

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

JUNE 30, 2010

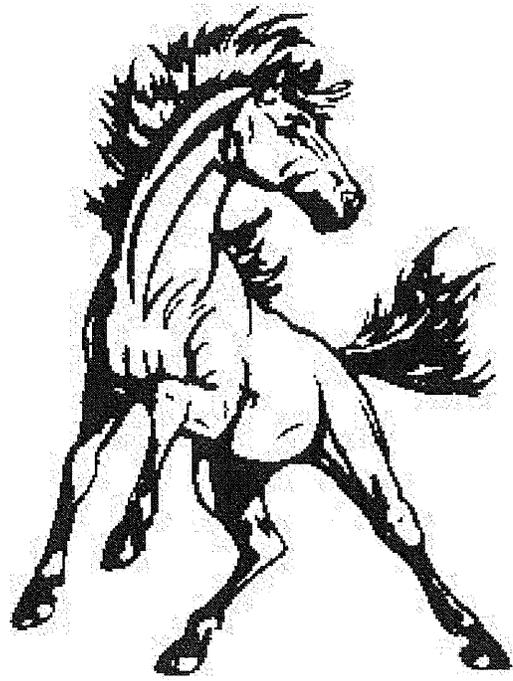
Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-18
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	20
Statement of Activities	B	21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	26
Statement of Revenues, Expenses and Changes in Net Assets	H	27
Statement of Cash Flows	I	28
Fiduciary Fund Financial Statements:		
Statement of Net Assets	J	29
Statement of Changes in Net Assets	K	30
Notes to Financial Statements		31-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding in Progress for the Retiree Health Plan		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Revenue Funds:		
Combining Balance Sheet	1	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	50-51
Combining Statement of Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	4	52-53
Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	5	54-55
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	56
Schedule of Expenditures of Federal Awards	7	57
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 <u>Government Auditing Standards</u>		59-60
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		61-62
Schedule of Findings and Questioned Costs		63-68

Shenandoah Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Brian Maxine	President	2011
Margaret Brady	Vice President	2009
William Sons	Board Member	2011
LeRoy Heatherington	Board Member	2009
Dwight Mayer	Board Member	2009
Board of Education (After September 2009 Election)		
Brian Maxine	President	2011
LeRoy Heatherington	Vice President	2013
William Sons	Board Member	2011
Tim Johnson	Board Member	2013
Dwight Mayer	Board Member	2013
School Officials		
Dick Profit	Superintendent	2010
Joyce Morgan	Business Manager and District Secretary	2010
Jeffrey A. Krausman	Attorney	2010



NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
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, Shenandoah Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements 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 that 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, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 18 and 44 through 46 are not required parts of the basic financial statements, but are supplementary 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 eight years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion 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 an unqualified opinion 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, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2011

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, 2010.

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 \$9,270,686 in fiscal year 2009 to \$9,146,800 in fiscal year 2010, while General Fund expenditures increased from \$9,650,425 in fiscal year 2009 to \$9,699,761 in fiscal year 2010. This resulted in a decrease in the District's General Fund balance from \$998,124 in fiscal year 2009 to \$445,163 in fiscal year 2010, representing a decrease of 55.40%.
- ◆ The increase in general fund expenditures was fairly evenly distributed across functional areas.
- ◆ The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 9.58% at June 30, 2009 to 2.58% at June 30, 2010, below the State School Budget Committee's recommendation of a solvency ratio between 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

