

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

JUNE 30, 2011

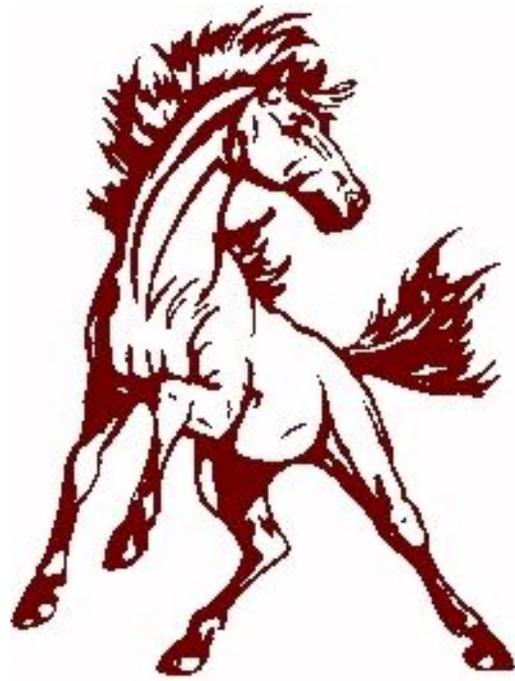
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Shenandoah Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2011
Joyce Morgan	Business Manager and District Secretary	2011
Jeffrey A. Krausman	Attorney	2011



NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
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, 2011, 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, 2011, 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 26, 2012 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.

Members American Institute & Iowa Society of Certified Public Accountants

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 46 through 48 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 nine years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 9, 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, P.C.

March 26, 2012

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, 2011.

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 Funds, Debt Service 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 increased from \$9,146,800 in fiscal year 2010 to \$10,044,887 in fiscal year 2011, while General Fund expenditures decreased from \$9,699,761 in fiscal year 2010 to \$9,536,153 in fiscal year 2011. This resulted in an increase in the District's General Fund balance from \$445,163 in fiscal year 2010 to \$953,897 in fiscal year 2011, representing an increase of 114.28%.
- ◆ The fiscal year 2011 General Fund revenue increase was attributable to increases in revenue from local and state sources. The decrease in General Fund expenditures occurred in the instruction functional area.
- ◆ The District's solvency ratio (unassigned fund balance/general fund revenues) increased from 2.58% at June 30, 2010 to 6.24% at June 30, 2011.

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.

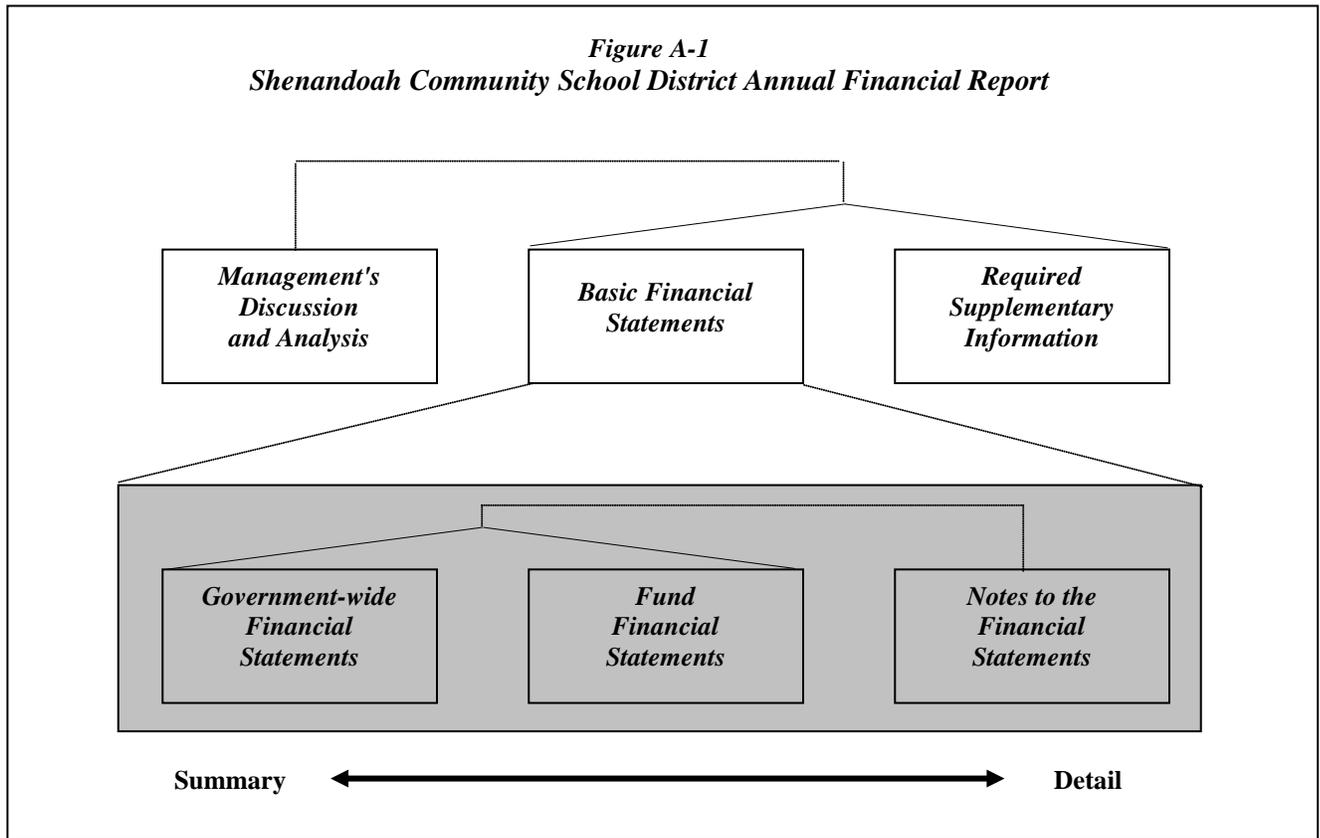


Figure A-2 on the next page summarizes the major features of the government-wide and fund financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights 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 Capital Projects 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 the Private-Purpose Trust Fund. The Private-Purpose Trust Fund accounts for outside donations to a school district for a specific purpose. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

NET ASSETS

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

Figure A-3 provides a summary of the District's net assets for the year ended June 30, 2011 totaling approximately \$11.06 million in government-wide.

