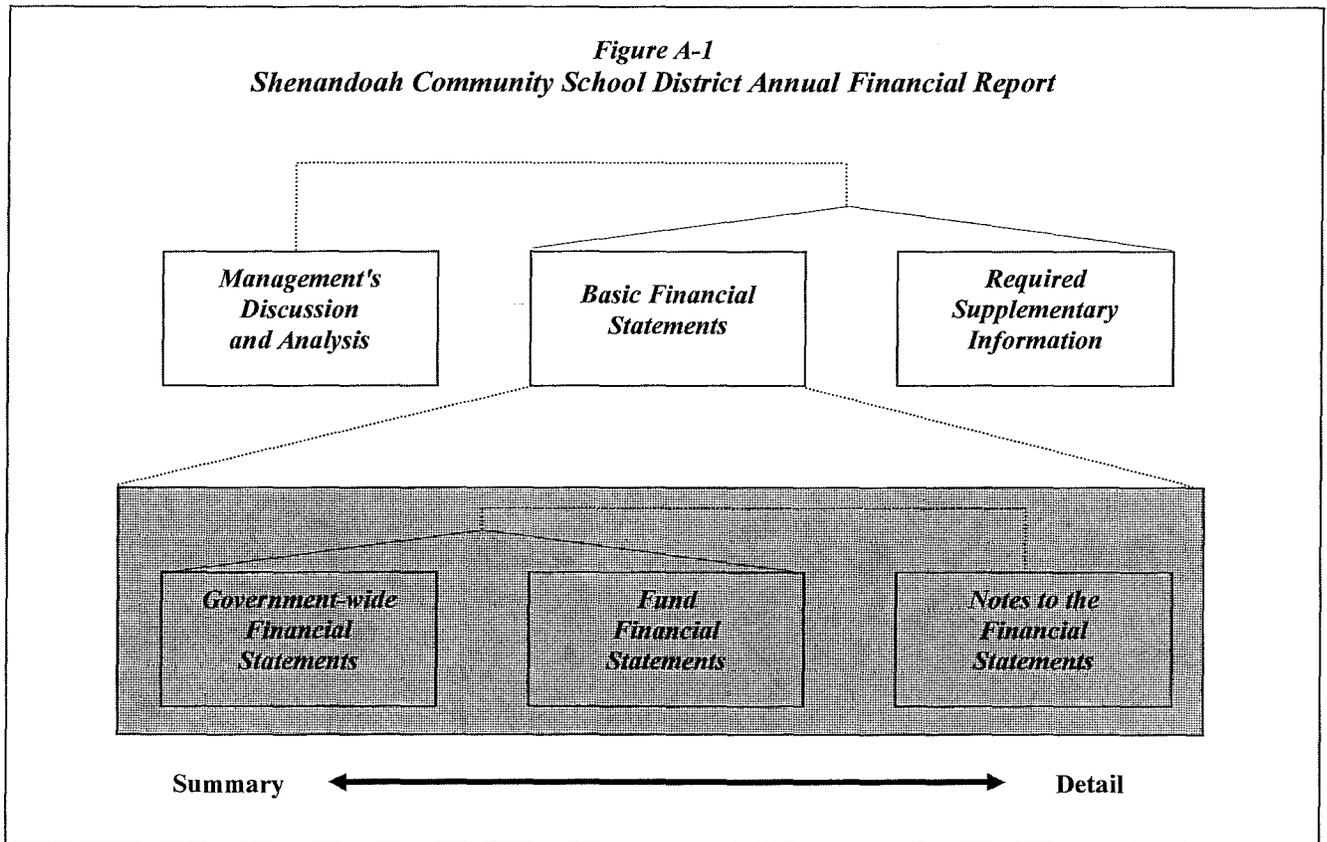


Figure A-2 on the next page summarizes the major features of the government-wide and fund financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights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

Figure A-2: Major Features of the Government 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. The accrual basis of accounting takes into accounts 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 is 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.

Fiduciary funds: The district is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds. Private-Purpose Trust funds accounts for outside donations to a school district for a specific purpose. Agency Funds are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. 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 provides a summary of the District's net assets for the year ended June 30, 2009 totaling nearly \$10.35 million in government-wide.

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 8,450,615	8,091,805	68,820	77,923	8,519,435	8,169,728	4.28%
Capital assets	14,224,505	14,729,594	86,691	94,439	14,311,196	14,824,033	-3.46%
Total assets	<u>22,675,120</u>	<u>22,821,399</u>	<u>155,511</u>	<u>172,362</u>	<u>22,830,631</u>	<u>22,993,761</u>	<u>-0.71%</u>
Long-term obligations	7,860,438	8,565,314	4,494	2,228	7,864,932	8,567,542	-8.20%
Other liabilities	4,608,241	4,150,023	8,514	9,300	4,616,755	4,159,323	11.00%
Total liabilities	<u>12,468,679</u>	<u>12,715,337</u>	<u>13,008</u>	<u>11,528</u>	<u>12,481,687</u>	<u>12,726,865</u>	<u>-1.93%</u>
Net assets:							
Invested in capital assets, net of related debt	6,484,505	6,259,594	86,691	94,439	6,571,196	6,354,033	3.42%
Restricted	2,550,541	2,512,670	0	0	2,550,541	2,512,670	1.51%
Unrestricted	1,171,395	1,333,798	55,812	66,395	1,227,207	1,400,193	-12.35%
Total net assets	<u>\$ 10,206,441</u>	<u>10,106,062</u>	<u>142,503</u>	<u>160,834</u>	<u>10,348,944</u>	<u>10,266,896</u>	<u>0.80%</u>

The District's combined net assets increased by 0.80%, or \$82,048, compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$37,871, or 1.51% over the prior year. The increase in restricted net assets can be attributed in part to the increase in fund balance for the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$172,986, or 12.35%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance. Although the General Fund balance decreased during the year, if we had to pay off all of our bills today, including all of our liabilities, we would have \$1,171,395 left.