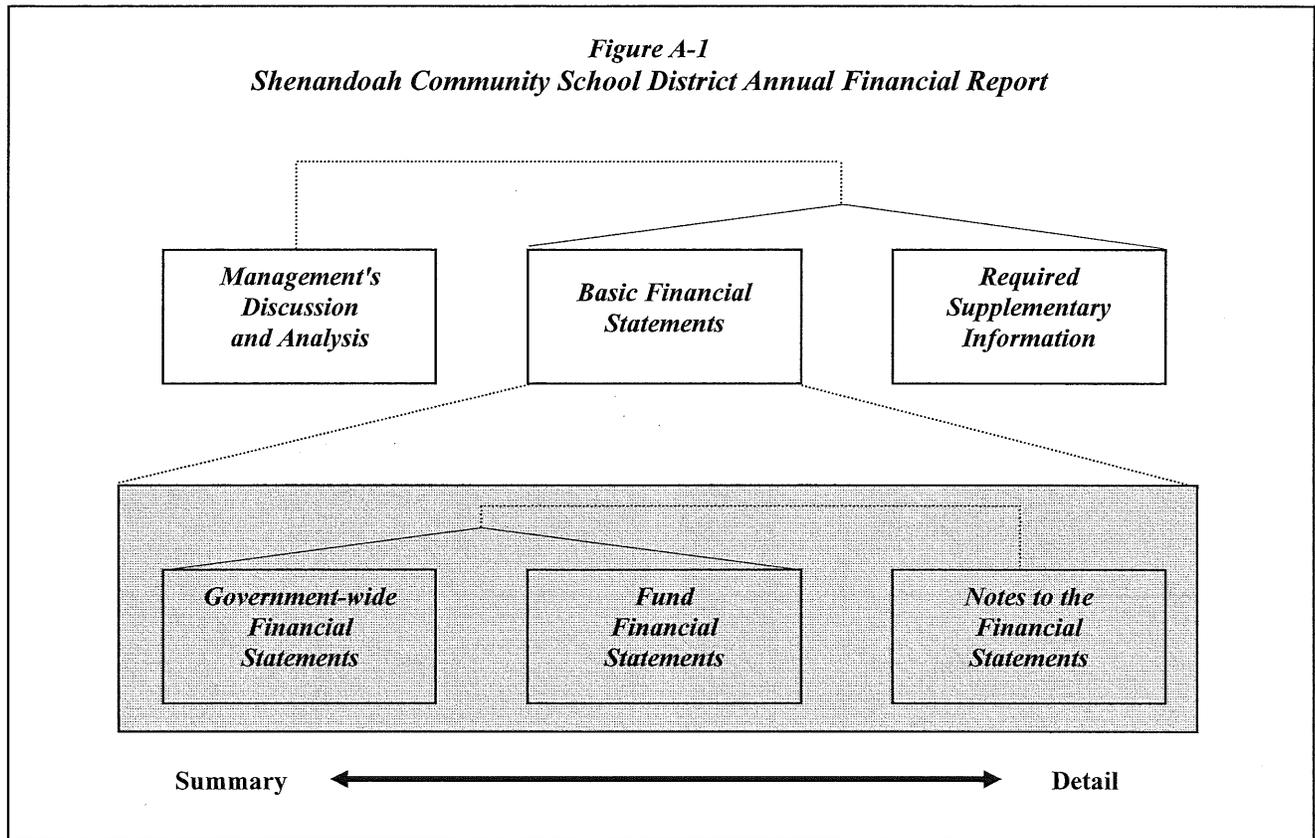


Figure A-2 on the next page summarizes the major features of the government-wide and fund financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights 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, 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, 2010 totaling approximately \$10.22 million in government-wide.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 8,272,786	8,450,615	66,618	68,820	8,339,404	8,519,435	-2.11%
Capital assets	13,854,639	14,224,505	72,984	86,691	13,927,623	14,311,196	-2.68%
Total assets	<u>22,127,425</u>	<u>22,675,120</u>	<u>139,602</u>	<u>155,511</u>	<u>22,267,027</u>	<u>22,830,631</u>	<u>-2.47%</u>
Long-term obligations	7,039,410	7,860,438	5,161	4,494	7,044,571	7,864,932	-10.43%
Other liabilities	4,991,347	4,608,241	9,832	8,514	5,001,179	4,616,755	8.33%
Total liabilities	<u>12,030,757</u>	<u>12,468,679</u>	<u>14,993</u>	<u>13,008</u>	<u>12,045,750</u>	<u>12,481,687</u>	<u>-3.49%</u>
Net assets:							
Invested in capital assets, net of related debt	7,099,639	6,484,505	72,984	86,691	7,172,623	6,571,196	9.15%
Restricted	2,459,984	2,550,541	-	-	2,459,984	2,550,541	-3.55%
Unrestricted	537,045	1,171,395	51,625	55,812	588,670	1,227,207	-52.03%
Total net assets	<u>\$ 10,096,668</u>	<u>10,206,441</u>	<u>124,609</u>	<u>142,503</u>	<u>10,221,277</u>	<u>10,348,944</u>	<u>-1.23%</u>

The District's combined net assets decreased by 1.23%, or \$127,667, 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 decreased \$90,557, or 3.55% from the prior year. The decrease in restricted net assets can be attributed in part to the decrease in fund balance for the Debt Service 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 \$638,537, or 52.03%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

CHANGES IN NET ASSETS

Figure A-4 shows the changes in net assets for the year ended June 30, 2010.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 593,614	595,157	178,528	185,467	772,142	780,624	-1.09%
Operating grants, contributions and restricted interest	2,267,161	1,694,615	298,182	263,914	2,565,343	1,958,529	30.98%
General revenues:							
Property tax	3,212,815	3,130,029	-	-	3,212,815	3,130,029	2.64%
Income surtax	639,203	503,861	-	-	639,203	503,861	26.86%
Statewide sales, services and use tax	582,398	607,868	-	-	582,398	607,868	-4.19%
Unrestricted state grants	3,499,336	4,363,808	-	-	3,499,336	4,363,808	-19.81%
Unrestricted investment earnings	33,024	58,752	118	588	33,142	59,340	-44.15%
Other	42,410	74,637	1,912	-	44,322	74,637	-40.62%
Transfers	(9,249)	(18,793)	8,699	18,193	(550)	(600)	-8.33%
Total revenues & transfers	<u>10,860,712</u>	<u>11,009,934</u>	<u>487,439</u>	<u>468,162</u>	<u>11,348,151</u>	<u>11,478,096</u>	<u>-1.13%</u>
Program expenses:							
Governmental activities:							
Instructional	6,984,694	6,895,445	-	-	6,984,694	6,895,445	1.29%
Support services	2,872,070	2,886,469	14,007	6,522	2,886,077	2,892,991	-0.24%
Non-instructional programs	-	-	491,326	479,971	491,326	479,971	2.37%
Other expenses	1,113,721	1,127,641	-	-	1,113,721	1,127,641	-1.23%
Total expenses	<u>10,970,485</u>	<u>10,909,555</u>	<u>505,333</u>	<u>486,493</u>	<u>11,475,818</u>	<u>11,396,048</u>	<u>0.70%</u>
Changes in net assets	(109,773)	100,379	(17,894)	(18,331)	(127,667)	82,048	-255.60%
Beginning 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>
Ending net assets	<u>\$ 10,096,668</u>	<u>10,206,441</u>	<u>124,609</u>	<u>142,503</u>	<u>10,221,277</u>	<u>10,348,944</u>	<u>-1.23%</u>

In Figure A-4 property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 69.91% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86.01% of the total expenses.

The total cost of our general fund activities this year was approximately \$9.70 million. The amount that our taxpayers ultimately financed for general fund activities through school district taxes was approximately \$2.92 million or 30.10% 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 for governmental activities were \$10,860,712 while expenditures were \$10,970,485.

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		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 6,984,694	6,895,445	1.29%	4,522,290	4,979,447	-9.18%
Support services	2,872,070	2,886,469	-0.50%	2,869,229	2,882,193	-0.45%
Other expenses	1,113,721	1,127,641	-1.23%	718,191	758,143	-5.27%
Totals	<u>\$ 10,970,485</u>	<u>10,909,555</u>	<u>0.56%</u>	<u>8,109,710</u>	<u>8,619,783</u>	<u>-5.92%</u>

Figure A-5 above shows:

- ◆ The cost financed by users of the District's programs was \$593,614.
- ◆ Federal and state governments subsidized certain programs with grants and contributions totaling \$2,267,161.
- ◆ The net cost of governmental activities was financed with \$3,212,815 in property tax, \$639,203 in income surtax, \$582,398 in statewide sales, service and use tax, \$3,499,336 in unrestricted state grants, \$33,024 in interest income and \$42,410 in other general revenues.

BUSINESS TYPE ACTIVITIES

Revenues of the District's business type activities were \$487,439 while expenditures were \$505,333. 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 \$8,699 from the General Fund to financially assist in funding higher costs.

During the year ended June 30, 2010, 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 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 \$2,753,706 which is below last year's ending fund balance of \$3,438,286. 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 \$998,124 to \$445,163 due in part to 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 \$142,503 at June 30, 2009 to \$124,609 at June 30, 2010 or 12.56%. The decrease is mainly 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 page 44.

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 transfers in and sale of equipment were \$9,146,800 and the actual expenditures plus transfers were \$9,699,761. The General Fund had an ending fund balance of \$445,163.