	Figure A-3 Condensed Statement of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 12,000,991	8,272,786	61,588	66,618	12,062,579	8,339,404	44.65%
Capital assets	15,139,805	13,854,639	84,413	72,984	15,224,218	13,927,623	9.31%
Total assets	<u>27,140,796</u>	<u>22,127,425</u>	<u>146,001</u>	<u>139,602</u>	<u>27,286,797</u>	<u>22,267,027</u>	<u>22.54%</u>
Long-term obligations	10,817,261	7,039,410	8,627	5,161	10,825,888	7,044,571	53.68%
Other liabilities	5,385,187	4,991,347	17,320	9,832	5,402,507	5,001,179	8.02%
Total liabilities	<u>16,202,448</u>	<u>12,030,757</u>	<u>25,947</u>	<u>14,993</u>	<u>16,228,395</u>	<u>12,045,750</u>	<u>34.72%</u>
Net assets:							
Invested in capital assets, net of related debt	7,556,708	7,099,639	84,413	72,984	7,641,121	7,172,623	6.53%
Restricted	2,721,297	2,459,984	-	-	2,721,297	2,459,984	10.62%
Unrestricted	660,343	537,045	35,641	51,625	695,984	588,670	18.23%
Total net assets	<u>\$ 10,938,348</u>	<u>10,096,668</u>	<u>120,054</u>	<u>124,609</u>	<u>11,058,402</u>	<u>10,221,277</u>	<u>8.19%</u>

The District's combined net assets increased by 8.19%, or \$837,125, compared to the prior year. The largest portion of the District's net assets is the invested in capital

assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$261,313, or 10.62% from the prior year. The increase in restricted net assets can be attributed to the issuance of \$5,235,000 in revenue bonds recorded in the Capital Projects: Statewide Sales, Services and Use Tax 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 – increased \$107,314, or 18.23%. This increase in unrestricted net assets was a result of the District's increase in the General Fund unassigned balance.

CHANGES IN NET ASSETS

Figure A-4 shows the changes in net assets for the year ended June 30, 2011.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 676,226	593,614	167,277	178,528	843,503	772,142	9.24%
Operating grants, contributions and restricted interest	1,095,058	2,267,161	306,167	298,182	1,401,225	2,565,343	-45.38%
General revenues:							
Property tax	3,734,381	3,212,815	-	-	3,734,381	3,212,815	16.23%
Income surtax	527,667	639,203	-	-	527,667	639,203	-17.45%
Statewide sales, services and use tax	697,465	582,398	-	-	697,465	582,398	19.76%
Unrestricted state grants	4,868,738	3,499,336	-	-	4,868,738	3,499,336	39.13%
Nonspecific program federal grants	223,440	-	-	-	223,440	-	100.00%
Unrestricted investment earnings	28,913	33,024	73	118	28,986	33,142	-12.54%
Other	150,509	42,410	2,142	1,912	152,651	44,322	244.41%
Transfers	(16,721)	(9,249)	18,281	8,699	1,560	(550)	-383.64%
Total revenues & transfers	<u>11,985,676</u>	<u>10,860,712</u>	<u>493,940</u>	<u>487,439</u>	<u>12,479,616</u>	<u>11,348,151</u>	<u>9.97%</u>
Program expenses:							
Governmental activities:							
Instructional	6,788,948	6,984,694	-	-	6,788,948	6,984,694	-2.80%
Support services	3,138,031	2,872,070	4,953	14,007	3,142,984	2,886,077	8.90%
Non-instructional programs	-	-	493,542	491,326	493,542	491,326	0.45%
Other expenses	1,217,017	1,113,721	-	-	1,217,017	1,113,721	9.27%
Total expenses	<u>11,143,996</u>	<u>10,970,485</u>	<u>498,495</u>	<u>505,333</u>	<u>11,642,491</u>	<u>11,475,818</u>	<u>1.45%</u>
Changes in net assets	841,680	(109,773)	(4,555)	(17,894)	837,125	(127,667)	755.71%
Beginning 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>
Ending net assets	<u>\$ 10,938,348</u>	<u>10,096,668</u>	<u>120,054</u>	<u>124,609</u>	<u>11,058,402</u>	<u>10,221,277</u>	<u>8.19%</u>

In Figure A-4 property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 82.00% of the total revenue. The District's

expenses primarily relate to instruction and support services which account for 89.08% of the total governmental expenses.

The total cost of our general fund activities this year was approximately \$9.54 million. The amount that our taxpayers ultimately financed for general fund activities through school district taxes was approximately \$3.22 million or 33.79% 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 \$11,985,676 while expenditures were \$11,143,996.

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		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 6,788,948	6,984,694	-2.80%	5,479,775	4,522,290	21.17%
Support services	3,138,031	2,872,070	9.26%	3,089,460	2,869,229	7.68%
Other expenses	1,217,017	1,113,721	9.27%	803,477	718,191	11.88%
Totals	\$ 11,143,996	10,970,485	1.58%	9,372,712	8,109,710	15.57%

Figure A-5 above shows:

- ◆ The cost financed by users of the District’s programs was \$676,226.
- ◆ Federal and state governments subsidized certain programs with grants and contributions totaling \$1,095,058.
- ◆ The net cost of governmental activities was financed with \$3,734,381 in property tax, \$527,667 in income surtax, \$697,465 in statewide sales, service and use tax, \$4,868,738 in unrestricted state grants, \$223,440 in nonspecific program federal grants, \$28,913 in interest income and \$133,788 in other general revenues, net of transfers.

BUSINESS TYPE ACTIVITIES

Revenues of the District’s business type activities were \$493,940 while expenditures were \$498,495. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of service, federal and state reimbursements, investment income and capital contributions.

During the year ended June 30, 2011, 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 \$6,241,460 which is above last year's ending fund balance of \$2,753,706. The main reason for the increase was the issuance of new revenue bonds during the year.

Governmental Fund Highlights:

The District's General Fund financial position is a product of many factors.

- ◆ The General Fund balance increased from \$445,163 to \$953,897 due to an increase in local and state sources of revenue combined with a reduction in overall expenditures when compared to the previous year.
- ◆ The Capital Projects Fund increased from a restated balance of \$1,128,339 at the beginning of fiscal year 2011 to \$4,169,255 at the end of fiscal year 2011. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The increase was due to the issuance of \$5,235,000 in revenue bonds to be used for various construction projects.
- ◆ The Debt Service Fund balance decreased from \$939,284 at June 30, 2010 to \$742,070 at June 30, 2011. The decline is attributable in part to the District repaying the balance on the Qualified Zone Academy Bonds one year early.

Proprietary Fund Highlights:

The School Nutrition Fund net assets decreased from \$124,609 at June 30, 2010 to \$120,054 at June 30, 2010 or 3.66%. 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 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 46.

Over the course of the year, Shenandoah Community School District amended its budget one time to reflect additional expenditures associated with various facilities upgrade projects.

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.

CAPITAL ASSETS

At June 30, 2011, the District had invested \$15,224,218, net of accumulated depreciation in a board range of capital assets, including land, buildings, athletic facilities, computers and transportation equipment. Governmental funds account for \$15,139,805 of the capital assets with the remainder of \$84,413 in the Proprietary, School Nutrition Fund. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$572,391.

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

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 183,000	183,000	-	-	183,000	183,000	0.00%
Construction in progress	1,717,575	21,600	-	-	1,717,575	21,600	98.74%
Buildings	12,603,624	13,004,471	-	-	12,603,624	13,004,471	-3.08%
Land improvements	292,140	319,848	-	-	292,140	319,848	-8.66%
Machinery and equipment	343,466	325,720	84,413	72,984	427,879	398,704	7.32%
Total	<u>\$ 15,139,805</u>	<u>13,854,639</u>	<u>84,413</u>	<u>72,984</u>	<u>15,224,218</u>	<u>13,927,623</u>	<u>9.31%</u>

LONG - TERM DEBT

As of June 30, 2011, the School District had \$10,825,888 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of 53.68% from last year. Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

There was \$5,150,000 in outstanding debt for general obligation bonds for the PK-8 building. The bonds are paid primarily from property tax revenues. The final payment will be due in fiscal year 2020.