CHANGES IN NET ASSETS

Figure A-4 shows the changes in net assets for the year ended June 30, 2009.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 595,157	584,082	185,467	167,757	780,624	751,839	3.83%
Operating grants and contributions and restricted interest	1,694,615	1,516,175	263,914	258,808	1,958,529	1,774,983	10.34%
General revenues:							
Property tax	3,130,029	2,900,689	0	0	3,130,029	2,900,689	7.91%
Income surtax	503,861	404,981	0	0	503,861	404,981	24.42%
Statewide sales and services tax	607,868	617,590	0	0	607,868	617,590	-1.57%
Unrestricted state grants	4,363,808	4,664,430	0	0	4,363,808	4,664,430	-6.44%
Unrestricted investment earnings	58,752	132,652	588	1,960	59,340	134,612	-55.92%
Other	74,637	131,186	0	0	74,637	131,186	-43.11%
Transfers	(18,793)	(15,797)	18,193	15,797	(600)	0	-100.00%
Total revenues & transfers	<u>11,009,934</u>	<u>10,935,988</u>	<u>468,162</u>	<u>444,322</u>	<u>11,478,096</u>	<u>11,380,310</u>	<u>0.86%</u>
Program expenses:							
Governmental activities:							
Instructional	6,895,445	6,401,838	0	0	6,895,445	6,401,838	7.71%
Support services	2,886,469	2,984,072	6,522	11,079	2,892,991	2,995,151	-3.41%
Non-instructional programs	0	0	479,971	455,681	479,971	455,681	5.33%
Other expenses	1,127,641	1,070,053	0	0	1,127,641	1,070,053	5.38%
Total expenses	<u>10,909,555</u>	<u>10,455,963</u>	<u>486,493</u>	<u>466,760</u>	<u>11,396,048</u>	<u>10,922,723</u>	<u>4.33%</u>
Changes in net assets	100,379	480,025	(18,331)	(22,438)	82,048	457,587	-82.07%
Beginning net assets	<u>10,106,062</u>	<u>9,626,037</u>	<u>160,834</u>	<u>183,272</u>	<u>10,266,896</u>	<u>9,809,309</u>	<u>4.66%</u>
Ending net assets	<u>\$ 10,206,441</u>	<u>10,106,062</u>	<u>142,503</u>	<u>160,834</u>	<u>10,348,944</u>	<u>10,266,896</u>	<u>0.80%</u>

In Figure A-4 property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 74.97% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85.89% of the total expenses.

The total cost of our general fund activities this year was \$9.65 million. The amount that our taxpayers ultimately financed for general fund activities through school district taxes was \$2.73 million or 29.41% of our total program costs. Some of the costs were paid by those who benefited from the programs, and by subsidizing certain programs with grants and contributions and other miscellaneous sources.

GOVERNMENTAL ACTIVITIES

Revenues, net of transfers for governmental activities were \$11,009,934 while expenditures were \$10,909,555. Total expenditures increased due to an increase in salaries and benefits and additional technology purchases.

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

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 6,895,445	6,401,838	7.71%	4,979,447	4,664,266	6.76%
Support services	2,886,469	2,984,072	-3.27%	2,882,193	2,978,193	-3.22%
Other expenses	1,127,641	1,070,053	5.38%	758,143	713,247	6.29%
Totals	<u>\$ 10,909,555</u>	<u>10,455,963</u>	<u>4.34%</u>	<u>8,619,783</u>	<u>8,355,706</u>	<u>3.16%</u>

Figure A-5 above shows:

- ◆ The cost financed by users of the District's programs was \$595,157.
- ◆ Federal and state governments subsidized certain programs with grants and contributions totaling \$1,694,615.
- ◆ The net cost of governmental activities was financed with \$3,130,029 in property tax, \$503,861 in income surtax, \$607,868 in statewide sales and service tax, \$4,363,808 in unrestricted state grants, \$58,752 in interest income and \$74,637 in other general revenue.

BUSINESS TYPE ACTIVITIES

Revenues of the District's business type activities were \$468,162 while expenditures were \$486,493. 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. The District transferred \$16,396 from the General Fund to financially assist in funding higher costs.

During the year ended June 30, 2009, the school nutrition program purchased some new equipment for the high school. Food costs and salaries increased significantly during the year. Breakfast and lunch counts remain steady and our free and reduced counts remain high which generates additional federal and state lunch and breakfast reimbursements. Overall the district served less student lunches and more student breakfasts than the previous year.

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 \$3,438,286 which is below last year's ending fund balance of \$3,610,991. Slightly decreased revenues coupled with higher expenditures during the year ensured the decline in general fund balance.

Governmental Fund Highlights:

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

- ◆ The General Fund balance decreased from \$1,377,863 to \$998,124 due in part because of the increase in fund expenditures as compared to the previous year. Increases in salary and benefits to district employees also contributed to the decline of the general fund.
- ◆ During the fiscal 2009 school year Governor Culver ordered a 1.5% across-the-board cut. This cut was a permanent cut to our state aid and was another contributing factor to the general fund decrease.

Proprietary Fund Highlights:

The School Nutrition Fund net assets decreased from \$160,834 at June 30, 2008 to \$142,503 at June 30, 2009 or 11.40%. The main decrease is attributable to increased salaries and benefits and a slight decrease in lunches served during the 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 and agency 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 in the budgetary comparison on pages 37 and 38.

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 actual revenues plus sale of equipment were \$9,270,686 and the actual expenditures plus transfers were \$9,650,425. The general fund had an ending fund balance of \$998,124.

Another significant fund is the Capital Project Fund.

- ◆ For the Capital Projects fund, the actual revenues plus transfers were \$711,801 and the actual expenditures plus transfers were \$583,969. The Capital Projects fund had an ending fund balance of \$741,863.

Another significant fund is the Debt Service Fund.

- ◆ For the Debt Service fund, the actual revenues plus transfers were \$1,067,401 and the actual expenditures were \$996,114.
- ◆ This year, out of the Debt Service fund, the school district paid the debt interest and principal payments for the general obligation bonds, the QZAB bonds, and the street project.

CAPITAL ASSETS

At June 30, 2009, the District had invested \$14,311,196, net of accumulated depreciation in a board range of capital assets, including land, buildings, athletic facilities, computers and transportation equipment. Governmental funds account for \$14,224,505 of the capital assets with the remainder of \$86,691 in the Proprietary, School Nutrition Fund. Depreciation expense for the year was \$525,919.