Another significant fund is the Capital Project Fund.

- ◆ For the Capital Projects Fund, the actual revenues were \$583,093 while \$624,050 was transferred out of the fund and used for debt retirement. The Capital Projects fund had an ending fund balance of \$700,906.

Another significant fund is the Debt Service Fund.

- ◆ For the Debt Service fund, the actual revenues plus transfers were \$1,034,412 and the actual expenditures were \$1,223,752.
- ◆ 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, 2010, the District had invested \$13,927,623, net of accumulated depreciation in a board range of capital assets, including land, buildings, athletic facilities, computers and transportation equipment. Governmental funds account for \$13,854,639 of the capital assets with the remainder of \$72,984 in the Proprietary, School Nutrition Fund. Depreciation expense for the year was \$520,870.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 183,000	183,000	-	-	183,000	183,000	0.00%
Construction in progress	21,600	-	-	-	21,600	-	100.00%
Buildings	13,004,471	13,405,318	-	-	13,004,471	13,405,318	-2.99%
Land improvements	319,848	320,088	-	-	319,848	320,088	-0.07%
Machinery and equipment	325,720	316,099	72,984	86,691	398,704	402,790	-1.01%
Total	\$ 13,854,639	14,224,505	72,984	86,691	13,927,623	14,311,196	-2.68%

LONG -TERM DEBT

As of June 30, 2010, the School District had \$7,044,571 in general obligation bonds, QZAB bonds and other long-term debt outstanding. This represents a decrease of 10.43% from last year.

There was \$5,625,000 in outstanding debt for general obligation bonds for the PK-8 building. The bonds are paid from property taxes and from the Statewide Sales, Services and Use Tax monies. The final payment will be due in fiscal year 2020.

The School District retired the outstanding debt for revenue bonds issued for the HVAC system at the high school during the year ended June 30, 2010.

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 \$130,000 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 \$153,957 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.

The District had \$57,614 of outstanding debt for early retirement payable.

The District also booked \$78,000 of net OPEB liability. Of which, \$76,418 was for governmental activities with the remainder of \$1,582 in business type activities.

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 District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 5,625,000	6,085,000	-	-	5,625,000	6,085,000	-7.56%
Revenue bonds	-	460,000	-	-	-	460,000	-100.00%
QZAB	1,000,000	1,000,000	-	-	1,000,000	1,000,000	0.00%
Street assessment	130,000	195,000	-	-	130,000	195,000	-33.33%
Compensated absences	150,378	120,438	3,579	4,494	153,957	124,932	23.23%
Early retirement	57,614	-	-	-	57,614	-	100.00%
Net OPEB liability	76,418	-	1,582	-	78,000	-	100.00%
Total	\$ 7,039,410	7,860,438	5,161	4,494	7,044,571	7,864,932	-10.43%

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 seek out new sources of revenue. 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/District Secretary, Shenandoah Community School District, 304 W. Nishna Road, Shenandoah, IA 51601.

BASIC FINANCIAL STATEMENTS

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,494,709	58,815	3,553,524
Receivables:			
Property tax:			
Delinquent	73,538	-	73,538
Succeeding year	3,752,241	-	3,752,241
Income surtax	560,618	-	560,618
Accounts	5,364	-	5,364
Due from other governments	386,316	-	386,316
Inventories	-	7,803	7,803
Capital assets, net of accumulated depreciation	13,854,639	72,984	13,927,623
Total assets	22,127,425	139,602	22,267,027
Liabilities			
Accounts payable	223,342	1,688	225,030
Salaries and benefits payable	952,998	2,138	955,136
Accrued interest payable	37,703	-	37,703
Deferred revenue:			
Succeeding year property tax	3,752,241	-	3,752,241
Other	25,063	-	25,063
Unearned revenue	-	6,006	6,006
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	475,000	-	475,000
Street assessment payable	65,000	-	65,000
Compensated absences	150,378	3,579	153,957
Early retirement payable	28,807	-	28,807
Portion due after one year:			
General obligation bonds payable	5,150,000	-	5,150,000
Street assessment payable	65,000	-	65,000
QZAB payable	1,000,000	-	1,000,000
Early retirement payable	28,807	-	28,807
Net OPEB liability	76,418	1,582	78,000
Total liabilities	12,030,757	14,993	12,045,750
Net Assets			
Invested in capital assets, net of related debt	7,099,639	72,984	7,172,623
Restricted for:			
Debt service	939,284	-	939,284
Categorical funding	209,055	-	209,055
Management levy	111,992	-	111,992
Physical plant and equipment levy	427,433	-	427,433
Capital projects	700,906	-	700,906
Other special revenue purposes	71,314	-	71,314
Unrestricted	537,045	51,625	588,670
Total net assets	\$ 10,096,668	124,609	10,221,277

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 4,376,890	370,099	1,644,930	(2,361,861)	-	(2,361,861)
Special	1,124,607	53,810	207,212	(863,585)	-	(863,585)
Other	1,483,197	167,654	18,699	(1,296,844)	-	(1,296,844)
	<u>6,984,694</u>	<u>591,563</u>	<u>1,870,841</u>	<u>(4,522,290)</u>	<u>-</u>	<u>(4,522,290)</u>
Support services:						
Student	311,204	-	-	(311,204)	-	(311,204)
Instructional	377,517	-	-	(377,517)	-	(377,517)
Administration	994,454	-	-	(994,454)	-	(994,454)
Operation and maintenance of plant	811,003	-	-	(811,003)	-	(811,003)
Transportation	377,892	2,051	790	(375,051)	-	(375,051)
	<u>2,872,070</u>	<u>2,051</u>	<u>790</u>	<u>(2,869,229)</u>	<u>-</u>	<u>(2,869,229)</u>
Other expenditures:						
Facilities and acquisitions	59,159	-	-	(59,159)	-	(59,159)
Long-term debt interest	231,277	-	-	(231,277)	-	(231,277)
AEA flowthrough	395,530	-	395,530	-	-	-
Depreciation(unallocated)*	427,755	-	-	(427,755)	-	(427,755)
	<u>1,113,721</u>	<u>-</u>	<u>395,530</u>	<u>(718,191)</u>	<u>-</u>	<u>(718,191)</u>
Total governmental activities	10,970,485	593,614	2,267,161	(8,109,710)	-	(8,109,710)
Business Type activities:						
Support services:						
Administration	2,165	-	-	-	(2,165)	(2,165)
Operation and maintenance of plant	11,842	-	-	-	(11,842)	(11,842)
	<u>14,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,007)</u>	<u>(14,007)</u>
Non-instructional programs:						
Nutrition services	491,326	178,528	298,182	-	(14,616)	(14,616)
Total business type activities	505,333	178,528	298,182	-	(28,623)	(28,623)
Total	\$ 11,475,818	772,142	2,565,343	(8,109,710)	(28,623)	(8,138,333)
General Revenues and Transfers:						
General Revenues:						
Local tax for:						
General purposes				\$ 2,872,619	-	2,872,619
Debt service				232,788	-	232,788
Capital outlay				107,408	-	107,408
Income surtax				639,203	-	639,203
Statewide sales, services and use tax				582,398	-	582,398
Unrestricted state grants				3,499,336	-	3,499,336
Unrestricted investment earnings				33,024	118	33,142
Other				42,410	1,912	44,322
Transfers				(9,249)	8,699	(550)
Total general revenues and transfers				<u>7,999,937</u>	<u>10,729</u>	<u>8,010,666</u>
Changes in net assets				(109,773)	(17,894)	(127,667)
Net assets beginning of year				10,206,441	142,503	10,348,944
Net assets end of year				<u>\$ 10,096,668</u>	<u>124,609</u>	<u>10,221,277</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, 2010

