

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

JUNE 30, 2012

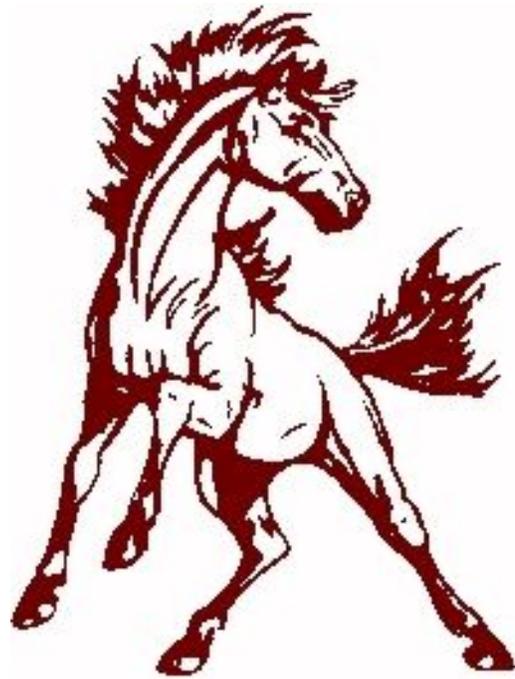
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Shenandoah Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Brian Maxine	President	2011
LeRoy Heatherington	Vice President	2013
William Sons	Board Member	2011
Tim Johnson	Board Member	2013
Dwight Mayer	Board Member	2013
(After September 2011 Election)		
Greg Ritchey	President	2015
Tim Johnson	Vice President	2013
Dwight Maher	Board Member	2013
Leroy Heatherington	Board Member	2013
Kip Anderson	Board Member	2015
School Officials		
Jeff Hiser	Superintendent	2012
Joyce Morgan	Business Manager and District Secretary	2012
Jeffrey A. Krausman	Attorney	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

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, 2012, 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, 2012, 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 January 10, 2013 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

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 10, 2013

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, 2012.

This summary should not be taken as a replacement for the audit which consists of the financial statements and supplementary 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 \$10,044,887 in fiscal year 2011 to \$10,522,116 in fiscal year 2012, while General Fund expenditures increased from \$9,536,153 in fiscal year 2011 to \$10,016,029 in fiscal year 2012. This resulted in an increase in the District's General Fund balance from \$953,897 in fiscal year 2011 to \$1,459,984 in fiscal year 2012, representing an increase of 53.05%.
- ◆ The fiscal year 2012 General Fund revenue increase was mainly attributable to increases in revenue from state sources. The increase in General Fund expenditures occurred mostly in the instruction functional area.
- ◆ The District's solvency ratio (unassigned fund balance/general fund revenues less AEA flowthrough) increased from 6.50% at June 30, 2011 to 8.51% at June 30, 2012.

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.

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.