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

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
	Land	\$ 183,000	183,000	0	0	183,000	183,000
Buildings	13,405,318	13,806,164	0	0	13,405,318	13,806,164	-2.90%
Land improvements	320,088	346,463	0	0	320,088	346,463	-7.61%
Machinery and equipment	316,099	393,967	86,691	94,439	402,790	488,406	-17.53%
Total	\$ 14,224,505	14,729,594	86,691	94,439	14,311,196	14,824,033	-3.46%

LONG -TERM DEBT

As of June 30, 2009, the School District had \$7,864,932 in general obligation bonds, QZAB bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of 7.14% from last year.

There was \$6,085,000 in outstanding debt for general obligation bonds for the PK-8 building. The bonds are paid from property taxes and from Local Option (Statewide) Sales & Service tax monies. The final payment will be due in fiscal year 2020.

The School District had \$460,000 in outstanding debt for revenue bonds issued for the HVAC system at the high school. The bonds are paid from Local Option (Statewide) Sales & Service tax monies. The final payment will be 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 last payment will be in fiscal year 2011.

The School District had \$195,000 in outstanding debt for the street project for the PK-8 building. The assessment is paid from income surtax monies. The last payment will be in fiscal year 2012.

The School District had \$124,932 in outstanding debt for compensated absences from the current year. The compensated absences are paid for from the General Fund and Enterprise, School Nutrition Fund.

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

Figure A-7 Outstanding Long-Term Obligations							
	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
General obligation bonds	\$ 6,085,000	6,535,000	0	0	6,085,000	6,535,000	-6.89%
Revenue bonds	460,000	675,000	0	0	460,000	675,000	-31.85%
QZAB	1,000,000	1,000,000	0	0	1,000,000	1,000,000	0.00%
Street assessment	195,000	260,000	0	0	195,000	260,000	-25.00%
Compensated absences	120,438	95,314	4,494	2,228	124,932	97,542	28.08%
Total	\$ 7,860,438	8,565,314	4,494	2,228	7,864,932	8,470,000	-7.14%

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 in FY10. In comparing the October 2009 certified enrollment to the October 2008 certified enrollment, there was an increase of three students.

With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.

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: Joyce Morgan, 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, 2009

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 4,439,451	62,434	4,501,885
Receivables:			
Property tax:			
Delinquent	47,938	0	47,938
Succeeding year	3,213,823	0	3,213,823
Income surtax	446,244	0	446,244
Accounts	6,280	0	6,280
Due from other governments	296,879	0	296,879
Inventories	0	6,386	6,386
Capital assets, net of accumulated depreciation	14,224,505	86,691	14,311,196
TOTAL ASSETS	22,675,120	155,511	22,830,631
LIABILITIES			
Accounts payable	343,250	0	343,250
Salaries and benefits payable	949,830	4,299	954,129
Accrued interest payable	45,178	0	45,178
Deferred revenue:			
Succeeding year property tax	3,213,823	0	3,213,823
Other	56,160	0	56,160
Unearned revenue	0	4,215	4,215
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	460,000	0	460,000
Revenue bonds payable	225,000	0	225,000
Street assessment payable	65,000	0	65,000
Compensated absences	120,438	4,494	124,932
Portion due after one year:			
General obligation bonds payable	5,625,000	0	5,625,000
Revenue bonds payable	235,000	0	235,000
Street assessment payable	130,000	0	130,000
QZAB payable	1,000,000	0	1,000,000
TOTAL LIABILITIES	12,468,679	13,008	12,481,687
NET ASSETS			
Invested in capital assets, net of related debt	6,484,505	86,691	6,571,196
Restricted for:			
Debt service	1,128,624	0	1,128,624
Categorical funding	110,379	0	110,379
Management levy	130,944	0	130,944
Physical plant and equipment levy	358,730	0	358,730
Capital projects	741,863	0	741,863
Other special revenue purposes	80,001	0	80,001
Unrestricted	1,171,395	55,812	1,227,207
TOTAL NET ASSETS	\$ 10,206,441	142,503	10,348,944

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 4,320,647	362,149	1,231,705	(2,726,793)	0	(2,726,793)
Special	1,217,761	91,222	60,472	(1,066,067)	0	(1,066,067)
Other	1,357,037	140,471	29,979	(1,186,587)	0	(1,186,587)
	<u>6,895,445</u>	<u>593,842</u>	<u>1,322,156</u>	<u>(4,979,447)</u>	<u>0</u>	<u>(4,979,447)</u>
Support services:						
Student	304,908	0	0	(304,908)	0	(304,908)
Instructional	451,879	0	0	(451,879)	0	(451,879)
Administration	943,052	0	0	(943,052)	0	(943,052)
Operation and maintenance of plant	814,417	0	0	(814,417)	0	(814,417)
Transportation	372,213	1,315	2,961	(367,937)	0	(367,937)
	<u>2,886,469</u>	<u>1,315</u>	<u>2,961</u>	<u>(2,882,193)</u>	<u>0</u>	<u>(2,882,193)</u>
Other expenditures:						
Facilities and acquisitions	69,659	0	0	(69,659)	0	(69,659)
Long-term debt interest	261,263	0	0	(261,263)	0	(261,263)
AEA flowthrough	369,498	0	369,498	0	0	0
Depreciation(unallocated)*	427,221	0	0	(427,221)	0	(427,221)
	<u>1,127,641</u>	<u>0</u>	<u>369,498</u>	<u>(758,143)</u>	<u>0</u>	<u>(758,143)</u>
Total governmental activities	10,909,555	595,157	1,694,615	(8,619,783)	0	(8,619,783)
Business Type activities:						
Support services:						
Administration	1,479	0	0	0	(1,479)	(1,479)
Operation and maintenance of plant	5,043	0	0	0	(5,043)	(5,043)
	<u>6,522</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,522)</u>	<u>(6,522)</u>
Non-instructional programs:						
Nutrition services	479,971	185,467	263,914	0	(30,590)	(30,590)
Total business type activities	486,493	185,467	263,914	0	(37,112)	(37,112)
Total	\$ 11,396,048	780,624	1,958,529	(8,619,783)	(37,112)	(8,656,895)
General Revenues and Transfers:						
General Revenues:						
Local tax for:						
General purposes				\$ 2,682,101	0	2,682,101
Debt service				377,055	0	377,055
Capital outlay				70,873	0	70,873
Income surtax				503,861	0	503,861
Statewide sales and services tax				607,868	0	607,868
Unrestricted state grants				4,363,808	0	4,363,808
Unrestricted investment earnings				58,752	588	59,340
Other				74,637	0	74,637
Transfers				(18,793)	18,193	(600)
Total general revenues and transfers				<u>8,720,162</u>	<u>18,781</u>	<u>8,738,943</u>
Changes in net assets				100,379	(18,331)	82,048
Net assets beginning of year				<u>10,106,062</u>	<u>160,834</u>	<u>10,266,896</u>
Net assets end of year				<u>\$ 10,206,441</u>	<u>142,503</u>	<u>10,348,944</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 2,163,706	1,119,871	1,152,852	4,436,429
Receivables:				
Property tax:				
Delinquent	39,280	5,681	2,977	47,938
Succeeding year	2,729,918	274,975	208,930	3,213,823
Income surtax	185,935	0	260,309	446,244
Accounts	3,094	3,062	124	6,280
Interfund	0	0	72,780	72,780
Due from other governments	161,508	10	135,361	296,879
TOTAL ASSETS	\$ 5,283,441	1,403,599	1,833,333	8,520,373
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 72,780	0	0	72,780
Accounts payable	290,694	0	52,556	343,250
Salaries and benefits payable	949,830	0	0	949,830
Deferred revenue:				
Succeeding year property tax	2,729,918	274,975	208,930	3,213,823
Income surtax	185,935	0	260,309	446,244
Other	56,160	0	0	56,160
Total liabilities	4,285,317	274,975	521,795	5,082,087
Fund balances:				
Reserved for:				
Debt service	0	1,128,624	0	1,128,624
Categorical funding	110,379	0	0	110,379
Unreserved	887,745	0	1,311,538	2,199,283
Total fund balances	998,124	1,128,624	1,311,538	3,438,286
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,283,441	1,403,599	1,833,333	8,520,373