	General	Physical Plant and Equipment Levy	Debt Service	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 1,318,292	447,423	929,609	794,567	3,489,891
Receivables:					
Property tax:					
Delinquent	62,087	2,396	6,121	2,934	73,538
Succeeding year	2,954,306	124,147	373,788	300,000	3,752,241
Income surtax	301,871	258,747	-	-	560,618
Accounts	444	32	3,554	1,334	5,364
Interfund	21,600	-	-	-	21,600
Due from other governments	211,980	-	-	174,336	386,316
Total assets	\$ 4,870,580	832,745	1,313,072	1,273,171	8,289,568
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 191,179	22,418	-	9,745	223,342
Interfund payable	-	-	-	21,600	21,600
Salaries and benefits payable	952,998	-	-	-	952,998
Deferred revenue:					
Succeeding year property tax	2,954,306	124,147	373,788	300,000	3,752,241
Income surtax	301,871	258,747	-	-	560,618
Other	25,063	-	-	-	25,063
Total liabilities	4,425,417	405,312	373,788	331,345	5,535,862
Fund balances:					
Reserved for:					
Debt service	-	-	939,284	-	939,284
Categorical funding	209,055	-	-	-	209,055
Unreserved	236,108	427,433	-	941,826	1,605,367
Total fund balances	445,163	427,433	939,284	941,826	2,753,706
Total liabilities and fund balances	\$ 4,870,580	832,745	1,313,072	1,273,171	8,289,568

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 22)		\$ 2,753,706
 <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.		13,854,639
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		4,818
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		560,618
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.		(37,703)
Long-term liabilities including general obligation bonds payable, revenue bonds payable, QZAB bonds payable, street assessment payable, compensated absences payable, early retirement payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(7,039,410)</u>
Net assets of governmental activities (page 20)		<u><u>\$ 10,096,668</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Physical Plant and Equipment Levy	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,921,960	413,541	232,788	751,753	4,320,042
Tuition	363,275	-	-	-	363,275
Other	192,762	1,417	25,955	204,518	424,652
State sources	4,585,580	87	114	214	4,585,995
Federal sources	1,058,763	-	-	-	1,058,763
Total revenues	9,122,340	415,045	258,857	956,485	10,752,727
EXPENDITURES:					
Current:					
Instruction:					
Regular	4,171,256	-	-	68,391	4,239,647
Special	1,124,607	-	-	-	1,124,607
Other	1,303,615	-	-	194,625	1,498,240
	6,599,478	-	-	263,016	6,862,494
Support services:					
Student	306,716	-	-	-	306,716
Instructional staff	358,012	13,424	-	-	371,436
Administration	947,579	-	-	15,210	962,789
Operation and maintenance of plant	762,439	-	-	48,481	810,920
Transportation	299,708	73,986	-	16,160	389,854
	2,674,454	87,410	-	79,851	2,841,715
Other expenditures:					
Facilities acquisitions	-	107,427	-	-	107,427
Long-term debt:					
Principal	-	-	985,000	-	985,000
Interest and fiscal charges	-	-	238,752	-	238,752
AEA flowthrough	395,530	-	-	-	395,530
	395,530	107,427	1,223,752	-	1,726,709
Total expenditures	9,669,462	194,837	1,223,752	342,867	11,430,918
Excess(deficiency) of revenues over(under) expenditures	(547,122)	220,208	(964,895)	613,618	(678,191)
Other financing sources(uses):					
Transfers in	21,600	21,600	775,555	-	818,755
Transfers out	(30,299)	(173,105)	-	(624,600)	(828,004)
Sale of equipment	2,860	-	-	-	2,860
Total other financing sources(uses)	(5,839)	(151,505)	775,555	(624,600)	(6,389)
Net change in fund balances	(552,961)	68,703	(189,340)	(10,982)	(684,580)
Fund balance beginning of year	998,124	358,730	1,128,624	952,808	3,438,286
Fund balance end of year	\$ 445,163	427,433	939,284	941,826	2,753,706

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, 2010

Net change in fund balances - total governmental funds (page 24)		\$	(684,580)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
 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		\$ 137,297	
Depreciation expense		<u>(507,163)</u>	(369,866)
 Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.			
			1,796
 Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.			
			985,000
 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.			
			7,475
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.			
			114,374
 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.			
Early retirement		\$ (57,614)	
Compensated absences		(29,940)	
Other postemployment benefits		<u>(76,418)</u>	<u>(163,972)</u>
 Changes in net assets of governmental activities (page 21)		 \$	 <u><u>(109,773)</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 58,815	4,818
Inventories	7,803	-
Total current assets	66,618	4,818
Non-current assets:		
Capital assets, net of accumulated depreciation	72,984	-
Total assets	139,602	4,818
LIABILITIES		
Current liabilities:		
Accounts payable	1,688	-
Salaries and benefits payable	2,138	-
Unearned revenue	6,006	-
Total current liabilities	9,832	-
Long-term liabilities:		
Compensated absences	3,579	-
Net OPEB liability	1,582	-
Total long-term liabilities	5,161	-
Total liabilities	14,993	-
NET ASSETS		
Invested in capital assets	72,984	-
Unrestricted	51,625	4,818
Total net assets	\$ 124,609	4,818