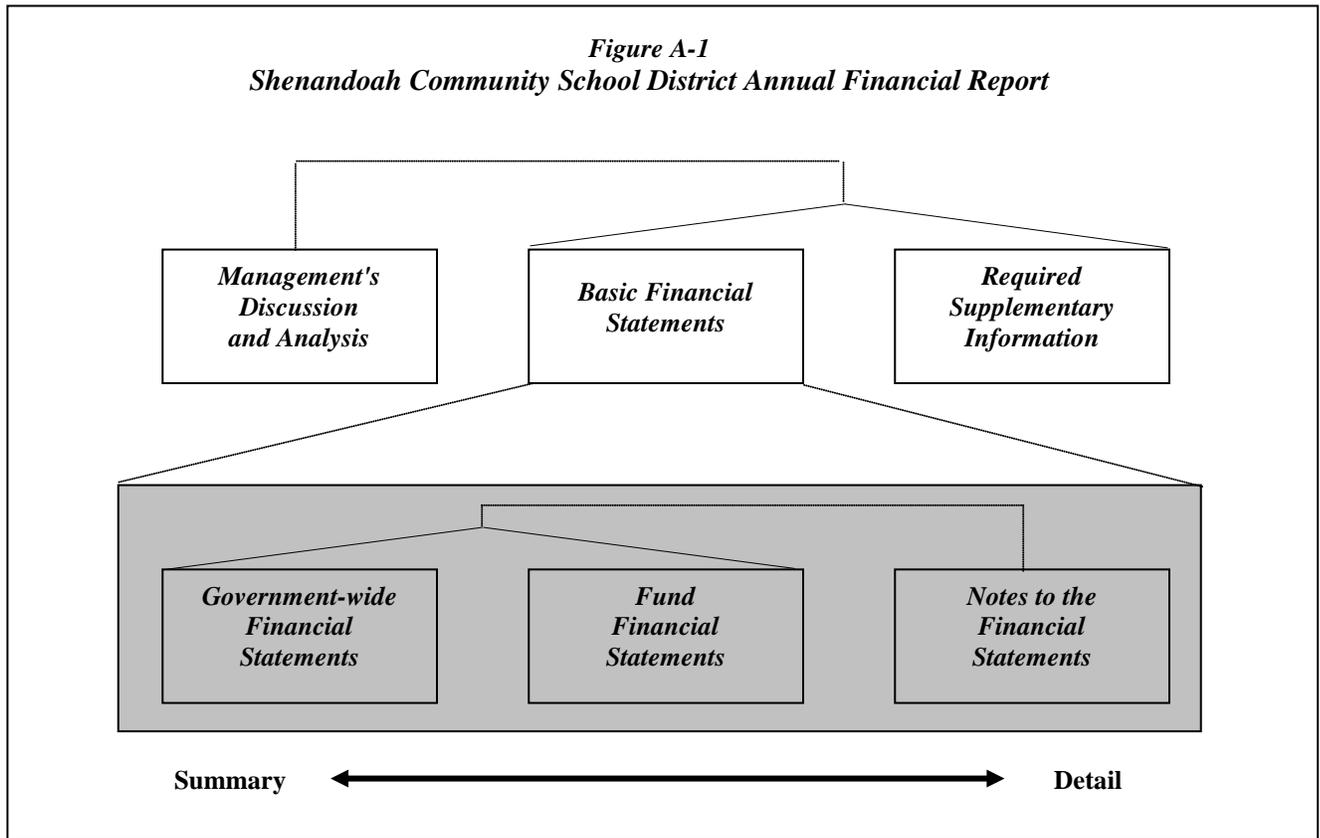


Figure A-2 on the next page summarizes the major features of the government-wide and fund financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights 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 revenues, expenses and changes in fund 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, 2012 totaling approximately \$12.33 million in government-wide.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 11,626,042	12,000,991	18,518	61,588	11,644,560	12,062,579	-3.47%
Capital assets	16,545,120	15,139,805	73,759	84,413	16,618,879	15,224,218	9.16%
Total assets	<u>28,171,162</u>	<u>27,140,796</u>	<u>92,277</u>	<u>146,001</u>	<u>28,263,439</u>	<u>27,286,797</u>	<u>3.58%</u>
Long-term obligations	10,329,998	10,817,261	13,902	8,627	10,343,900	10,825,888	-4.45%
Other liabilities	5,587,643	5,385,187	6,139	17,320	5,593,782	5,402,507	3.54%
Total liabilities	<u>15,917,641</u>	<u>16,202,448</u>	<u>20,041</u>	<u>25,947</u>	<u>15,937,682</u>	<u>16,228,395</u>	<u>-1.79%</u>
Net assets:							
Invested in capital assets, net of related debt	7,710,991	7,556,708	73,759	84,413	7,784,750	7,641,121	1.88%
Restricted	3,375,029	2,721,297	-	-	3,375,029	2,721,297	24.02%
Unrestricted	1,167,501	660,343	(1,523)	35,641	1,165,978	695,984	67.53%
Total net assets	<u>\$ 12,253,521</u>	<u>10,938,348</u>	<u>72,236</u>	<u>120,054</u>	<u>12,325,757</u>	<u>11,058,402</u>	<u>11.46%</u>