During the year ended June 30, 2011, the District issued \$5,235,000 of revenue bonds to be used for the Logan elementary and administration building remodels.

The School District had \$65,000 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 \$212,526 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 \$28,807 of outstanding debt for early retirement payable.

The District also had a net OPEB liability of \$134,555. Of which, \$131,826 was for governmental activities with the remainder of \$2,729 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
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 5,150,000	5,625,000	-	-	5,150,000	5,625,000	-8.44%
Revenue bonds	5,235,000	-	-	-	5,235,000	-	100.00%
QZAB	-	1,000,000	-	-	-	1,000,000	-100.00%
Street assessment	65,000	130,000	-	-	65,000	130,000	-50.00%
Compensated absences	206,628	150,378	5,898	3,579	212,526	153,957	38.04%
Early retirement	28,807	57,614	-	-	28,807	57,614	-50.00%
Net OPEB liability	131,826	76,418	2,729	1,582	134,555	78,000	72.51%
Total	<u>\$ 10,817,261</u>	<u>7,039,410</u>	<u>8,627</u>	<u>5,161</u>	<u>10,825,888</u>	<u>7,044,571</u>	<u>53.68%</u>

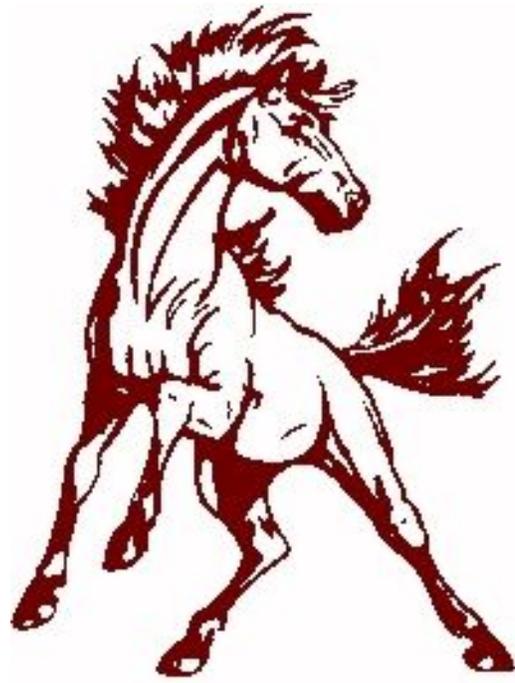
FACTORS THAT IMPACT THE DISTRICT'S FUTURE

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

At the time these financial statements were prepared and audited, the District was not aware of specific circumstances that could significantly affect its financial health in the future.

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, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 7,343,568	53,812	7,397,380
Receivables:			
Property tax:			
Delinquent	57,861	-	57,861
Succeeding year	3,665,486	-	3,665,486
Income surtax	568,598	-	568,598
Accounts	372	-	372
Due from other governments	365,106	1,778	366,884
Inventories	-	5,998	5,998
Capital assets, net of accumulated depreciation	15,139,805	84,413	15,224,218
Total assets	27,140,796	146,001	27,286,797
Liabilities			
Accounts payable	477,485	10,426	487,911
Salaries and benefits payable	970,370	2,014	972,384
Accrued interest payable	194,254	-	194,254
Deferred revenue:			
Succeeding year property tax	3,665,486	-	3,665,486
Other	77,592	-	77,592
Unearned revenue	-	4,880	4,880
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	495,000	-	495,000
Street assessment payable	65,000	-	65,000
Compensated absences	206,628	5,898	212,526
Early retirement payable	28,807	-	28,807
Portion due after one year:			
General obligation bonds payable	4,655,000	-	4,655,000
Revenue bonds payable	5,235,000	-	5,235,000
Net OPEB liability	131,826	2,729	134,555
Total liabilities	16,202,448	25,947	16,228,395
Net Assets			
Invested in capital assets, net of related debt	7,556,708	84,413	7,641,121
Restricted for:			
Categorical funding	327,495	-	327,495
Debt service	742,070	-	742,070
Management levy purposes	277,085	-	277,085
Student activities	72,295	-	72,295
School infrastructure	954,142	-	954,142
Physical plant and equipment	348,210	-	348,210
Unrestricted	660,343	35,641	695,984
Total net assets	\$ 10,938,348	120,054	11,058,402

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	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	\$ 4,253,863	407,136	414,280	(3,432,447)	-	(3,432,447)
Special	1,133,588	95,941	55,699	(981,948)	-	(981,948)
Other	1,401,497	172,550	163,567	(1,065,380)	-	(1,065,380)
	6,788,948	675,627	633,546	(5,479,775)	-	(5,479,775)
Support services:						
Student	330,004	-	-	(330,004)	-	(330,004)
Instructional staff	546,369	-	43,343	(503,026)	-	(503,026)
Administration	1,031,791	-	3,426	(1,028,365)	-	(1,028,365)
Operation and maintenance of plant	862,657	-	-	(862,657)	-	(862,657)
Transportation	367,210	599	1,203	(365,408)	-	(365,408)
	3,138,031	599	47,972	(3,089,460)	-	(3,089,460)
Other expenditures:						
Facilities and acquisitions	-	-	-	-	-	-
Long-term debt interest	374,922	-	-	(374,922)	-	(374,922)
AEA flowthrough	413,540	-	413,540	-	-	-
Depreciation(unallocated)*	428,555	-	-	(428,555)	-	(428,555)
	1,217,017	-	413,540	(803,477)	-	(803,477)
Total governmental activities	11,143,996	676,226	1,095,058	(9,372,712)	-	(9,372,712)
Business Type activities:						
Support services:						
Administration	565	-	-	-	(565)	(565)
Operation and maintenance of plant	4,388	-	-	-	(4,388)	(4,388)
	4,953	-	-	-	(4,953)	(4,953)
Non-instructional programs:						
Nutrition services	493,542	167,277	306,167	-	(20,098)	(20,098)
Total business type activities	498,495	167,277	306,167	-	(25,051)	(25,051)
Total	\$ 11,642,491	843,503	1,401,225	(9,372,712)	(25,051)	(9,397,763)
General Revenues and Transfers:						
General Revenues:						
Local tax for:						
General purposes				\$ 3,262,158	-	3,262,158
Debt service				352,004	-	352,004
Capital outlay				120,219	-	120,219
Income surtax				527,667	-	527,667
Statewide sales, services and use tax				697,465	-	697,465
Unrestricted state grants				4,868,738	-	4,868,738
Nonspecific program federal grants				223,440	-	223,440
Unrestricted investment earnings				28,913	73	28,986
Other				150,509	2,142	152,651
Transfers				(16,721)	18,281	1,560
Total general revenues and transfers				10,214,392	20,496	10,234,888
Changes in net assets				841,680	(4,555)	837,125
Net assets beginning of year				10,096,668	124,609	10,221,277
Net assets end of year				\$ 10,938,348	120,054	11,058,402