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	Business Type Activites: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 178,528	-
Miscellaneous	1,912	30,700
Total operating revenues:	<u>180,440</u>	<u>30,700</u>
Operating expenses:		
Support services:		
Administration:		
Services	2,165	-
Operation and maintenance of plant:		
Services	11,842	-
Total support services	<u>14,007</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	191,283	-
Benefits	43,587	-
Services	577	-
Supplies	242,172	-
Depreciation	13,707	-
	<u>491,326</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	28,904
Total non-instructional programs	<u>491,326</u>	<u>28,904</u>
Total operating expenses	<u>505,333</u>	<u>28,904</u>
Operating gain(loss)	(324,893)	1,796
Non-operating revenues:		
State sources	4,860	-
Federal sources	293,322	-
Interest on investments	118	-
Total non-operating revenues	<u>298,300</u>	<u>-</u>
Change in net assets before other financing sources	(26,593)	1,796
Other financing sources:		
Transfer in	8,699	-
Change in net assets	(17,894)	1,796
Net assets beginning of year	<u>142,503</u>	<u>3,022</u>
Net assets end of year	<u>\$ 124,609</u>	<u>4,818</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 180,319	-
Cash received from miscellaneous	1,912	30,700
Cash payments to employees for services	(236,364)	(28,904)
Cash payments to suppliers for goods or services	(219,257)	-
Net cash provided by(used in) operating activities	<u>(273,390)</u>	<u>1,796</u>
Cash flows from non-capital financing activities:		
Transfer from General Fund	8,699	-
State grants received	4,860	-
Federal grants received	256,094	-
Net cash provided by non-capital financing activities	<u>269,653</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments		
Net cash provided by investing activities	<u>118</u>	<u>-</u>
Net increase(decrease) in cash and cash equivalents	(3,619)	1,796
Cash and cash equivalents at beginning of year	<u>62,434</u>	<u>3,022</u>
Cash and cash equivalents at end of year	<u>\$ 58,815</u>	<u>4,818</u>
Reconciliation of operating gain(loss) to net cash provided by(used in) operating activities:		
Operating gain(loss)	\$ (324,893)	1,796
Adjustments to reconcile operating gain(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	37,228	-
Depreciation	13,707	-
Increase in inventories	(1,417)	-
Increase in accounts payable	1,688	-
Decrease in salaries and benefits payable	(2,161)	-
Increase in unearned revenue	1,791	-
Decrease in compensated absences	(915)	-
Increase in net OPEB liability	1,582	-
Net cash provided by(used in) operating activities	<u>\$ (273,390)</u>	<u>1,796</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received \$37,228 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 265,682
Liabilities	-
Net Assets	
Restricted for scholarships	10,000
Unrestricted	255,682
Total net assets	<u>\$ 265,682</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Contributions	\$ 3,250
Interest	289
Total additions	3,539
Deductions:	
Regular instruction:	
Scholarships awarded	16,900
Change in net assets before other financing sources	(13,361)
Other financing sources:	
Transfer in	550
Change in net assets	(12,811)
Net assets beginning of year	278,493
Net assets end of year	\$ 265,682

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(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 imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund is used to account for machinery and equipment expenditures as well as the improvements to capital facilities.

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles 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
Intangibles	150,000
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
Intangibles	2 or more 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, 2010. 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, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in

accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,712,089 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was 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, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	<u>\$ 21,600</u>

The Capital Projects Fund is repaying the General Fund for architect fees paid from the General Fund.

(4) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Physical Plant and Equipment Levy	General Fund	\$ 21,600
Debt Service	Capital Projects Fund	602,450
	Special Revenue:	
	Physical Plant and Equipment Levy	173,105
General Fund	Capital Projects Fund	21,600
Nutrition Fund	General Fund	8,699
Private Purpose Trust Fund	Special Revenue:	
	Student Activity Fund	<u>550</u>
Total		<u>\$ 828,004</u>

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

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 183,000	-	-	183,000
Construction in progress	-	21,600	-	21,600
Total capital assets not being depreciated	<u>183,000</u>	<u>21,600</u>	<u>-</u>	<u>204,600</u>
Capital assets being depreciated:				
Buildings	20,042,333	-	-	20,042,333
Land improvements	721,605	26,668	-	748,273
Machinery and equipment	1,453,793	89,029	14,497	1,528,325
Total capital assets being depreciated	<u>22,217,731</u>	<u>115,697</u>	<u>14,497</u>	<u>22,318,931</u>
Less accumulated depreciation for:				
Buildings	6,637,015	400,847	-	7,037,862
Land improvements	401,517	26,908	-	428,425
Machinery and equipment	1,137,694	79,408	14,497	1,202,605
Total accumulated depreciation	<u>8,176,226</u>	<u>507,163</u>	<u>14,497</u>	<u>8,668,892</u>
Total capital assets being depreciated, net	<u>14,041,505</u>	<u>(391,466)</u>	<u>-</u>	<u>13,650,039</u>
Governmental activities capital assets, net	<u>\$ 14,224,505</u>	<u>(369,866)</u>	<u>-</u>	<u>13,854,639</u>
Business type activities:				
Machinery and equipment	\$ 219,621	-	-	219,621
Less accumulated depreciation	132,930	13,707	-	146,637
Business type activities capital assets, net	<u>\$ 86,691</u>	<u>(13,707)</u>	<u>-</u>	<u>72,984</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 17,428
Support services:	
Instructional staff	3,001
Operation and maintenance of plant	776
Transportation	58,203
	<u>79,408</u>
Unallocated depreciation	<u>427,755</u>
Total governmental activities depreciation expense	<u>\$ 507,163</u>
Business type activities:	
Food services	<u>\$ 13,707</u>

(6) **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,085,000	-	460,000	5,625,000	475,000
Revenue bonds	460,000	-	460,000	-	-
QZAB	1,000,000	-	-	1,000,000	-
Street assessment	195,000	-	65,000	130,000	65,000
Compensated absences	120,438	150,378	120,438	150,378	150,378
Early Retirement	-	57,614	-	57,614	28,807
Net OPEB liability	-	76,418	-	76,418	-
Total governmental activities	\$ 7,860,438	284,410	1,105,438	7,039,410	719,185
Business type activities:					
Compensated absences	\$ 4,494	3,579	4,494	3,579	3,579
Net OPEB liability	-	1,582	-	1,582	-
Total business type activities	\$ 4,494	5,161	4,494	5,161	3,579

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated September 28, 2005			
	Interest Rates	Principal	Interest	Total
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	3.55	545,000	127,650	672,650
2016-2020	3.65-3.75	3,065,000	321,726	3,386,726
Total		\$ 5,625,000	1,141,275	6,766,275

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 Physical Plant and Equipment Levy 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, 2010 street assessment payable indebtedness are as follows:

Year Ending June 30,	Issue dated August 1, 2002			
	Interest Rate	Principal	Interest	Total
2011	5.00	% \$ 65,000	6,663	71,663
2012	5.25	65,000	3,412	68,412
Total		\$ 130,000	10,075	140,075

(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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$426,253, \$389,609, and \$355,421 respectively, equal to the required contributions for each year.