The District's combined net assets increased by 11.46%, or \$1,267,355, 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 \$653,732, or 24.02% from the prior year. The increase in restricted net assets can be attributed in part to the increase in fund balances of the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Debt Service Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$469,994, or 67.53%. This increase in unrestricted net assets was largely 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, 2012.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 714,078	676,226	180,565	167,277	894,643	843,503	6.06%
Operating grants, contributions and restricted interest	899,474	1,095,058	297,579	306,167	1,197,053	1,401,225	-14.57%
Capital grants, contributions and restricted interest	465,226	-	5,556	-	470,782	-	100.00%
General revenues:							
Property tax	3,632,304	3,734,381	-	-	3,632,304	3,734,381	-2.73%
Income surtax	461,844	527,667	-	-	461,844	527,667	-12.47%
Statewide sales, services and use tax	786,204	697,465	-	-	786,204	697,465	12.72%
Unrestricted state grants	5,682,704	4,868,738	-	-	5,682,704	4,868,738	16.72%
Nonspecific program federal grants	80,567	223,440	-	-	80,567	223,440	-63.94%
Unrestricted investment earnings	10,063	28,913	61	73	10,124	28,986	-65.07%
Other	79,753	150,509	989	2,142	80,742	152,651	-47.11%
Transfers	(200)	(16,721)	-	18,281	(200)	1,560	-112.82%
Total revenues & transfers	<u>12,812,017</u>	<u>11,985,676</u>	<u>484,750</u>	<u>493,940</u>	<u>13,296,767</u>	<u>12,479,616</u>	<u>6.55%</u>
Program expenses:							
Governmental activities:							
Instructional	7,216,920	6,788,948	-	-	7,216,920	6,788,948	6.30%
Support services	3,080,014	3,138,031	3,559	4,953	3,083,573	3,142,984	-1.89%
Non-instructional programs	-	-	529,009	493,542	529,009	493,542	7.19%
Other expenses	1,199,910	1,217,017	-	-	1,199,910	1,217,017	-1.41%
Total expenses	<u>11,496,844</u>	<u>11,143,996</u>	<u>532,568</u>	<u>498,495</u>	<u>12,029,412</u>	<u>11,642,491</u>	<u>3.32%</u>
Changes in net assets	1,315,173	841,680	(47,818)	(4,555)	1,267,355	837,125	-51.39%
Beginning 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>
Ending net assets	<u>\$ 12,253,521</u>	<u>10,938,348</u>	<u>72,236</u>	<u>120,054</u>	<u>12,325,757</u>	<u>11,058,402</u>	<u>11.46%</u>

In Figure A-4 property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 82.45% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89.56% of the total governmental expenses.

The total cost of our general fund activities this year was approximately \$10.02 million. The amount that our taxpayers ultimately financed for general fund activities through school district taxes was approximately \$3.27 million or 32.70% 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 \$12,812,017 while expenditures were \$11,496,844.

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		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 7,216,920	6,788,948	6.30%	6,010,065	5,479,775	9.68%
Support services	3,080,014	3,138,031	-1.85%	2,593,165	3,089,460	-16.06%
Other expenses	1,199,910	1,217,017	-1.41%	814,836	803,477	1.41%
Totals	\$ 11,496,844	11,143,996	3.17%	9,418,066	9,372,712	0.48%

For the year ended June 30, 2012:

- ◆ The cost financed by users of the District's programs was \$714,078.
- ◆ Federal and state governments subsidized certain programs with grants and contributions totaling \$1,364,700.
- ◆ The net cost of governmental activities was financed with \$3,632,304 in property tax, \$461,844 in income surtax, \$786,204 in statewide sales, services and use tax, \$5,682,704 in unrestricted state grants, \$80,567 in nonspecific program federal grants, \$10,063 in interest income and \$79,553 in other general revenues, net of transfers.

BUSINESS TYPE ACTIVITIES

Revenues of the District's business type activities were \$484,750 while expenditures were \$532,568. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and capital contributions.

During the year ended June 30, 2012, the School Nutrition Program received contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund to purchase some new equipment. 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.

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 \$5,547,389, below last year's ending fund balance of \$6,241,460. The main reason for the decrease was capital outlay expenditures during the year on the District's various construction projects.

Governmental Fund Highlights:

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

- ◆ The General Fund balance increased from \$953,897 to \$1,459,984 due to an increase in state sources of revenue combined with a limited increase in overall expenditures when compared to the previous year.
- ◆ The Capital Projects Fund balance decreased from \$4,169,255 at June 30, 2011 to \$2,641,663 at June 30, 2012. The decrease was due to expenditures associated with various construction projects worked on during the year.
- ◆ The Debt Service Fund balance increased from \$742,070 at June 30, 2011 to \$1,073,133 at June 30, 2012. The increase is attributable in part to transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to cover a portion of the general obligation bond debt and for sinking requirements associated with the revenue bonds issued in the prior year.

Proprietary Fund Highlights:

The School Nutrition Fund net assets decreased from \$120,054 at June 30, 2011 to \$72,236 at June 30, 2012 or 39.83%. The decrease is attributable in part to increased salaries and benefits, lower revenue from federal sources and a slight decrease in lunches served when compared to the prior 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 reclassifying expenditures between the functional areas.

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, 2012, the District had invested \$16,618,879, net of accumulated depreciation in a board range of capital assets, including land, buildings, athletic facilities, computers and transportation equipment. Governmental funds account for \$16,545,120 of the capital assets with the remainder of \$73,759 in the Proprietary, School Nutrition Fund. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$552,157.