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 17)	\$	3,438,286
 <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 the governmental funds.		14,224,505
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		3,022
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		446,244
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.		(45,178)
Long-term liabilities, compensated absences, general obligation bonds payable, revenue bonds payable, QZAB bonds payable and street assessment payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(7,860,438)</u>
Net assets of governmental activities (page 15)	\$	<u>10,206,441</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, 2009

	General	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,726,289	377,055	1,066,472	4,169,816
Tuition	439,780	0	0	439,780
Other	185,001	29,067	213,022	427,090
State sources	5,443,673	317	166	5,444,156
Federal sources	469,614	0	0	469,614
Total revenues	<u>9,264,357</u>	<u>406,439</u>	<u>1,279,660</u>	<u>10,950,456</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,225,553	0	57,652	4,283,205
Special	1,217,761	0	0	1,217,761
Other	1,150,257	0	206,780	1,357,037
	<u>6,593,571</u>	<u>0</u>	<u>264,432</u>	<u>6,858,003</u>
Support services:				
Student	304,068	0	0	304,068
Instructional staff	377,970	0	71,567	449,537
Administration	943,172	0	800	943,972
Operation and maintenance of plant	751,560	0	59,728	811,288
Transportation	294,190	0	16,165	310,355
	<u>2,670,960</u>	<u>0</u>	<u>148,260</u>	<u>2,819,220</u>
Other expenditures:				
Facilities acquisitions	0	0	69,659	69,659
Long-term debt:				
Principal	0	730,000	0	730,000
Interest and fiscal charges	0	266,114	0	266,114
AEA flowthrough	369,498	0	0	369,498
	<u>369,498</u>	<u>996,114</u>	<u>69,659</u>	<u>1,435,271</u>
Total expenditures	<u>9,634,029</u>	<u>996,114</u>	<u>482,351</u>	<u>11,112,494</u>
Excess(deficiency) of revenues over(under) expenditures	(369,672)	(589,675)	797,309	(162,038)
Other financing sources(uses):				
Transfers in	0	660,962	98,433	759,395
Transfers out	(16,396)	0	(759,995)	(776,391)
Sale of equipment	6,329	0	0	6,329
Total other financing sources(uses)	<u>(10,067)</u>	<u>660,962</u>	<u>(661,562)</u>	<u>(10,667)</u>
Net change in fund balances	(379,739)	71,287	135,747	(172,705)
Fund balance beginning of year	1,377,863	1,057,337	1,175,791	3,610,991
Fund balance end of year	<u>\$ 998,124</u>	<u>1,128,624</u>	<u>1,311,538</u>	<u>3,438,286</u>

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, 2009

Net change in fund balances - total governmental funds (page 19) \$ (172,705)

*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	\$ 6,990	
Depreciation expense	<u>(512,079)</u>	(505,089)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (3,496)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 730,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,851

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 71,942

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 (25,124)

Changes in net assets of governmental activities (page 16) \$ 100,379

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 62,434	3,022
Inventories	6,386	0
Total current assets	<u>68,820</u>	<u>3,022</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	86,691	0
TOTAL ASSETS	<u>155,511</u>	<u>3,022</u>
LIABILITIES		
Current liabilities:		
Salaries and benefits payable	4,299	0
Unearned revenue	4,215	0
Total current liabilities	<u>8,514</u>	<u>0</u>
Long-term liabilities:		
Compensated absences	4,494	0
TOTAL LIABILITIES	<u>13,008</u>	<u>0</u>
NET ASSETS		
Invested in capital assets	86,691	0
Unrestricted	55,812	3,022
TOTAL NET ASSETS	<u>\$ 142,503</u>	<u>3,022</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, 2009

	Business Type	
	Activites: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 185,467	34,040
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	1,479	0
Operation and maintenance of plant:		
Services	5,043	0
Total support services	6,522	0
Non-instructional programs:		
Food service operations:		
Salaries	180,722	0
Benefits	42,908	0
Services	316	0
Supplies	237,890	0
Other	4,295	0
Depreciation	13,840	0
	479,971	0
Other enterprise operations:		
Benefits	0	37,536
Total non-instructional programs	479,971	37,536
TOTAL OPERATING EXPENSES	486,493	37,536
OPERATING LOSS	(301,026)	(3,496)
NON-OPERATING REVENUES:		
State sources	5,529	0
Federal sources	258,385	0
Interest on investments	588	0
TOTAL NON-OPERATING REVENUES	264,502	0
Change in net assets before other financing sources	(36,524)	(3,496)
Other financing sources:		
Transfer in	16,396	0
Contributed capital	1,797	0
Total other financing sources	18,193	0
Change in net assets	(18,331)	(3,496)
Net assets beginning of year	160,834	6,518
Net assets end of year	\$ 142,503	3,022