(8) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 167 active and 4 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 102,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>102,000</u>
Contributions made	(24,000)
Increase in net OPEB obligation	<u>78,000</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 78,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$102,000	23.53%	\$78,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$739,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$739,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,501,025 and the ratio of the UAAL to covered payroll was 13.43%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the unit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual health care cost trend rate is 11%. The ultimate health care cost trend rate is 5.0%. The health care cost trend rate is reduced by a percentage each year until reaching the ultimate health care cost trend rate of 5.0%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$675 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) 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.

(10) 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 \$395,530 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

Project	Amount
Gifted and Talented Programs	\$ 9,206
Beginning Teacher Mentoring and Induction Program	1,865
Teacher Salary Supplement	54,562
Market Factor	1,539
Professional Development for Model Core Curriculum	33,912
Professional Development	100,188
Market Factor Incentives	7,783
	<u>\$ 209,055</u>

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 5,107,969	180,558	5,288,527	5,534,776	5,534,776	(246,249)
State sources	4,585,995	4,860	4,590,855	5,587,573	5,587,573	(996,718)
Federal sources	1,058,763	293,322	1,352,085	2,152,085	2,152,085	(800,000)
Total revenues	<u>10,752,727</u>	<u>478,740</u>	<u>11,231,467</u>	<u>13,274,434</u>	<u>13,274,434</u>	<u>(2,042,967)</u>
Expenditures/Expenses:						
Instruction	6,862,494	-	6,862,494	7,982,013	7,982,013	1,119,519
Support services	2,841,715	14,007	2,855,722	5,142,307	5,142,307	2,286,585
Non-instructional programs	-	491,326	491,326	539,169	539,169	47,843
Other expenditures	1,726,709	-	1,726,709	2,036,937	2,036,937	310,228
Total expenditures/expenses	<u>11,430,918</u>	<u>505,333</u>	<u>11,936,251</u>	<u>15,700,426</u>	<u>15,700,426</u>	<u>3,764,175</u>
Deficiency of revenues under expenditures/expenses	(678,191)	(26,593)	(704,784)	(2,425,992)	(2,425,992)	1,721,208
Other financing sources, net	(6,389)	8,699	2,310	(10,000)	(10,000)	12,310
Deficiency of revenues and other financing sources under expenditures/expenses	(684,580)	(17,894)	(702,474)	(2,435,992)	(2,435,992)	1,733,518
Balance beginning of year	3,438,286	142,503	3,580,789	3,486,785	3,486,785	94,004
Balance end of year	<u>\$ 2,753,706</u>	<u>124,609</u>	<u>2,878,315</u>	<u>1,050,793</u>	<u>1,050,793</u>	<u>1,827,522</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll (b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 739,000	739,000	0.00%	\$ 5,501,025	13.43%

See note 8 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Nonmajor Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total	Capital Projects	
Assets					
Cash and pooled investments	\$ 171,446	74,951	246,397	548,170	794,567
Receivables:					
Property tax:					
Delinquent	2,934	-	2,934	-	2,934
Succeeding year	300,000	-	300,000	-	300,000
Accounts	-	1,334	1,334	-	1,334
Due from other governments	-	-	-	174,336	174,336
Total assets	\$ 474,380	76,285	550,665	722,506	1,273,171
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 4,774	4,971	9,745	-	9,745
Interfund payable	-	-	-	21,600	21,600
Deferred revenue:					
Succeeding year property tax	300,000	-	300,000	-	300,000
Total liabilities	304,774	4,971	309,745	21,600	331,345
Unreserved fund balances	169,606	71,314	240,920	700,906	941,826
Total liabilities and fund balances	\$ 474,380	76,285	550,665	722,506	1,273,171

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, 2010

	Nonmajor Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total	Capital Projects	
Revenues:					
Local sources:					
Local tax	\$ 169,355	-	169,355	582,398	751,753
Other	17,335	186,488	203,823	695	204,518
State sources	214	-	214	-	214
Total revenues	186,904	186,488	373,392	583,093	956,485
Expenditures:					
Current:					
Instruction:					
Regular	68,391	-	68,391	-	68,391
Other	-	194,625	194,625	-	194,625
Support services:					
Administration	15,210	-	15,210	-	15,210
Operation and maintenance of plant	48,481	-	48,481	-	48,481
Transportation	16,160	-	16,160	-	16,160
Total expenditures	148,242	194,625	342,867	-	342,867
Excess(Deficiency) of revenues over(under) expenditures	38,662	(8,137)	30,525	583,093	613,618
Other financing uses:					
Transfers out	-	(550)	(550)	(624,050)	(624,600)
Changes in net assets	38,662	(8,687)	29,975	(40,957)	(10,982)
Fund balances beginning year	130,944	80,001	210,945	741,863	952,808
Fund balances end of year	\$ 169,606	71,314	240,920	700,906	941,826