* 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, 2011

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,878,884	4,353,162	736,456	375,066	7,343,568
Receivables:					
Property tax:					
Delinquent	45,784	1,809	5,614	4,654	57,861
Succeeding year	3,033,086	155,325	327,075	150,000	3,665,486
Income surtax	306,168	262,430	-	-	568,598
Accounts	-	-	-	372	372
Due from other funds	-	12,993	-	-	12,993
Due from other governments	165,870	199,236	-	-	365,106
Total assets	\$ 5,429,792	4,984,955	1,069,145	530,092	12,013,984
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 75,686	397,945	-	3,854	477,485
Salaries and benefits payable	970,370	-	-	-	970,370
Due to other funds	12,993	-	-	-	12,993
Deferred revenue:					
Succeeding year property tax	3,033,086	155,325	327,075	150,000	3,665,486
Income surtax	306,168	262,430	-	-	568,598
Other	77,592	-	-	-	77,592
Total liabilities	4,475,895	815,700	327,075	153,854	5,772,524
Fund Balances:					
Restricted for:					
Categorical funding	327,495	-	-	-	327,495
Debt service	-	-	742,070	-	742,070
Management levy purposes	-	-	-	305,892	305,892
Student activities	-	-	-	72,295	72,295
Construction	-	2,866,903	-	-	2,866,903
School infrastructure	-	954,142	-	-	954,142
Physical plant and equipment	-	348,210	-	-	348,210
Unassigned:					
General	626,402	-	-	-	626,402
Student activities	-	-	-	(1,949)	(1,949)
Total fund balances	953,897	4,169,255	742,070	376,238	6,241,460
Total liabilities and fund balances	\$ 5,429,792	4,984,955	1,069,145	530,092	12,013,984

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 22)	\$	6,241,460
 <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 report as assets in the governmental funds.		15,139,805
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		568,598
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.		(194,254)
Long-term liabilities including general obligation bonds payable, revenue 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>(10,817,261)</u>
Net assets of governmental activities(page 20)	\$	<u>10,938,348</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, 2011

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,222,475	1,057,313	352,004	319,741	4,951,533
Tuition	426,560	-	-	-	426,560
Other	234,358	19,351	10,071	228,375	492,155
Intermediate sources	36,000	-	-	-	36,000
State sources	5,362,751	-	-	-	5,362,751
Federal sources	725,418	-	-	-	725,418
Total revenues	<u>10,007,562</u>	<u>1,076,664</u>	<u>362,075</u>	<u>548,116</u>	<u>11,994,417</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,043,778	-	-	114,997	4,158,775
Special	1,133,588	-	-	-	1,133,588
Other	1,193,787	-	-	214,795	1,408,582
	<u>6,371,153</u>	<u>-</u>	<u>-</u>	<u>329,792</u>	<u>6,700,945</u>
Support services:					
Student	327,166	-	-	-	327,166
Instructional staff	468,423	75,013	-	-	543,436
Administration	902,201	32,923	-	21,685	956,809
Operation and maintenance of plant	751,848	15,676	-	45,480	813,004
Transportation	301,822	72,672	-	15,248	389,742
	<u>2,751,460</u>	<u>196,284</u>	<u>-</u>	<u>82,413</u>	<u>3,030,157</u>
Non-instructional programs	-	18,281	-	-	18,281
Other expenditures:					
Facilities acquisitions	-	1,780,729	-	-	1,780,729
Long-term debt:					
Principal	-	-	1,540,000	-	1,540,000
Interest and fiscal charges	-	-	218,371	-	218,371
AEA flowthrough	413,540	-	-	-	413,540
	<u>413,540</u>	<u>1,780,729</u>	<u>1,758,371</u>	<u>-</u>	<u>3,952,640</u>
Total expenditures	<u>9,536,153</u>	<u>1,995,294</u>	<u>1,758,371</u>	<u>412,205</u>	<u>13,702,023</u>
Excess(deficiency) of revenues over(under) expenditures	471,409	(918,630)	(1,396,296)	135,911	(1,707,606)
Other financing sources(uses):					
Transfers in	-	5,580	1,199,082	3,337	1,207,999
Transfers out	-	(1,202,509)	-	(3,930)	(1,206,439)
Issuance of revenues bonds	-	5,235,000	-	-	5,235,000
Premium on revenue bond issuance	-	21,939	-	-	21,939
Discount on revenue bond issuance	-	(100,464)	-	-	(100,464)
Sale of equipment	37,325	-	-	-	37,325
Total other financing sources(uses)	<u>37,325</u>	<u>3,959,546</u>	<u>1,199,082</u>	<u>(593)</u>	<u>5,195,360</u>
Net change in fund balances	508,734	3,040,916	(197,214)	135,318	3,487,754
Fund balances beginning of year, as restated	445,163	1,128,339	939,284	240,920	2,753,706
Fund balances end of year	<u>\$ 953,897</u>	<u>4,169,255</u>	<u>742,070</u>	<u>376,238</u>	<u>6,241,460</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 24) \$ 3,487,754

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Capital outlays	\$ 1,841,565	
Depreciation expense	<u>(556,399)</u>	1,285,166

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (4,818)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(5,235,000)	
Repaid	<u>1,540,000</u>	(3,695,000)

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. (156,551)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 7,980

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	28,807	
Compensated absences	(56,250)	
Other postemployment benefits	<u>(55,408)</u>	<u>(82,851)</u>

Changes in net assets of governmental activities(page 21) \$ 841,680

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	Business Type Activities: Enterprise Fund
	School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 53,812
Due from other governments	1,778
Inventories	5,998
Total current assets	61,588
Non-current assets:	
Capital assets, net of accumulated depreciation	84,413
Total assets	146,001
Liabilities	
Current liabilities:	
Accounts payable	10,426
Salaries and benefits payable	2,014
Unearned revenue	4,880
Total current liabilities	17,320
Long-term liabilities:	
Compensated absences	5,898
Net OPEB liability	2,729
Total long-term liabilities	8,627
Total liabilities	25,947
Net Assets	
Invested in capital assets	84,413
Unrestricted	35,641
Total net assets	\$ 120,054