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	Business Type	
	Enterprise Fund	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 184,503	0
Cash received from miscellaneous	1,464	34,040
Cash payments to employees for services	(222,650)	(37,536)
Cash payments to suppliers for goods or services	(224,963)	0
Net cash used in operating activities	<u>(261,646)</u>	<u>(3,496)</u>
Cash flows from non-capital financing activities:		
Transfer from General Fund	16,396	0
State grants received	5,529	0
Federal grants received	236,386	0
Net cash provided by non-capital financing activities	<u>258,311</u>	<u>0</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets		
Net cash used in capital and related financing activities	<u>(4,295)</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments		
Net cash provided by investing activities	<u>588</u>	<u>0</u>
Net decrease in cash and cash equivalents	(7,042)	(3,496)
Cash and cash equivalents at beginning of year	69,476	6,518
Cash and cash equivalents at end of year	<u>\$ 62,434</u>	<u>3,022</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (301,026)	(3,496)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	22,174	0
Depreciation	13,840	0
Decrease in inventories	1,886	0
Decrease in salaries and benefits payable	(1,286)	0
Increase in unearned revenue	500	0
Increase in compensated absences	2,266	0
Net cash used in operating activities	<u>\$ (261,646)</u>	<u>(3,496)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$22,174.

During the year ended June 30, 2009, the Nutrition Fund received contributed capital from the Physical Plant and Equipment Levy Fund of \$1,797.

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 278,493
LIABILITIES	<u>0</u>
NET ASSETS	
Restricted for scholarships	10,000
Unrestricted	268,493
TOTAL NET ASSETS	<u>\$ 278,493</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Contributions	\$ 2,859
Interest	2,875
Total additions	5,734
Deductions:	
Regular instruction:	
Scholarships awarded	12,040
Change in net assets before other financing sources	(6,306)
Other financing sources:	
Transfer in	600
Change in net assets	(5,706)
Net assets beginning of year	284,199
Net assets end of year	\$ 278,493

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(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, 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 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 Balance

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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, machinery 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

Capital assets are depreciated using the straight line method 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.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Nutrition Fund.

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

Fund Balances - 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, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 3,247,271</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 rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables for the year ended June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Physical Plant and Equipment Levy	General	<u>\$ 72,780</u>

The General Fund is repaying the Physical Plant and Equipment Levy for funds borrowed during the year. The interfund loan between the General Fund and the Physical Plant and Equipment Levy Fund has subsequently been repaid.

(4) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	PPEL	\$ 77,675
Capital Projects	PPEL	98,355
Debt Service	Capital Projects	583,287
Nutrition	General	16,396
Activity	Capital Projects	78
Private Purpose Trust	Activity	600
Total		<u>\$ 776,391</u>

The transfer from the Physical Plant and Equipment Levy Fund to the Debt Service Fund was for principal and interest due on the District's street assessment payable.

The transfer from the Physical Plant and Equipment Levy Fund to the Capital Projects Fund was a correction for QZAB funding paid from the incorrect fund.

The transfer from the Capital Projects Fund to the Debt Service Fund was for debt relief.

The transfer from the General Fund to the Nutrition Fund was to reimburse the Nutrition Fund for health insurance paid.

The transfer from the Capital Projects Fund to the Activity Fund was for the remaining monies left from construction of the press box.

The transfer from the Activity Fund to the Private Purpose Trust Fund was for scholarship monies raised by activity fund clubs.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 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
Total capital assets not being depreciated	<u>183,000</u>	<u>0</u>	<u>0</u>	<u>183,000</u>
Capital assets being depreciated:				
Buildings	20,042,333	0	0	20,042,333
Land improvements	721,605	0	0	721,605
Machinery and equipment	1,523,603	6,990	76,800	1,453,793
Total capital assets being depreciated	<u>22,287,541</u>	<u>6,990</u>	<u>76,800</u>	<u>22,217,731</u>
Less accumulated depreciation for:				
Buildings	6,236,169	400,846	0	6,637,015
Land improvements	375,142	26,375	0	401,517
Machinery and equipment	1,129,636	84,858	76,800	1,137,694
Total accumulated depreciation	<u>7,740,947</u>	<u>512,079</u>	<u>76,800</u>	<u>8,176,226</u>
Total capital assets being depreciated, net	<u>14,546,594</u>	<u>(505,089)</u>	<u>0</u>	<u>14,041,505</u>
Governmental activities capital assets, net	<u>\$ 14,729,594</u>	<u>(505,089)</u>	<u>0</u>	<u>14,224,505</u>
Business type activities:				
Machinery and equipment	\$ 213,529	6,092	0	219,621
Less accumulated depreciation	119,090	13,840	0	132,930
Business type activities capital assets, net	<u>\$ 94,439</u>	<u>(7,748)</u>	<u>0</u>	<u>86,691</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 17,131
Support services:		
Instructional staff		3,602
Operation and maintenance of plant		776
Transportation		63,349
		<u>84,858</u>
Unallocated depreciation		<u>427,221</u>
Total governmental activities depreciation expense		<u>\$ 512,079</u>
Business type activities:		
Food services		<u>\$ 13,840</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,535,000	0	450,000	6,085,000	460,000
Revenue bonds	675,000	0	215,000	460,000	225,000
QZAB	1,000,000	0	0	1,000,000	0
Street assessment	260,000	0	65,000	195,000	65,000
Compensated absences	95,314	120,438	95,314	120,438	120,438
Total governmental activities	<u>\$ 8,565,314</u>	<u>120,438</u>	<u>825,314</u>	<u>7,860,438</u>	<u>870,438</u>
Business type activities:					
Compensated absences	\$ 2,228	4,494	2,228	4,494	4,494