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance End of Year
HS General Athletics	\$ 16,145	4,685	11,029	(4,906)	4,895
Athletic Director	-	-	817	817	-
Athletic Tournaments	-	5,668	-	(5,668)	-
Boys Basketball	-	2,678	6,032	3,354	-
MS Boys Basketball	-	4,039	3,816	(223)	-
Football	-	7,651	5,172	(2,479)	-
MS Football	-	1,327	1,129	(198)	-
Baseball	-	-	4,614	4,614	-
MS Baseball	-	-	558	558	-
Boys Track	-	2,362	3,942	1,580	-
MS Boys Track	-	721	1,704	983	-
Boys Cross Country	-	620	1,043	423	-
Boys Tennis	-	82	882	800	-
Boys Golf	413	1,235	2,172	524	-
Wrestling	-	3,767	8,337	4,570	-
MS Wrestling	-	319	336	17	-
Girls Basketball	-	2,831	4,505	1,674	-
MS Girls Basketball	-	4,303	4,240	(63)	-
Volleyball	-	4,268	3,471	(797)	-
MS Volleyball	-	1,322	489	(833)	-
Softball	(274)	205	3,257	3,326	-
MS Softball	-	-	80	80	-
Girls Track	-	2,100	4,561	2,461	-
MS Girls Track	-	-	877	877	-
Girls Cross Country	-	695	1,202	507	-
Girls Tennis	-	-	679	679	-
Girls Golf	390	570	1,889	929	-
BPA	-	4,699	3,438	-	1,261
Annual	16,177	6,472	6,125	-	16,524
Math Club	-	1,569	1,127	-	442
DC Fundraising Trip	-	238	238	-	-
Cheerleaders	6,388	13,525	14,958	(200)	4,755
Class of 2008	-	-	58	58	-
Class of 2009	798	-	798	-	-
Class of 2010	2,028	-	1,035	-	993
Class of 2011	2,329	4,518	4,322	-	2,525
Class of 2012	800	670	-	-	1,470
Class of 2013	-	1,061	-	-	1,061
Class of 2014	-	800	-	-	800
Concession Pop	444	12,070	10,608	(1,906)	-
FFA	2,561	7,977	9,296	-	1,242
FCCLA	1,859	2,710	3,049	(100)	1,420

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance End of Year
Interest	-	62	-	(62)	-
Marching Mustangs	352	3,512	2,888	-	976
National Art Honor Society	219	162	115	-	266
National Honor Society	947	429	796	-	580
Pep Club	-	-	-	-	-
Investment Interest	-	81	-	(81)	-
Shen Basketball Boys	180	4,691	1,840	(1,665)	1,366
Shen Basketball Girls	185	7,227	6,257	-	1,155
Shen Boys Golf	1,354	749	1,189	(424)	490
Shen Boys Cross Country	228	505	384	-	349
Shen Boys Tennis	281	822	298	(617)	188
Shen Boys Track	148	1,611	351	-	1,408
Shen Football	2,316	4,341	4,860	-	1,797
Shen Girls Track	290	2,406	632	(1,325)	739
Shen Girls Tennis	378	983	728	-	633
Shen Girls Cross Country	1,702	2,730	3,124	-	1,308
Shen Singers	-	1,155	1,155	-	-
Shen Softball	633	935	739	-	829
Shen Volleyball	125	2,325	1,979	-	471
Shen Weight Club	363	2,883	2,648	-	598
Shen Wrestlers	882	9,239	6,952	-	3,169
SHS Speech Club	-	6,449	5,168	-	1,281
Student Activity	3,744	3,840	-	(7,584)	-
Student Council	1,277	8,376	7,207	(250)	2,196
Shen Baseball	140	2,980	1,482	-	1,638
MS Annual	1,063	2,973	3,051	-	985
MS Cheerleaders	371	314	99	-	586
MS FCCLA	3,363	1,707	2,794	-	2,276
MS Weight Room	551	409	320	-	640
MS Leadership Academy	1,373	-	322	-	1,051
MS Marching Mustangs	3,327	3,622	4,239	-	2,710
MS Swing Choir	1,102	51	451	-	702
MS Pride Builders	2,697	1,162	622	-	3,237
MS Baseball	352	-	50	-	302
Total	\$ 80,001	186,488	194,625	(550)	71,314

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2010

	Bateman	Dreyer	Pickard	Wilson	Beecher	Julin
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship
Assets						
Cash and pooled investments	\$ 9,735	1,557	2,704	206,709	2,108	10,538
Liabilities	-	-	-	-	-	-
Net Assets						
Restricted for scholarships	-	-	-	-	-	10,000
Unrestricted	9,735	1,557	2,704	206,709	2,108	538
Total net assets	\$ 9,735	1,557	2,704	206,709	2,108	10,538

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
17,704	1,625	300	3,035	2,565	5,252	750	1,100	265,682
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	10,000
17,704	1,625	300	3,035	2,565	5,252	750	1,100	255,682
17,704	1,625	300	3,035	2,565	5,252	750	1,100	265,682

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2010

	Bateman Scholarship	Dreyer Scholarship	Pickard Scholarship	Wilson Scholarship	Beecher Scholarship	Julin Scholarship
Additions:						
Local sources:						
Contributions	\$ -	-	-	-	-	500
Interest	11	2	3	236	3	-
Total additions:	11	2	3	236	3	500
Deductions:						
Regular instruction:						
Scholarships awarded	500	-	100	10,000	-	1,000
Change in net assets before other financing sources	(489)	2	(97)	(9,764)	3	(500)
Other financing sources:						
Transfers in	-	-	-	-	-	-
Changes in net assets	(489)	2	(97)	(9,764)	3	(500)
Net assets beginning of year	10,224	1,555	2,801	216,473	2,105	11,038
Net assets end of year	\$ 9,735	1,557	2,704	206,709	2,108	10,538

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
-	-	-	1,800	200	-	750	-	3,250
20	1	-	3	3	7	-	-	289
20	1	-	1,803	203	7	750	-	3,539
500	-	-	1,000	-	2,500	750	550	16,900
(480)	1	-	803	203	(2,493)	-	(550)	(13,361)
-	-	-	-	-	-	-	550	550
(480)	1	-	803	203	(2,493)	-	-	(12,811)
18,184	1,624	300	2,232	2,362	7,745	750	1,100	278,493
17,704	1,625	300	3,035	2,565	5,252	750	1,100	265,682