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	Business Type	
	Activites: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 167,277	-
Miscellaneous	2,142	-
Total operating revenues:	<u>169,419</u>	<u>-</u>
Operating expenses:		
Support services:		
Administration:		
Services	565	-
Operation and maintenance of plant:		
Services	4,388	-
Total support services	<u>4,953</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	189,396	-
Benefits	45,321	-
Services	246	-
Supplies	242,587	-
Depreciation	15,992	-
	<u>493,542</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	4,818
Total non-instructional programs	<u>493,542</u>	<u>4,818</u>
Total operating expenses	<u>498,495</u>	<u>4,818</u>
Operating loss	(329,076)	(4,818)
Non-operating revenues:		
State sources	4,522	-
Federal sources	301,645	-
Interest on investments	73	-
Total non-operating revenues	<u>306,240</u>	<u>-</u>
Change in net assets before other financing sources	(22,836)	(4,818)
Other financing sources:		
Contributed capital	18,281	-
Change in net assets	(4,555)	(4,818)
Net assets beginning of year	124,609	4,818
Net assets end of year	<u>\$ 120,054</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	Business Type	
	Activites:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 166,151	-
Cash received from miscellaneous	2,142	-
Cash payments to employees for services	(231,375)	(4,818)
Cash payments to suppliers for goods or services	(212,153)	-
Net cash used in operating activities	<u>(275,235)</u>	<u>(4,818)</u>
Cash flows from non-capital financing activities:		
State grants received	4,522	-
Federal grants received	274,777	-
Net cash provided by non-capital financing activities	<u>279,299</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(9,140)	-
Cash flows from investing activities:		
Interest on investments	73	-
Net decrease in cash and cash equivalents	(5,003)	(4,818)
Cash and cash equivalents at beginning of year	58,815	4,818
Cash and cash equivalents at end of year	<u>\$ 53,812</u>	<u>-</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (329,076)	(4,818)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	25,090	-
Depreciation	15,992	-
Decrease in inventories	1,805	-
Increase in accounts payable	8,738	-
Decrease in salaries and benefits payable	(124)	-
Decrease in unearned revenue	(1,126)	-
Increase in compensated absences	2,319	-
Increase in net OPEB liability	1,147	-
Net cash used in operating activities	<u>\$ (275,235)</u>	<u>(4,818)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$25,090 of federal commodities.

During the year ended June 30, 2011, the Nutrition Fund received contributed capital of \$18,281 from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 243,534
Liabilities	-
Net Assets	
Unrestricted	243,534
Total net assets	\$ 243,534

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Contributions	\$ 3,500
Interest	262
Total additions	3,762
Deductions:	
Regular instruction:	
Scholarships awarded	24,350
Change in net assets before other financing sources	(20,588)
Other financing sources(uses):	
Transfer in	550
Transfer out	(2,110)
Total other financing sources(uses)	(1,560)
Change in net assets	(22,148)
Net assets beginning of year	265,682
Net assets end of year	\$ 243,534

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(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. Unspent bond proceeds for construction have been added back to invested in capital assets, net of related debt.

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. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

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.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in

the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, 2011. The compensated absences liability 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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 Accounting

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,759,754 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) **Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,029,084
Debt Service	Capital Projects: Physical Plant and Equipment Levy	169,998
Capital Projects: Physical Plant and Equipment Levy	Capital Projects: Statewide Sales, Services and Use Tax	2,200
Capital Projects: Physical Plant and Equipment Levy	Student Activity	3,380
Private Purpose Trust	Student Activity	550
Student Activity	Private Purpose Trust	2,110
Student Activity	Capital Projects: Physical Plant and Equipment Levy	1,227
Total		<u>\$ 1,208,549</u>

The Capital Projects: Statewide Sales Services and Use Fund and Capital Projects: Physical Plant and Equipment Levy Fund transferred moneys to the Debt Service Fund for various principal and interest requirements on the District's long-term debt.

The Capital Projects: Statewide Sales, Services and Use Tax Fund transferred moneys to the Capital Projects: Physical Plant and Equipment Levy Fund to reclassify issuance costs associated with the issuance of the new revenue bonds.

The Student Activity Fund transferred moneys to the Capital Projects: Physical Plant and Equipment Levy Fund as repayment for the purchase of equipment that was specifically fundraised for in the Student Activity Fund.

The Student Activity Fund transferred moneys raised for scholarships to the Private Purpose Trust Fund.

The Private Purpose Trust Fund transferred moneys originally intended for student activities to the Student Activity Fund.

The Capital Projects: Physical Plant and Equipment Levy Fund transferred moneys to the Student Activity Fund as a corrective transfer from the prior year audit comment.

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables for the year ended June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Physical Plant and Equipment Levy	General	<u>\$ 12,993</u>

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Levy fund for equipment purchased from the wrong fund.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. During the year ended June 30, 2011, the District had no borrowings.

(6) **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	1,695,975	-	1,717,575
Total capital assets not being depreciated	<u>204,600</u>	<u>1,695,975</u>	<u>-</u>	<u>1,900,575</u>
Capital assets being depreciated:				
Buildings	20,042,333	-	-	20,042,333
Land improvements	748,273	-	-	748,273
Machinery and equipment	1,528,325	145,590	86,080	1,587,835
Total capital assets being depreciated	<u>22,318,931</u>	<u>145,590</u>	<u>86,080</u>	<u>22,378,441</u>
Less accumulated depreciation for:				
Buildings	7,037,862	400,847	-	7,438,709
Land improvements	428,425	27,708	-	456,133
Machinery and equipment	1,202,605	127,844	86,080	1,244,369
Total accumulated depreciation	<u>8,668,892</u>	<u>556,399</u>	<u>86,080</u>	<u>9,139,211</u>
Total capital assets being depreciated, net	<u>13,650,039</u>	<u>(410,809)</u>	<u>-</u>	<u>13,239,230</u>
Governmental activities capital assets, net	<u>\$ 13,854,639</u>	<u>1,285,166</u>	<u>-</u>	<u>15,139,805</u>
Business type activities:				
Machinery and equipment	\$ 219,621	27,421	1,016	246,026
Less accumulated depreciation	146,637	15,992	1,016	161,613
Business type activities capital assets, net	<u>\$ 72,984</u>	<u>11,429</u>	<u>-</u>	<u>84,413</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 17,634
Support services:		
Instructional staff		700
Transportation		109,510
		<u>127,844</u>
Unallocated depreciation		428,555
		<u>428,555</u>
Total governmental activities depreciation expense		<u>\$ 556,399</u>
Business type activities:		
Food services		\$ 15,992
		<u>15,992</u>

(7) **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,625,000	-	475,000	5,150,000	495,000
Revenue bonds	-	5,235,000	-	5,235,000	-
QZAB	1,000,000	-	1,000,000	-	-
Street assessment	130,000	-	65,000	65,000	65,000
Compensated absences	150,378	206,628	150,378	206,628	206,628
Early Retirement	57,614	-	28,807	28,807	28,807
Net OPEB liability	76,418	55,408	-	131,826	-
Total governmental activities	\$ 7,039,410	5,497,036	1,719,185	10,817,261	795,435
Business type activities:					
Compensated absences	\$ 3,579	5,898	3,579	5,898	5,898
Net OPEB liability	1,582	1,147	-	2,729	-
Total business type activities	\$ 5,161	7,045	3,579	8,627	5,898

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated September 28, 2005		
		Principal	Interest	Total
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	3.65	565,000	107,985	672,985
2017-2020	3.65-3.75	2,500,000	213,741	2,713,741
Total		\$ 5,150,000	942,488	6,092,488