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
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 183,000	183,000	-	-	183,000	183,000	0.00%
Construction in progress	3,089,774	1,717,575	-	-	3,089,774	1,717,575	44.41%
Buildings	12,629,462	12,603,624	-	-	12,629,462	12,603,624	0.21%
Land improvements	267,700	292,140	-	-	267,700	292,140	-8.37%
Machinery and equipment	375,184	343,466	73,759	84,413	448,943	427,879	4.92%
Total	\$ 16,545,120	15,139,805	73,759	84,413	16,618,879	15,224,218	9.16%

LONG - TERM DEBT

As of June 30, 2012, the School District had \$10,343,900 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of 4.45% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

There was \$4,655,000 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 first principal payment on the revenue bonds will be made during fiscal year 2014.

The School District had \$197,637 in outstanding debt for compensated absences from the current year. The compensated absences are payable from the General Fund and Enterprise, School Nutrition Fund.

The District had \$72,751 of outstanding debt for early retirement payable. Of that total, \$6,985 is payable from the General Fund with the remainder of \$65,766 payable from the Special Revenue, Management Levy Fund.

The District also had a net OPEB liability of \$183,512. Of which, \$179,790 was for governmental activities with the remainder of \$3,722 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
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 4,655,000	5,150,000	-	-	4,655,000	5,150,000	-9.61%
Revenue bonds	5,235,000	5,235,000	-	-	5,235,000	5,235,000	0.00%
Street assessment	-	65,000	-	-	-	65,000	-100.00%
Compensated absences	187,457	206,628	10,180	5,898	197,637	212,526	-7.01%
Early retirement	72,751	28,807	-	-	72,751	28,807	152.55%
Net OPEB liability	179,790	131,826	3,722	2,729	183,512	134,555	36.38%
Total	<u>\$ 10,329,998</u>	<u>10,817,261</u>	<u>13,902</u>	<u>8,627</u>	<u>10,343,900</u>	<u>10,825,888</u>	<u>-4.45%</u>

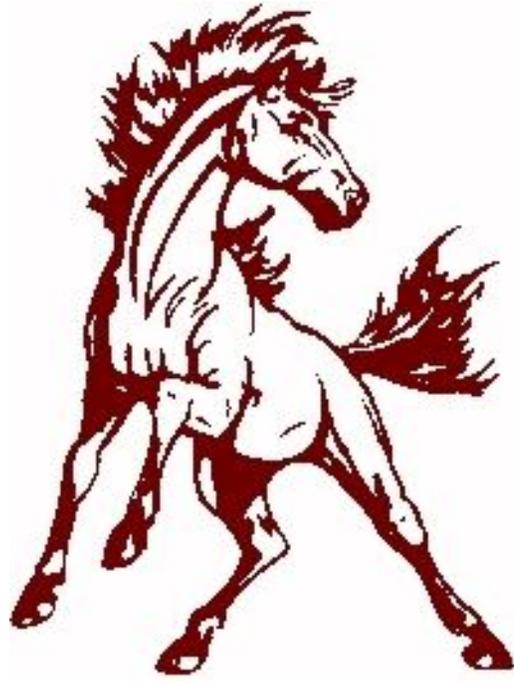
FACTORS THAT IMPACT THE DISTRICT'S FUTURE

On July 1, 2012, the IPERS rate increased to 8.67% which will increase the Shenandoah Community School District's employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for July 1, 2013.

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

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, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 6,499,002	13,884	6,512,886
Receivables:			
Property tax:			
Delinquent	77,502	-	77,502
Succeeding year	3,956,253	-	3,956,253
Income surtax	520,502	-	520,502
Accounts	709	-	709
Due from other governments	572,074	-	572,074
Inventories	-	4,634	4,634
Capital assets, net of accumulated depreciation	16,545,120	73,759	16,618,879
Total assets	28,171,162	92,277	28,263,439
Liabilities			
Accounts payable	633,481	357	633,838
Salaries and benefits payable	968,417	727	969,144
Accrued interest payable	29,492	-	29,492
Deferred revenue:			
Succeeding year property tax	3,956,253	-	3,956,253
Unearned revenue	-	5,055	5,055
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	510,000	-	510,000
Compensated absences	187,457	10,180	197,637
Early retirement payable	36,376	-	36,376
Portion due after one year:			
General obligation bonds payable	4,145,000	-	4,145,000
Revenue bonds payable	5,235,000	-	5,235,000
Early retirement payable	36,375	-	36,375
Net OPEB liability	179,790	3,722	183,512
Total liabilities	15,917,641	20,041	15,937,682
Net Assets			
Invested in capital assets, net of related debt	7,710,991	73,759	7,784,750
Restricted for:			
Categorical funding	408,342	-	408,342
Debt service	1,073,133	-	1,073,133
Management levy purposes	232,926	-	232,926
Student activities	74,836	-	74,836
School infrastructure	1,185,350	-	1,185,350
Physical plant and equipment	400,442	-	400,442
Unrestricted	1,167,501	(1,523)	1,165,978
Total net assets	\$ 12,253,521	72,236	12,325,757