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated September 28, 2005				
	Interest Rates	Principal	Interest	Total	
2010	3.50	% \$ 460,000	214,975	674,975	
2011	3.50	475,000	198,787	673,787	
2012	3.50	495,000	182,075	677,075	
2013	3.50	510,000	164,487	674,487	
2014	3.50	535,000	146,550	681,550	
2015-2019	3.55-3.70	2,950,000	430,813	3,380,813	
2020	3.75	660,000	18,563	678,563	
Total		<u>\$ 6,085,000</u>	<u>1,356,250</u>	<u>7,441,250</u>	

Revenue Bonds

Details of the District's June 30, 2009 revenue bonded indebtedness is as follows:

Year Ending June 30,	Issue dated May 13, 2005			
	Interest Rate	Principal	Interest	Total
2010	3.90 %	\$ 225,000	13,553	238,553
2011	3.90	235,000	4,582	239,582
Total		\$ 460,000	18,135	478,135

The District has pledged future local option (statewide) sales and services tax revenues to repay \$1,085,000 Revenue Bonds issued in May 2005. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The Revenue Bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2011. The Revenue Bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest remaining to be paid on the bonds is \$478,135. For the current year, principal of \$215,000 and interest of \$22,132 was paid on the Revenue Bonds and total local option (statewide) sales and services tax revenues were \$607,868.

The resolution providing for the issuance of the local option (statewide) sales and services tax revenue bonds includes the following provisions:

- a) \$108,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option (statewide) sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

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, 2009 street assessment payable indebtedness are as follows:

Year Ending June 30,	Issue dated August 1, 2002				
	Interest Rate	Principal	Interest	Total	
2010	4.75 %	\$ 65,000	9,750	74,750	
2011	5.00	65,000	6,663	71,663	
2012	5.25	65,000	3,412	68,412	
Total		\$ 195,000	19,825	214,825	

(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 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$389,609, \$355,421, and \$315,497 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 \$369,498 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Talented and gifted	\$ 3,608
Beginning teacher mentoring	1,507
Salary improvement program	13,643
Market factor	1,919
Model core curriculum	16,815
Professional development	65,104
Market factor incentives	7,783
Total	<u>\$ 110,379</u>

(11) Other Postemployment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45.

REQUIRED SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,036,686	186,055	5,222,741	5,269,054	5,269,054	(46,313)
State sources	5,444,156	5,529	5,449,685	5,585,551	5,585,551	(135,866)
Federal sources	469,614	258,385	727,999	430,000	430,000	297,999
Total revenues	10,950,456	449,969	11,400,425	11,284,605	11,284,605	115,820
Expenditures/Expenses:						
Instruction	6,858,003	0	6,858,003	7,280,811	7,280,811	422,808
Support services	2,819,220	6,522	2,825,742	3,207,000	3,207,000	381,258
Non-instructional programs	0	479,971	479,971	792,660	792,660	312,689
Other expenditures	1,435,271	0	1,435,271	3,540,045	3,540,045	2,104,774
Total expenditures/expenses	11,112,494	486,493	11,598,987	14,820,516	14,820,516	3,221,529
Deficiency of revenues under expenditures/expenses	(162,038)	(36,524)	(198,562)	(3,535,911)	(3,535,911)	3,337,349
Other financing sources, net	(10,667)	18,193	7,526	0	0	7,526
Deficiency of revenues and other financing sources under expenditures/expenses	(172,705)	(18,331)	(191,036)	(3,535,911)	(3,535,911)	3,344,875
Balance beginning of year	3,610,991	160,834	3,771,825	3,535,911	3,535,911	235,914
Balance end of year	\$ 3,438,286	142,503	3,580,789	0	0	3,580,789

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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 SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Capital Projects	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 129,020	92,962	323,377	545,359	607,493	1,152,852
Receivables:						
Property tax:						
Current year delinquent	1,920	0	1,057	2,977	0	2,977
Succeeding year	128,000	0	80,930	208,930	0	208,930
Income surtax	0	0	260,309	260,309	0	260,309
Accounts	0	0	124	124	0	124
Interfund	0	0	72,780	72,780	0	72,780
Due from other governments	4	985	2	991	134,370	135,361
TOTAL ASSETS	\$ 258,944	93,947	738,579	1,091,470	741,863	1,833,333
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	13,946	38,610	52,556	0	52,556
Deferred revenue:						
Succeeding year property tax	128,000	0	80,930	208,930	0	208,930
Income surtax	0	0	260,309	260,309	0	260,309
Total liabilities	128,000	13,946	379,849	521,795	0	521,795
Unreserved fund balances	130,944	80,001	358,730	569,675	741,863	1,311,538
TOTAL LIABILITIES AND FUND BALANCES	\$ 258,944	93,947	738,579	1,091,470	741,863	1,833,333

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, 2009

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 128,580	0	330,024	458,604	607,868	1,066,472
Other	18,504	184,676	4,264	207,444	5,578	213,022
State sources	107	0	59	166	0	166
Total revenues	147,191	184,676	334,347	666,214	613,446	1,279,660
EXPENDITURES:						
Current:						
Instruction:						
Regular	57,344	0	308	57,652	0	57,652
Other	0	206,780	0	206,780	0	206,780
Support services:						
Instructional staff	0	0	71,567	71,567	0	71,567
Administration	800	0	0	800	0	800
Operation and maintenance of plant	57,931	0	1,797	59,728	0	59,728
Student	16,165	0	0	16,165	0	16,165
Other expenditures:						
Facilities acquisitions	0	0	69,055	69,055	604	69,659
Total expenditures	132,240	206,780	142,727	481,747	604	482,351
Excess(Deficiency) of revenues over(under) expenditures	14,951	(22,104)	191,620	184,467	612,842	797,309
Other financing sources(uses):						
Transfers in	0	78	0	78	98,355	98,433
Transfers out	0	(600)	(176,030)	(176,630)	(583,365)	(759,995)
Total other financing sources(uses)	0	(522)	(176,030)	(176,552)	(485,010)	(661,562)
Changes in net assets	14,951	(22,626)	15,590	7,915	127,832	135,747
Fund balance beginning year	115,993	102,627	343,140	561,760	614,031	1,175,791
Fund balance end of year	\$ 130,944	80,001	358,730	569,675	741,863	1,311,538