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated September 1, 2010		
		Principal	Interest	Total
2012	2.90	% \$ -	257,947	257,947
2013	2.90	-	193,460	193,460
2014	2.90	-	193,460	193,460
2015	2.90	100,000	192,010	292,010
2016	2.90	145,000	188,458	333,458
2017-2021	2.90-3.00	805,000	875,065	1,680,065
2022-2026	3.20-3.85	1,920,000	655,886	2,575,886
2027-2030	4.00-4.35	2,265,000	227,695	2,492,695
Total		\$ 5,235,000	2,783,981	8,018,981

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,235,000 of bonds issued in September 2010. The bonds were issued for the purpose of financing a portion of the costs of the Logan Elementary and Administration building remodeling projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$8,018,981. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$697,465.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- (a) \$587,747 shall be deposited into a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- (b) The District will make monthly transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund depositing money into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Street Assessment Payable

Details of the District's June 30, 2011 street assessment payable indebtedness are as follows:

Year Ending June 30,	Issue dated August 1, 2002				
	Interest Rate	Principal	Interest	Total	
2012	5.25 %	\$ 65,000	3,412	68,412	

(8) 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$420,681, \$426,253, and \$389,609 respectively, equal to the required contributions for each year.

(9) **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, 2011, 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	3,510
Adjustment to annual required contribution	(2,955)
Annual OPEB cost	<u>102,555</u>
Contributions made	(46,000)
Increase in net OPEB obligation	<u>56,555</u>
Net OPEB obligation beginning of year	<u>78,000</u>
Net OPEB obligation end of year	<u><u>\$ 134,555</u></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, 2011.

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 102,000	23.53%	\$ 78,000
2011	102,555	44.85%	134,555

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$5,438,493 and the ratio of the UAAL to covered payroll was 13.59%. As of June 30, 2011, 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.

(10) 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.

(11) 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 \$413,540 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Gifted and Talented Programs	\$ 13,935
Returning Dropouts and Dropout Prevention Programs	50,681
Teacher Salary Supplement	100,513
Market Factor	1,539
Professional Development for Model Core Curriculum	31,917
Professional Development	121,127
Market Factor Incentives	7,783
	<u>\$ 327,495</u>

(13) Construction Commitment

The District has entered into contracts totaling \$1,489,808 for various construction projects. As of June 30, 2011, costs of \$1,322,133 had been incurred against the contracts. The balance of \$167,675 remaining at June 30, 2011 will be paid as work on the project progresses.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously stated	\$ 700,906	427,433
Change in fund type classification per implementation of GASB Statement No. 54	427,433	(427,433)
Balances July 1, 2010, as restated	<u>\$ 1,128,339</u>	<u>-</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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,870,248	169,492	6,039,740	5,884,994	5,884,994	154,746
Intermediate sources	36,000	-	36,000	-	-	36,000
State sources	5,362,751	4,522	5,367,273	5,894,560	5,894,560	(527,287)
Federal sources	725,418	301,645	1,027,063	834,000	834,000	193,063
Total revenues	11,994,417	475,659	12,470,076	12,613,554	12,613,554	(143,478)
Expenditures/Expenses:						
Instruction	6,700,945	-	6,700,945	7,676,268	7,676,268	975,323
Support services	3,030,157	4,953	3,035,110	4,017,459	4,017,459	982,349
Non-instructional programs	18,281	493,542	511,823	563,847	563,847	52,024
Other expenditures	3,952,640	-	3,952,640	2,276,773	4,500,000	547,360
Total expenditures/expenses	13,702,023	498,495	14,200,518	14,534,347	16,757,574	2,557,056
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,707,606)	(22,836)	(1,730,442)	(1,920,793)	(4,144,020)	2,413,578
Other financing sources, net	5,195,360	18,281	5,213,641	169,581	169,581	5,044,060
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	3,487,754	(4,555)	3,483,199	(1,751,212)	(3,974,439)	7,457,638
Balances beginning of year	2,753,706	124,609	2,878,315	2,809,265	2,809,265	69,050
Balances end of year	\$ 6,241,460	120,054	6,361,514	1,058,053	(1,165,174)	7,526,688

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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. During the year, the District adopted one budget amendment, increasing expenditures by \$2,223,227.

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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 739,000	739,000	0.00%	\$ 5,501,025	13.43%
2011	July 1, 2009	-	739,000	739,000	0.00%	5,438,493	13.59%

See note 9 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 302,608	72,458	375,066
Receivables:			
Property tax:			
Delinquent	4,654	-	4,654
Succeeding year	150,000	-	150,000
Accounts	-	372	372
Total assets	\$ 457,262	72,830	530,092
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,370	2,484	3,854
Deferred revenue:			
Succeeding year property tax	150,000	-	150,000
Total liabilities	151,370	2,484	153,854
Fund Balances:			
Restricted for:			
Management levy purposes	305,892	-	305,892
Student activities	-	72,295	72,295
Unassigned	-	(1,949)	(1,949)
Total fund balances	305,892	70,346	376,238
Total liabilities and fund balances	\$ 457,262	72,830	530,092

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, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 319,741	-	319,741
Other	13,955	214,420	228,375
Total revenues	333,696	214,420	548,116
Expenditures:			
Current:			
Instruction:			
Regular	114,997	-	114,997
Other	-	214,795	214,795
Support services:			
Administration	21,685	-	21,685
Operation and maintenance of plant	45,480	-	45,480
Transportation	15,248	-	15,248
Total expenditures	197,410	214,795	412,205
Excess(Deficiency) of revenues over(under) expenditures	136,286	(375)	135,911
Other financing sources(uses):			
Transfers in	-	3,337	3,337
Transfers out	-	(3,930)	(3,930)
Total other financing sources(uses)	-	(593)	(593)
Changes in net assets	136,286	(968)	135,318
Fund balances beginning year, as restated	169,606	71,314	240,920
Fund balances end of year	\$ 305,892	70,346	376,238

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 3,966,502	386,660	4,353,162
Receivables:			
Property tax:			
Delinquent	-	1,809	1,809
Succeeding year	-	155,325	155,325
Income surtax	-	262,430	262,430
Due from other funds	-	12,993	12,993
Due from other governments	190,096	9,140	199,236
Total assets	\$ 4,156,598	828,357	4,984,955
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 335,553	62,392	397,945
Deferred revenue:			
Succeeding year property tax	-	155,325	155,325
Income surtax	-	262,430	262,430
Total liabilities	335,553	480,147	815,700
Fund balances:			
Restricted for:			
Construction	2,866,903	-	2,866,903
School infrastructure	954,142	-	954,142
Physical plant and equipment	-	348,210	348,210
Total fund balances	3,821,045	348,210	4,169,255
Total liabilities and fund balances	\$ 4,156,598	828,357	4,984,955