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
Local sources:										
Local tax	\$ 4,320,042	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	363,275	439,780	413,345	325,825	309,238	340,218	302,508	228,698	210,148	139,376
Other	424,652	427,090	664,398	693,361	582,805	476,170	555,042	359,445	692,032	1,039,555
Intermediate sources	-	-	-	-	-	-	36,106	32,480	32,587	-
State sources	4,585,995	5,444,156	5,587,576	5,285,949	4,775,575	4,419,245	4,041,618	4,124,883	4,175,215	4,241,702
Federal sources	1,058,763	469,614	363,206	349,274	356,245	334,296	368,460	355,722	347,062	855,369
Total	\$ 10,752,727	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	\$ 4,239,647	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	1,124,607	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	1,498,240	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	306,716	304,068	283,406	262,507	194,277	169,318	169,012	131,803	207,800	360,219
Instructional staff	371,436	449,537	507,464	367,374	353,021	349,654	253,071	376,276	356,721	439,665
Administration	962,789	943,972	918,075	896,725	742,217	642,190	662,371	665,375	676,769	663,616
Operation and maintenance of plant	810,920	811,288	867,021	753,634	741,092	767,799	531,580	511,242	477,517	588,205
Transportation	389,854	310,355	441,342	407,248	347,846	257,666	230,387	264,665	204,559	223,678
Central support	-	-	-	-	-	-	-	-	-	5,694
Non-instructional programs	-	-	-	-	-	20,236	15,310	11,530	18,314	36,860
Other expenditures:										
Facilities acquisitions	107,427	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	985,000	730,000	716,714	691,062	471,177	364,863	344,314	331,480	245,000	215,000
Interest	238,752	266,114	293,074	318,421	970,142	440,534	460,083	457,521	464,170	477,876
AEA flow-through	395,530	369,498	356,806	337,727	306,192	286,664	287,741	308,801	309,593	319,718
Total	\$ 11,430,918	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.

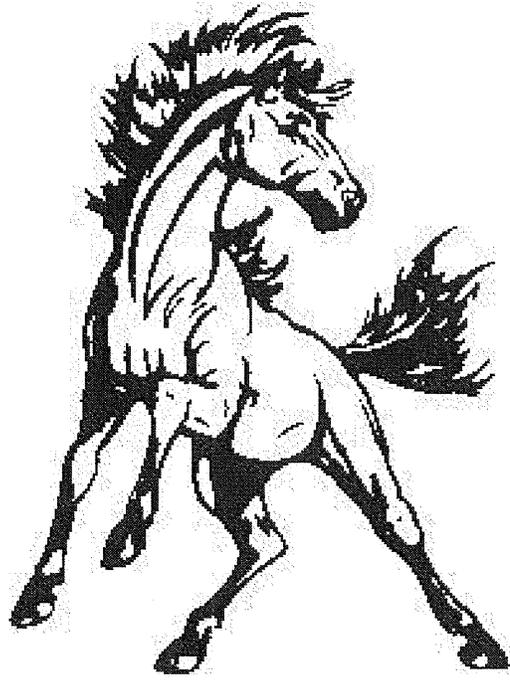
SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	\$ 50,279
National School Lunch Program	10.555	FY 10	239,233 *
Summer Food Service Program for Children	10.559	FY 10	3,810
			<u>293,322</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 10	209,980
Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	25,902
Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	42,241
			<u>278,123</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	3,449
Reading First State Grants	84.357	FY 09	20,400
Reading First State Grants	84.357	FY 10	10,000
			<u>30,400</u>
Improving Teacher Quality State Grants	84.367	FY 10	62,497
Grants for State Assessments and Related Activities	84.369	FY 10	6,539
State Fiscal Stabilization Fund(SFSF) - Education State Grants, Recovery Act	84.394	FY 10	457,905
Loess Hills Area Education Agency:			
Special Education - Grants to States(Part B)	84.027	FY 10	55,329
Special Education - Grants to States, Recovery Act	84.391	FY 09	30,258
Special Education - Grants to States, Recovery Act	84.391	FY 10	121,032
			<u>206,619</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	11,631
Special Education - State Personnel Development	84.323	FY 10	593
English Language Acquisition Grants	84.365	FY 10	1,007
TOTAL			<u>\$ 1,352,085</u>

* - Includes \$37,228 of non-cash awards.

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

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

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
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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 8, 2011. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting we consider to be material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be 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, 2010 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 and Questioned Costs. 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, and 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 PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of
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, 2010. 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 on compliance in accordance with U.S. generally accepted accounting 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, 2010.

Internal Control Over Compliance

The management of Shenandoah Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Shenandoah Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 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 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, and is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2011

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Individual:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund(SFSF) Education State Grants, Recovery Act
- (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, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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 - The District will review our procedures and implement changes where feasible.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2010
U.S. Department of Agriculture
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: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 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 - The District will review our procedures and implement changes where feasible.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed budgeted amounts.
- IV-B-10 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-10 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-10 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-10 Certified Enrollment - We noted the following variances in the basic enrollment data certified to the Department of Education. Resident students on reported on line 1 were understated by 3.0. Open enrolled out students reported on line 2 was understated by 1.0. Tuitioned out students reported on line 3 was overstated by 1.0. The net result is an understatement of total certified enrollment on line 7 of 3.0 students.
- Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.
- Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this issue.
- Conclusion - Response accepted.
- IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-10 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-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	29,555
Statewide sales and services tax revenue			582,398
Expenditures/Transfers out:			
Debt service for school infrastructure:			
General obligation debt	\$	138,400	
Revenue debt		473,553	611,953
			<hr/>
Ending Balance		\$	<u><u>-</u></u>

As a result of statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	<hr/>	<hr/>	<hr/>
	Per \$1,000 of Taxable Valuation		Property Tax Dollars
	<hr/>	<hr/>	<hr/>
Debt service levy	\$ 0.60363	\$	138,400
Physical plant and equipment levy	\$ 1.17941	\$	270,412

IV-M-10 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - The District is in the process of releasing the dollars to the State Treasurer of Iowa.

Conclusion - Response accepted.

IV-N-10 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these instances of questioned items and recommendations are as follows:

Donations: We noted donations from Box Tops for Education recorded in the Student Activity Fund. Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment.

Recommendation – The District should review the propriety of revenues that are recorded in the Student Activity Fund to ensure recording in the proper fund. The items listed for purchase with Box Tops donations appear more instructional in nature, therefore, the most logical place to record Box Tops donations would be the General Fund.

Response - The District will review our Box Tops donation procedures, for proper disbursement of those donations.

Conclusion - Response accepted.

Desk: We noted during our audit the purchase of a desk for the Athletic Director's office from the Student Activity Fund. This type of expenditure does not appear to be co-curricular or extracurricular in nature.

Recommendation – The District should review the propriety of expenditures that are recorded in the Student Activity Fund.

Response - The Student Activity Fund has been reimbursed by the Physical Plant and Equipment Levy Fund.

Conclusion - Response accepted.

Scholarships: We noted a scholarship paid from the Student Activity Fund.

Recommendation - When fundraising takes place, the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund, therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

Response - Future scholarship payments will be made from the Private Purpose Trust Fund.

Conclusion - Response accepted.