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 4,508,753	413,357	134,516	-	(3,960,880)	-	(3,960,880)
Special	1,246,261	72,851	55,776	-	(1,117,634)	-	(1,117,634)
Other	1,461,906	227,780	302,575	-	(931,551)	-	(931,551)
	<u>7,216,920</u>	<u>713,988</u>	<u>492,867</u>	<u>-</u>	<u>(6,010,065)</u>	<u>-</u>	<u>(6,010,065)</u>
Support services:							
Student	333,604	-	-	-	(333,604)	-	(333,604)
Instructional staff	552,183	-	14,105	-	(538,078)	-	(538,078)
Administration	1,044,370	-	6,806	-	(1,037,564)	-	(1,037,564)
Operation and maintenance of plant	740,498	-	-	465,226	(275,272)	-	(275,272)
Transportation	409,359	90	622	-	(408,647)	-	(408,647)
	<u>3,080,014</u>	<u>90</u>	<u>21,533</u>	<u>465,226</u>	<u>(2,593,165)</u>	<u>-</u>	<u>(2,593,165)</u>
Other expenditures:							
Long-term debt interest	377,401	-	-	-	(377,401)	-	(377,401)
AEA flowthrough	385,074	-	385,074	-	-	-	-
Depreciation(unallocated)*	437,435	-	-	-	(437,435)	-	(437,435)
	<u>1,199,910</u>	<u>-</u>	<u>385,074</u>	<u>-</u>	<u>(814,836)</u>	<u>-</u>	<u>(814,836)</u>
Total governmental activities	11,496,844	714,078	899,474	465,226	(9,418,066)	-	(9,418,066)
Business Type activities:							
Support services:							
Instructional staff	900	-	-	-	-	(900)	(900)
Operation and maintenance of plant	2,659	-	-	-	-	(2,659)	(2,659)
	<u>3,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,559)</u>	<u>(3,559)</u>
Non-instructional programs:							
Food service operations	529,009	180,565	297,579	5,556	-	(45,309)	(45,309)
Total business type activities	532,568	180,565	297,579	5,556	-	(48,868)	(48,868)
Total	\$ 12,029,412	894,643	1,197,053	470,782	(9,418,066)	(48,868)	(9,466,934)
General Revenues and Transfers:							
General Revenues:							
Local tax for:							
General purposes				\$ 3,150,180	-	3,150,180	
Debt service				326,886	-	326,886	
Capital outlay				155,238	-	155,238	
Income surtax				461,844	-	461,844	
Statewide sales, services and use tax				786,204	-	786,204	
Unrestricted state grants				5,682,704	-	5,682,704	
Nonspecific program federal grants				80,567	-	80,567	
Unrestricted investment earnings				10,063	61	10,124	
Other				79,753	989	80,742	
Transfers				(200)	-	(200)	
Total general revenues and transfers				10,733,239	1,050	10,734,289	
Changes in net assets				1,315,173	(47,818)	1,267,355	
Net assets beginning of year				10,938,348	120,054	11,058,402	
Net assets end of year				\$ 12,253,521	72,236	12,325,757	

* 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, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,414,889	2,540,904	1,126,845	416,364	6,499,002
Receivables:					
Property tax:					
Delinquent	64,290	3,220	6,780	3,212	77,502
Succeeding year	3,221,772	259,994	274,487	200,000	3,956,253
Income surtax	280,270	240,232	-	-	520,502
Accounts	-	-	-	709	709
Due from other funds	7,457	-	36,238	-	43,695
Due from other governments	172,454	399,620	-	-	572,074
Total assets	\$ 6,161,132	3,443,970	1,444,350	620,285	11,669,737
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 230,689	294,726	96,730	11,336	633,481
Salaries and benefits payable	968,417	-	-	-	968,417
Due to other funds	-	7,355	-	36,340	43,695
Deferred revenue:					
Succeeding year property tax	3,221,772	259,994	274,487	200,000	3,956,253
Income surtax	280,270	240,232	-	-	520,502
Total liabilities	4,701,148	802,307	371,217	247,676	6,122,348
Fund Balances:					
Restricted for:					
Categorical funding	408,342	-	-	-	408,342
Debt service	-	-	1,073,133	-	1,073,133
Management levy purposes	-	-	-	298,692	298,692
Student activities	-	-	-	74,836	74,836
Construction	-	1,055,871	-	-	1,055,871
School infrastructure	-	1,185,350	-	-	1,185,350
Physical plant and equipment	-	400,442	-	-	400,442
Unassigned:					
General	1,051,642	-	-	-	1,051,642
Student activities	-	-	-	(919)	(919)
Total fund balances	1,459,984	2,641,663	1,073,133	372,609	5,547,389
Total liabilities and fund balances	\$ 6,161,132	3,443,970	1,444,350	620,285	11,669,737