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund and Intrafund Transfers	Balance End of Year
HS General Athletics	\$ 29,689	5,789	10,328	(9,005)	16,145
Athletic Director	0	0	512	512	0
Athletic Tournaments	0	4,731	0	(4,731)	0
MS General Athletics	0	0	10	10	0
Boys Basketball	0	3,370	5,891	2,521	0
MS Boys Basketball	0	451	395	(56)	0
Football	0	10,151	4,432	(5,719)	0
MS Football	0	511	942	431	0
Baseball	0	0	1,671	1,671	0
MS Baseball	0	970	2,820	1,850	0
Boys Track	0	2,849	2,266	(583)	0
MS Boys Track	0	172	842	670	0
Boys Cross Country	0	441	637	196	0
Boys Tennis	0	2,437	898	(1,539)	0
Boys Golf	0	1,840	1,398	(29)	413
Wrestling	0	4,573	7,545	2,972	0
MS Wrestling	0	382	339	(43)	0
Girls Basketball	0	3,217	5,590	2,373	0
MS Girls Basketball	0	640	1,002	362	0
Volleyball	0	3,649	3,442	(207)	0
MS Volleyball	0	689	1,169	480	0
Softball	0	887	2,803	1,642	(274)
MS Softball	0	0	2,005	2,005	0
Girls Track	0	3,949	4,527	578	0
MS Girls Track	0	150	802	652	0
Girls Cross Country	0	455	631	176	0
Girls Tennis	0	2,437	4,724	2,287	0
Girls Golf	0	875	1,696	1,211	390
Annual	14,016	9,937	8,003	227	16,177
Cheerleaders	5,094	13,405	11,911	(200)	6,388
Class of 2008	414	0	414	0	0
Class of 2009	1,524	68	794	0	798
Class of 2010	1,371	4,467	3,810	0	2,028
Class of 2011	1,783	600	54	0	2,329
Class of 2012	0	800	0	0	800
Concession Pop	225	12,217	12,046	48	444
FFA	5,307	7,119	9,865	0	2,561
FCCLA	2,245	2,749	3,035	(100)	1,859
Interest	255	118	0	(373)	0
Marching Mustangs	1,060	2,370	3,078	0	352
National Art Honor Society	470	110	261	(100)	219
National Honor Society	789	486	328	0	947
Investment Interest	0	928	0	(928)	0

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund and Intrafund Transfers	Balance End of Year
Shen Basketball Boys	161	1,498	1,379	(100)	180
Shen Basketball Girls	12	7,009	6,836	0	185
Shen Boys Golf	763	879	288	0	1,354
Shen Boys Cross Country	219	394	385	0	228
Shen Boys Tennis	281	0	0	0	281
Shen Boys Track	107	175	134	0	148
Shen Football	3,074	2,272	3,030	0	2,316
Shen Girls Track	221	1,096	1,027	0	290
Shen Girls Tennis	116	3,664	3,402	0	378
Shen Girls Cross Country	1,250	2,741	2,289	0	1,702
Shen Singers	443	1,081	1,754	230	0
Shen Softball	717	1,092	1,176	0	633
Shen Volleyball	1,350	3,117	4,342	0	125
Shen Weight Club	263	100	0	0	363
Shen Wrestlers	3,477	12,928	15,548	25	882
SHS Speech Club	1,945	1,902	4,034	187	0
Student Activity	0	3,744	0	0	3,744
Student Council	6,208	10,200	15,031	(100)	1,277
Shen Baseball	178	1,465	1,503	0	140
MS Annual	1,149	2,921	3,007	0	1,063
MS Cheerleaders	371	0	0	0	371
MS FCCLA	3,225	5,731	5,568	(25)	3,363
MS Weight Room	236	485	170	0	551
MS Leadership Academy	1,584	0	211	0	1,373
MS Marching Mustangs	7,527	7,647	11,847	0	3,327
MS Swing Choir	1,520	83	501	0	1,102
MS Pride Builders	1,988	1,111	402	0	2,697
MS Baseball	0	352	0	0	352
Total	\$ 102,627	184,676	206,780	(522)	80,001

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2009

	Bateman Scholarship	Dreyer Scholarship	Pickard Scholarship	Wilson Scholarship	Beecher Scholarship	Julin Scholarship
ASSETS						
Cash and pooled investments	\$ 10,224	1,555	2,801	216,473	2,105	11,038
LIABILITIES	0	0	0	0	0	0
NET ASSETS						
Restricted for scholarships	0	0	0	0	0	10,000
Unrestricted	10,224	1,555	2,801	216,473	2,105	1,038
TOTAL NET ASSETS	\$ 10,224	1,555	2,801	216,473	2,105	11,038

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

Keenan Scholarship	Roscoe Scholarship	Spears Scholarship	Pitner Scholarship	Whitehill Scholarship	Smith Scholarship	Pepsi Scholarship	Miscellaneous Scholarship	Total
18,184	1,624	300	2,232	2,362	7,745	750	1,100	278,493
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	10,000
18,184	1,624	300	2,232	2,362	7,745	750	1,100	268,493
18,184	1,624	300	2,232	2,362	7,745	750	1,100	278,493

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2009

	Bateman Scholarship	Dreyer Scholarship	Pickard Scholarship	Wilson Scholarship	Beecher Scholarship	Julin Scholarship
ADDITIONS:						
Local sources:						
Contributions	\$ 0	0	0	0	0	500
Interest	115	18	31	2,372	23	0
TOTAL ADDITIONS	115	18	31	2,372	23	500
DEDUCTIONS:						
Regular instruction:						
Scholarships awarded	500	75	115	4,000	0	500
Change in net assets before other financing sources	(385)	(57)	(84)	(1,628)	23	0
Other financing sources:						
Transfers in	0	0	0	0	0	0
Changes in net assets	(385)	(57)	(84)	(1,628)	23	0
Net assets beginning of year	10,609	1,612	2,885	218,101	2,082	11,038
Net assets end of year	\$ 10,224	1,555	2,801	216,473	2,105	11,038