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 697,465	359,848	1,057,313
Other	13,880	5,471	19,351
Total revenues	<u>711,345</u>	<u>365,319</u>	<u>1,076,664</u>
Expenditures:			
Support Services:			
Instructional staff	-	75,013	75,013
Administration	28,573	4,350	32,923
Operation and maintenance of plant	-	15,676	15,676
Transportation	-	72,672	72,672
Non-instructional programs	-	18,281	18,281
Other expenditures:			
Facilities acquisitions	1,687,824	92,905	1,780,729
Total expenditures	<u>1,716,397</u>	<u>278,897</u>	<u>1,995,294</u>
Excess(deficiency) of revenues over(under) expenditures	(1,005,052)	86,422	(918,630)
Other financing sources(uses):			
Transfers in	-	5,580	5,580
Transfers out	(1,031,284)	(171,225)	(1,202,509)
Issuance of revenue bonds	5,235,000	-	5,235,000
Premium on revenue bond issuance	21,939	-	21,939
Discount on issuance of revenue bonds	(100,464)	-	(100,464)
Total other financing sources(uses)	<u>4,125,191</u>	<u>(165,645)</u>	<u>3,959,546</u>
Net change in fund balances	3,120,139	(79,223)	3,040,916
Fund balances beginning of year, as restated	700,906	427,433	1,128,339
Fund balances end of year	<u>\$ 3,821,045</u>	<u>348,210</u>	<u>4,169,255</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund/ Intrafund Transfers	Balance End of Year
HS General Athletics	\$ 4,895	13,451	15,748	2,734	5,332
Athletic Director	-	-	683	683	-
Athletic Tournaments	-	7,210	-	(7,210)	-
Gate Boxes	-	-	70	70	-
Boys Basketball	-	4,128	3,732	(396)	-
MS Boys Basketball	-	1,333	599	(734)	-
Football	-	8,529	4,628	(3,901)	-
MS Football	-	760	2,686	1,926	-
Baseball	-	20	2,691	2,671	-
Boys Track	-	2,515	4,006	1,491	-
MS Boys Track	-	1,168	1,531	363	-
Boys Cross Country	-	460	2,349	1,889	-
Boys Tennis	-	135	1,270	1,135	-
Boys Golf	-	1,107	1,856	749	-
Wrestling	-	3,085	4,838	1,753	-
MS Wrestling	-	490	450	(40)	-
Girls Basketball	-	3,512	8,403	4,891	-
MS Girls Basketball	-	1,079	675	(404)	-
Volleyball	-	4,063	3,309	(754)	-
MS Volleyball	-	1,760	674	(1,086)	-
Softball	-	75	2,127	2,052	-
Girls Track	-	1,757	1,270	(487)	-
MS Girls Track	-	60	528	468	-
Girls Cross Country	-	467	1,008	541	-
Girls Tennis	-	196	1,203	1,158	151
Girls Golf	-	70	1,099	1,029	-
BPA	1,261	4,800	4,557	-	1,504
Annual	16,524	6,824	8,512	-	14,836
Math Club	442	274	208	-	508
HOSA	-	649	360	-	289
HS Shen IA Club	-	4,666	767	(3,380)	519
Cheerleaders	4,755	17,958	19,876	(100)	2,737
Class of 2010	993	-	993	-	-
Class of 2011	2,525	-	1,154	-	1,371
Class of 2012	1,470	2,862	3,591	-	741
Class of 2013	1,061	501	16	-	1,546
Class of 2014	800	56	-	-	856
Class of 2015	-	800	-	-	800
Concessions	-	15,113	11,130	(3,983)	-
FFA	1,242	12,434	12,009	-	1,667
FCCLA	1,420	3,427	3,750	(100)	997

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund/ Intrafund Transfers	Balance End of Year
Shen Girls Golf	-	301	40	-	261
Interest	-	62	-	(62)	-
Marching Mustangs	976	16,775	19,700	-	(1,949)
National Art Honor Society	266	479	494	-	251
National Honor Society	580	887	1,120	-	347
Investment Interest	-	75	-	(75)	-
Shen Basketball Boys	1,366	310	1,176	-	500
Shen Basketball Girls	1,155	7,624	7,767	(100)	912
Shen Boys Golf	490	1,370	1,454	-	406
Shen Boys Cross Country	349	1,474	1,454	-	369
Shen Boys Tennis	188	-	-	-	188
Shen Boys Track	1,408	2,244	1,123	(1,200)	1,329
Shen Football	1,797	7,950	6,884	-	2,863
Shen Girls Track	739	673	725	-	687
Shen Girls Tennis	633	1,563	834	-	1,362
Shen Girls Cross Country	1,308	3,764	4,172	-	900
Shen Singers	-	1,100	966	-	134
Shen Softball	829	1,189	1,220	-	798
Shen Volleyball	471	1,922	1,847	-	546
Shen Weight Club	598	3,375	3,797	-	176
Shen Wrestlers	3,169	4,487	5,984	-	1,672
SHS Speech Club	1,281	1,797	2,170	-	908
Student Activity	-	4,044	-	(4,044)	-
Student Council	2,196	9,681	8,593	(250)	3,034
Shen Baseball	1,638	1,437	1,810	-	1,265
DAOUST Homeroom	-	327	302	-	25
MS Annual	985	2,775	2,991	-	769
MS Cheerleaders	586	-	-	-	586
MS FCCLA	2,276	410	1,505	-	1,181
MS Weight Room	640	1,364	269	-	1,735
MS Leadership Academy	1,051	-	65	-	986
MS Marching Mustangs	2,710	6,059	1,574	-	7,195
MS Swing Choir	702	31	103	-	630
MS Pride Builders	3,237	1,077	300	-	4,014
MS Baseball	302	-	-	-	302
Beecher NAHS	-	-	-	2,110	2,110
Total	\$ 71,314	214,420	214,795	(593)	70,346

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2011

	Bateman Scholarship	Dreyer Scholarship	Pickard Scholarship	Wilson Scholarship	Sjulin Scholarship	Keenan Scholarship
Assets						
Cash and pooled investments	\$ 9,246	1,558	2,507	198,924	38	17,223
Liabilities	-	-	-	-	-	-
Net Assets						
Unrestricted	9,246	1,558	2,507	198,924	38	17,223
Total net assets	<u>\$ 9,246</u>	<u>1,558</u>	<u>2,507</u>	<u>198,924</u>	<u>38</u>	<u>17,223</u>

Roscoe Scholarship	Spears Scholarship	Pitner Scholarship	Whitehill Scholarship	Smith Scholarship	Pepsi Scholarship	Miscellaneous Scholarship	Total
1,627	300	4,538	2,318	2,755	1,500	1,000	243,534
-	-	-	-	-	-	-	-
1,627	300	4,538	2,318	2,755	1,500	1,000	243,534
1,627	300	4,538	2,318	2,755	1,500	1,000	243,534

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2011

	Bateman Scholarship	Dreyer Scholarship	Pickard Scholarship	Wilson Scholarship	Beecher Scholarship	Julin Scholarship
Additions:						
Local sources:						
Contributions	\$ -	-	-	-	-	-
Interest	11	1	3	215	2	-
Total additions:	11	1	3	215	2	-
Deductions:						
Regular instruction:						
Scholarships awarded	500	-	200	8,000	-	10,500
Change in net assets before other financing sources	(489)	1	(197)	(7,785)	2	(10,500)
Other financing sources(uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(2,110)	-
Total other financing sources(uses)	-	-	-	-	(2,110)	-
Changes in net assets	(489)	1	(197)	(7,785)	(2,108)	(10,500)
Net assets beginning of year	9,735	1,557	2,704	206,709	2,108	10,538
Net assets end of year	\$ 9,246	1,558	2,507	198,924	-	38