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 22)	\$	5,547,389
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.		16,545,120
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		520,502
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.		(29,492)
Long-term liabilities including general obligation bonds payable, revenue bonds payable, compensated absences payable, early retirement payable and other post-employment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(10,329,998)</u>
Net assets of governmental activities(page 20)	\$	<u>12,253,521</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, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,274,880	1,176,779	326,886	149,903	4,928,448
Tuition	487,286	-	-	-	487,286
Other	155,439	19,362	554	230,522	405,877
Intermediate sources	4,866	-	-	-	4,866
State sources	6,089,295	53,308	209	99	6,142,911
Federal sources	491,858	399,067	-	-	890,925
Total revenues	<u>10,503,624</u>	<u>1,648,516</u>	<u>327,649</u>	<u>380,524</u>	<u>12,860,313</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,385,884	-	-	75,284	4,461,168
Special	1,238,190	-	-	-	1,238,190
Other	1,223,409	-	-	215,245	1,438,654
	<u>6,847,483</u>	<u>-</u>	<u>-</u>	<u>290,529</u>	<u>7,138,012</u>
Support services:					
Student	330,923	-	-	-	330,923
Instructional staff	369,143	181,863	-	-	551,006
Administration	981,224	31,560	-	38,313	1,051,097
Operation and maintenance of plant	790,003	54,498	-	39,987	884,488
Transportation	308,213	88,090	-	17,265	413,568
	<u>2,779,506</u>	<u>356,011</u>	<u>-</u>	<u>95,565</u>	<u>3,231,082</u>
Capital outlay	-	1,716,345	-	-	1,716,345
Long-term debt:					
Principal	-	-	560,000	-	560,000
Interest and fiscal charges	-	-	542,163	-	542,163
	<u>-</u>	<u>-</u>	<u>1,102,163</u>	<u>-</u>	<u>1,102,163</u>
Other expenditures:					
AEA flowthrough	385,074	-	-	-	385,074
Total expenditures	<u>10,012,063</u>	<u>2,072,356</u>	<u>1,102,163</u>	<u>386,094</u>	<u>13,572,676</u>
Excess(deficiency) of revenues over(under)expenditures	491,561	(423,840)	(774,514)	(5,570)	(712,363)
Other financing sources(uses):					
Operating transfers in	-	1,825	1,105,577	2,141	1,109,543
Operating transfers out	(3,966)	(1,105,577)	-	(200)	(1,109,743)
Sale of equipment	18,492	-	-	-	18,492
Total other financing sources(uses)	<u>14,526</u>	<u>(1,103,752)</u>	<u>1,105,577</u>	<u>1,941</u>	<u>18,292</u>
Net change in fund balances	506,087	(1,527,592)	331,063	(3,629)	(694,071)
Fund balances beginning of year	953,897	4,169,255	742,070	376,238	6,241,460
Fund balances end of year	<u>\$ 1,459,984</u>	<u>2,641,663</u>	<u>1,073,133</u>	<u>372,609</u>	<u>5,547,389</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, 2012

Net change in fund balances - total governmental funds(page 24) \$ (694,071)

*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	\$ 1,941,262	
Depreciation expense	<u>(535,947)</u>	1,405,315

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. 560,000

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. 164,762

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (48,096)

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	(43,944)	
Compensated absences	19,171	
Other postemployment benefits	<u>(47,964)</u>	<u>(72,737)</u>

Changes in net assets of governmental activities(page 21) \$ 1,315,173

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	Business Type Activities: Enterprise Fund
	School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 13,884
Inventories	4,634
Total current assets	18,518
Non-current assets:	
Capital assets, net of accumulated depreciation	73,759
Total assets	92,277
Liabilities	
Current liabilities:	
Accounts payable	357
Salaries and benefits payable	727
Unearned revenue	5,055
Total current liabilities	6,139
Long-term liabilities:	
Compensated absences	10,180
Net OPEB liability	3,722
Total long-term liabilities	13,902
Total liabilities	20,041
Net Assets	
Invested in capital assets	73,759
Unrestricted	(1,523)
Total net assets	\$ 72,236