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Keenan Scholarship	Roscoe Scholarship	Spears Scholarship	Pitner Scholarship	Whitehill Scholarship	Smith Scholarship	Pepsi Scholarship	Miscellaneous Scholarship	Total
0	0	0	1,500	100	0	750	9	2,859
161	18	0	20	27	90	0	0	2,875
161	18	0	1,520	127	90	750	9	5,734
500	0	0	1,000	500	2,500	750	1,600	12,040
(339)	18	0	520	(373)	(2,410)	0	(1,591)	(6,306)
0	0	0	0	0	0	0	600	600
(339)	18	0	520	(373)	(2,410)	0	(991)	(5,706)
18,523	1,606	300	1,712	2,735	10,155	750	2,091	284,199
18,184	1,624	300	2,232	2,362	7,745	750	1,100	278,493

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:									
Local sources:									
Local tax	\$ 4,169,816	3,885,830	3,843,038	3,717,829	3,536,193	3,754,560	3,841,094	4,072,011	3,990,813
Tuition	439,780	413,345	325,825	309,238	340,218	302,508	228,698	210,148	139,376
Other	427,090	664,398	693,361	582,805	476,170	555,042	359,445	692,032	1,039,555
Intermediate sources	0	0	0	0	0	36,106	32,480	32,587	0
State sources	5,444,156	5,987,576	5,285,949	4,775,575	4,419,245	4,041,618	4,124,883	4,175,215	4,241,702
Federal sources	469,614	363,206	349,274	356,245	334,296	368,460	355,722	347,062	855,369
Total	\$ 10,950,456	10,914,355	10,497,447	9,741,692	9,106,122	9,058,294	8,942,322	9,529,055	10,266,815
Expenditures:									
Current:									
Instruction:									
Regular	\$ 4,283,205	4,064,957	3,730,512	3,664,547	3,301,558	3,262,129	3,040,843	3,166,488	2,883,934
Special	1,217,761	1,132,572	1,122,041	1,011,712	1,053,146	1,461,875	1,207,787	1,307,704	1,528,035
Other	1,357,037	1,228,067	1,155,714	1,117,402	1,058,543	674,085	683,090	610,774	657,522
Support services:									
Student services	304,068	283,406	262,507	194,277	169,318	169,012	131,803	207,800	360,219
Instructional staff	449,537	507,464	367,374	353,021	349,654	253,071	376,276	356,721	439,665
Adminstration	943,972	918,075	896,725	742,217	642,190	662,371	665,375	676,769	663,616
Operation and maintenance of plant	811,288	867,021	753,634	741,092	767,799	531,580	511,242	477,517	588,205
Transportation	310,355	441,342	407,248	347,846	257,666	230,387	264,665	204,559	223,678
Central support	0	0	0	0	0	0	0	0	5,694
Non-instructional programs	0	0	0	0	20,236	15,310	11,530	18,314	36,860
Other expenditures:									
Facilities acquisitions	69,659	284,050	653,882	757,609	702,778	341,688	1,284,673	6,440,821	3,025,541
Long-term debt:									
Principal	730,000	716,714	691,062	471,177	364,863	344,314	331,480	245,000	215,000
Interest	266,114	293,074	318,421	970,142	440,534	460,083	457,521	464,170	477,876
AEA flow-through	369,498	356,806	337,727	306,192	286,664	287,741	308,801	309,593	319,718
Total	\$ 11,112,494	11,093,548	10,696,847	10,677,234	9,414,949	8,693,646	9,275,086	14,486,230	11,425,563

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 49,714
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	208,671
			<u>258,385</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	5976-G	198,842
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITY - STATE GRANTS			
	84.186	FY 09	5,171
READING FIRST STATE GRANTS	84.357	FY 08	3,993
READING FIRST STATE GRANTS	84.357	FY 09	30,000
			<u>33,993</u>
ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	FY 09	1,017
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	64,256
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA PROGRAM)	84.369	FY 09	6,819
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	85,812
IOWA WESTERN COMMUNITY COLLEGE:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	13,232
LOESS HILLS AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 09	58,128
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
MEDICAL ASSISTANCE PROGRAM (MEDICAID TIME STUDY)	93.778	FY 09	2,344
TOTAL			<u>\$ 727,999</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 basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Shenandoah Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shenandoah Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Shenandoah Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Shenandoah Community School District's financial statements that is more than inconsequential will not be prevented or detected by Shenandoah Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Shenandoah Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

Compliance and Other Matters

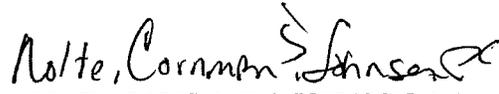
As part of obtaining reasonable assurance about whether Shenandoah Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

Shenandoah Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Shenandoah Community School District's responses and, accordingly, we express no opinion on them.

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.

March 2, 2010

NOLTE, CORNMAN & JOHNSON P.C.

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

To the Board of Education of
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, 2009. 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, 2009.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shenandoah Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined above. However, as discussed above, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Shenandoah Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Shenandoah Community School District's responses and, accordingly, we express no opinion on them.

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.

March 2, 2010

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies 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 significant deficiency 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:
 - Individual
 - CFDA Number 84.010 - Title I grants to Local Educational Agencies
 - CFDA Number 84.367 - Title IIA, Federal Teacher Quality Program
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund(SFSF)
Education State Grants, Recovery Act
 - CFDA Number 84.027- Special Education - Grants to States(Part B)
- (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, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 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-09 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - The District will review procedures in place and make adjustments to comply with the recommendation.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.367 - Title IIA, Federal Teacher Quality Program
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund(SFSF)
Education State Grants, Recovery Act
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.027 - Special Education - Grants to States(Part B)
Federal Award Year: 2009
U.S. Department of Education
Passed through the Area Education Agency

III-A-09 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, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed budgeted amounts.
- IV-B-09 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-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-09 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-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-09 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-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			607,868
Interest on investments			5,578
Total revenues			613,446
Expenditures/Transfers out:			
School infrastructure:			
Buildings	\$	604	
Debt service for school infrastructure:			
General obligation debt		242,665	
Revenue debt		242,267	
Quality zone academy bonds		98,355	583,891
Ending Balance		\$	29,555

Levies reduced as a result of statewide sales and services tax received:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.10611	\$ 242,665

IV-L-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will review procedures in place and make necessary changes to comply with the recommendation.

Conclusion - Response accepted.