Keenan Scholarship	Roscoe Scholarship	Spears Scholarship	Pitner Scholarship	Whitehill Scholarship	Smith Scholarship	Pepsi Scholarship	Miscellaneous Scholarship	Total
-	-	-	2,000	-	-	1,500	-	3,500
19	2	-	3	3	3	-	-	262
19	2	-	2,003	3	3	1,500	-	3,762
500	-	-	500	250	2,500	750	650	24,350
(481)	2	-	1,503	(247)	(2,497)	750	(650)	(20,588)
-	-	-	-	-	-	-	550	550
-	-	-	-	-	-	-	-	(2,110)
-	-	-	-	-	-	-	550	(1,560)
(481)	2	-	1,503	(247)	(2,497)	750	(100)	(22,148)
17,704	1,625	300	3,035	2,565	5,252	750	1,100	265,682
17,223	1,627	300	4,538	2,318	2,755	1,500	1,000	243,534

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENT FUNDS
FOR THE LAST TEN YEARS

	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 4,951,533	4,320,042	4,169,816	3,885,830
Tuition	426,560	363,275	439,780	413,345
Other	492,155	424,652	427,090	664,398
Intermediate sources	36,000	-	-	-
State sources	5,362,751	4,585,995	5,444,156	5,587,576
Federal sources	725,418	1,058,763	469,614	363,206
 Total	 \$ 11,994,417	 10,752,727	 10,950,456	 10,914,355
Expenditures:				
Current:				
Instruction:				
Regular	\$ 4,158,775	4,239,647	4,283,205	4,064,957
Special	1,133,588	1,124,607	1,217,761	1,132,572
Other	1,408,582	1,498,240	1,357,037	1,228,067
Support services:				
Student	327,166	306,716	304,068	283,406
Instructional staff	543,436	371,436	449,537	507,464
Administration	956,809	962,789	943,972	918,075
Operation and maintenance of plant	813,004	810,920	811,288	867,021
Transportation	389,742	389,854	310,355	441,342
Non-instructional programs	18,281	-	-	-
Other expenditures:				
Facilities acquisitions	1,780,729	107,427	69,659	284,050
Long-term debt:				
Principal	1,540,000	985,000	730,000	716,714
Interest and fiscal charges	218,371	238,752	266,114	293,074
AEA flow-through	413,540	395,530	369,498	356,806
 Total	 \$ 13,702,023	 11,430,918	 11,112,494	 11,093,548

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
3,843,038	3,717,829	3,536,193	3,754,560	3,841,094	4,072,011
325,825	309,238	340,218	302,508	228,698	210,148
693,361	582,805	476,170	555,042	359,445	692,032
-	-	-	36,106	32,480	32,587
5,285,949	4,775,575	4,419,245	4,041,618	4,124,883	4,175,215
349,274	356,245	334,296	368,460	355,722	347,062
10,497,447	9,741,692	9,106,122	9,058,294	8,942,322	9,529,055
3,730,512	3,664,547	3,301,558	3,262,129	3,040,843	3,166,488
1,122,041	1,011,712	1,053,146	1,461,875	1,207,787	1,307,704
1,155,714	1,117,402	1,058,543	674,085	683,090	610,774
262,507	194,277	169,318	169,012	131,803	207,800
367,374	353,021	349,654	253,071	376,276	356,721
896,725	742,217	642,190	662,371	665,375	676,769
753,634	741,092	767,799	531,580	511,242	477,517
407,248	347,846	257,666	230,387	264,665	204,559
-	-	20,236	15,310	11,530	18,314
653,882	757,609	702,778	341,688	1,284,673	6,440,821
691,062	471,177	364,863	344,314	331,480	245,000
318,421	970,142	440,534	460,083	457,521	464,170
337,727	306,192	286,664	287,741	308,801	309,593
10,696,847	10,677,234	9,414,949	8,693,646	9,275,086	14,486,230

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

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 11	\$ 57,438
National School Lunch Program	10.555	FY 11	238,704 *
Summer Food Service Program for Children	10.559	FY 11	5,503
			<u>301,645</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	5976-G	204,222
Title I Grants to Local Educational Agencies	84.010	5976-GC	24,435
Title I - Schools in Need of Assistance	84.010	FY 11	10,300
			<u>238,957 **</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>8,539</u>
Advanced Placement Program	84.330	FY 11	<u>114</u>
Reading First State Grants	84.357	FY 11	<u>17,239</u>
Rural Education	84.358	FY 11	<u>24,683</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>62,696</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>6,539</u>
Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 11	<u>87,512 **</u>
State Fiscal Stabilization Cluster:			
State Fiscal Stabilization Fund(SFSF) - Education			
State Grants, Recovery Act	84.394	FY 11	52,890
State Fiscal Stabilization Fund(SFSF) - Government	84.397	FY 11	47,175
Services, Recovery Act			<u>100,065</u>
Education Jobs Fund	84.410	FY 11	<u>123,375</u>
Loess Hills Area Education Agency:			
Special Education - Grants to States(Part B)	84.027	FY 11	<u>55,699</u>
TOTAL			<u>\$ 1,027,063</u>

* Includes \$25,090 of non-cash awards.

** Total for Title I Cluster is \$326,469.

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2012. 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-11 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, 2011 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, P.C.

March 26, 2012

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

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

Compliance

We have audited Shenandoah Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Shenandoah Community School District's major federal programs for the year ended June 30, 2011. Shenandoah Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Shenandoah Community School District's management. Our responsibility is to express an opinion on Shenandoah Community School District's compliance based on our audit.

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

In our opinion, Shenandoah Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 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 a 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-11 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 26, 2012

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.010 - Title I - Schools in Need of Assistance
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, 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, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-11 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, 2011

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: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.010: Schools in Need of Assistance
CFDA Number 84.389: Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2010-2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 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, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed budgeted amounts.
- IV-B-11 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-11 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-11 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-11 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning Balance		\$	700,906
Revenues:			
Sales Tax Revenues	\$	697,465	
Other local revenues		13,880	
Revenue bonds proceeds		5,235,000	
Other		21,939	
			<u>5,968,284</u>
			6,669,190
Expenditures/Transfers out:			
School infrastructure construction	\$	1,355,153	
Other		461,708	
Transfers to other funds:			
Debt service fund		1,029,084	
Other transfers		2,200	
			<u>2,848,145</u>
Ending Balance			<u>\$ 3,821,045</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt Service Levy	\$ 1.46831	\$ 336,650

IV-M-11 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. We noted transfers to the Private Purpose Trust Fund for scholarships awarded by clubs in 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 - Going forward, monies raised for scholarships will be unique in their fundraising and will be placed into the Private Purpose Trust Fund.

Conclusion - Response accepted.