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	Business Type Activites: Enterprise Fund School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 180,565
Miscellaneous	989
Total operating revenues:	181,554
Operating expenses:	
Support services:	
Instructional staff:	
Services	900
Operation and maintenance of plant:	
Services	2,659
Total support services	3,559
Non-instructional programs:	
Food service operations:	
Salaries	199,601
Benefits	48,251
Services	334
Supplies	264,613
Depreciation	16,210
Total non-instructional programs	529,009
Total operating expenses	532,568
Operating loss	(351,014)
Non-operating revenues:	
State sources	4,866
Federal sources	292,713
Interest on investments	61
Total non-operating revenues	297,640
Change in net assets before other financing sources	(53,374)
Other financing sources:	
Contributed capital	5,556
Change in net assets	(47,818)
Net assets beginning of year	120,054
Net assets end of year	\$ 72,236

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	Business Type Activites: Enterprise Fund
	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 180,740
Cash received from miscellaneous	989
Cash payments to employees for services	(243,864)
Cash payments to suppliers for goods or services	(251,278)
Net cash used in operating activities	(313,413)
Cash flows from non-capital financing activities:	
State grants received	4,866
Federal grants received	268,558
Net cash provided by non-capital financing activities	273,424
Cash flows from investing activities:	
Interest on investments	61
Net decrease in cash and cash equivalents	(39,928)
Cash and cash equivalents at beginning of year	53,812
Cash and cash equivalents at end of year	\$ 13,884
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (351,014)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	25,933
Depreciation	16,210
Decrease in inventories	1,364
Decrease in accounts payable	(10,069)
Decrease in salaries and benefits payable	(1,287)
Increase in unearned revenue	175
Increase in compensated absences	4,282
Increase in net OPEB liability	993
Net cash used in operating activities	\$ (313,413)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$25,933 of federal commodities

During the year ended June 30, 2012, the Nutrition Fund received contributed capital of \$5,556 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, 2012

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 239,681
Liabilities	
	-
Net Assets	
Restricted for scholarships	239,681
Total net assets	\$ 239,681

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Contributions	\$ 1,929
Interest	48
Total additions	1,977
Deductions:	
Regular instruction:	
Scholarships awarded	6,030
Change in net assets before other financing sources	(4,053)
Other financing sources:	
Transfer in	200
Change in net assets	(3,853)
Net assets beginning of year	243,534
Net assets end of year	\$ 239,681

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(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 service.

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 nonmajor proprietary fund is 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 fund includes 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2012. 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 the preceding classification.

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, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,933,492 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects: Physical Plant and Equipment Levy	\$ 7,355
General	Student Activity	102
Debt Service	Management Levy	36,238
Total		<u>\$ 43,695</u>

The Capital Projects: Physical Plant and Equipment Levy Fund is repaying the General Fund for the reclassification of expenditures to the more appropriate fund.

The Student Activity Fund is repaying the General Fund for a District employee that served as an official and was correctly ran through payroll.

The Management Levy Fund is repaying the Debt Service Fund for property tax incorrectly recorded during the year.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,037,165
Debt Service	Capital Projects: Physical Plant and Equipment Levy	68,412
Capital Projects: Physical Plant and Equipment Levy	General	1,825
Private Purpose Trust	Student Activity	200
Student Activity	General	2,141
Total		<u>\$ 1,109,743</u>

The Capital Projects: Statewide Sales, Services and Use Tax 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 General 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 General Fund.

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

The General Fund transferred moneys to the Student Activity Fund for a portion of field trip.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 246,026	5,556	-	251,582
Less accumulated depreciation	161,613	16,210	-	177,823
Business type activities capital assets, net	<u>\$ 84,413</u>	<u>(10,654)</u>	<u>-</u>	<u>73,759</u>

	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	1,717,575	1,811,032	438,833	3,089,774
Total capital assets not being depreciated	<u>1,900,575</u>	<u>1,811,032</u>	<u>438,833</u>	<u>3,272,774</u>
Capital assets being depreciated:				
Buildings	20,042,333	435,393	-	20,477,726
Land improvements	748,273	3,440	-	751,713
Machinery and equipment	1,587,835	130,230	60,409	1,657,656
Total capital assets being depreciated	<u>22,378,441</u>	<u>569,063</u>	<u>60,409</u>	<u>22,887,095</u>
Less accumulated depreciation for:				
Buildings	7,438,709	409,555	-	7,848,264
Land improvements	456,133	27,880	-	484,013
Machinery and equipment	1,244,369	98,512	60,409	1,282,472
Total accumulated depreciation	<u>9,139,211</u>	<u>535,947</u>	<u>60,409</u>	<u>9,614,749</u>
Total capital assets being depreciated, net	<u>13,239,230</u>	<u>33,116</u>	<u>-</u>	<u>13,272,346</u>
Governmental activities capital assets, net	<u>\$ 15,139,805</u>	<u>1,844,148</u>	<u>438,833</u>	<u>16,545,120</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 18,900
Support services:	
Instructional staff	2,890
Transportation	76,722
	<u>98,512</u>
Unallocated depreciation	<u>437,435</u>
Total governmental activities depreciation expense	<u>\$ 535,947</u>
Business type activities:	
Food services	<u>\$ 16,210</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,150,000	-	495,000	4,655,000	510,000
Revenue bonds	5,235,000	-	-	5,235,000	-
Street assessment	65,000	-	65,000	-	-
Compensated absences	206,628	187,457	206,628	187,457	187,457
Early Retirement	28,807	72,751	28,807	72,751	36,376
Net OPEB liability	131,826	47,964	-	179,790	-
Total governmental activities	\$ 10,817,261	308,172	795,435	10,329,998	733,833
Business type activities:					
Compensated absences	\$ 5,898	10,180	5,898	10,180	10,180
Net OPEB liability	2,729	993	-	3,722	-
Total business type activities	\$ 8,627	11,173	5,898	13,902	10,180

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated September 28, 2005			
	Interest Rates	Principal	Interest	Total
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	3.65	590,000	87,159	677,159
2018-2020	3.65-3.75	1,910,000	126,582	2,036,582
Total		\$ 4,655,000	760,413	5,415,413

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated September 1, 2010			
	Interest Rates	Principal	Interest	Total
2013	2.90	% \$ -	193,460	193,460
2014	2.90	100,000	193,460	293,460
2015	2.90	145,000	190,560	335,560
2016	2.90	150,000	186,355	336,355
2017	2.90	155,000	182,005	337,005
2018-2022	2.90-3.40	1,215,000	832,935	2,047,935
2023-2027	3.55-4.10	2,110,000	547,115	2,657,115
2028-2030	4.20-4.35	1,360,000	103,414	1,463,414
Total		\$ 5,235,000	2,429,304	7,664,304

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 \$7,664,304. For the current year, interest paid on the bonds was \$354,677 and total statewide sales, services and use tax revenues were \$786,204.

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

- (a) \$518,747 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.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$517,100, \$420,681, and \$426,253 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer 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, 2012, 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	6,055
Adjustment to annual required contribution	<u>(5,098)</u>
Annual OPEB cost	102,957
Contributions made	<u>(54,000)</u>
Increase in net OPEB obligation	48,957
Net OPEB obligation beginning of year	<u>134,555</u>
Net OPEB obligation end of year	<u><u>\$ 183,512</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, 2012.

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, 2012 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
2012	102,957	52.45%	183,512

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$5,384,378 and the ratio of the UAAL to covered payroll was 13.72%. As of June 30, 2012, there were no trust fund assets.

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

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

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

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

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

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The

District's actual amount for this purpose totaled \$385,074 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Gifted and Talented Programs	\$ 32,333
Returning Dropouts and Dropout Prevention Programs	82,797
Teacher Salary Supplement	133,054
Market Factor	594
Professional Development for Model Core Curriculum	30,657
Professional Development	121,124
Market Factor Incentives	7,783
	<u>\$ 408,342</u>

(12) Construction Commitment

The District has entered into contracts totaling \$3,089,853 for various construction projects. As of June 30, 2012, costs of \$2,490,119 had been incurred against the contracts. The balance of \$599,735 remaining at June 30, 2012 will be paid as work on the project progresses.

(13) Deficit Balance

The District had deficit unrestricted net assets of \$1,523 in the School Nutrition Fund. The District had two negative accounts in the Special Revenue, Student Activity Fund totaling \$919.

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,821,611	181,615	6,003,226	5,745,544	5,745,544	257,682
Intermediate sources	4,866	-	4,866	-	-	4,866
State sources	6,142,911	4,866	6,147,777	6,203,539	6,203,539	(55,762)
Federal sources	890,925	292,713	1,183,638	670,000	670,000	513,638
Total revenues	12,860,313	479,194	13,339,507	12,619,083	12,619,083	720,424
Expenditures/Expenses:						
Instruction	7,138,012	-	7,138,012	7,603,560	7,603,560	465,548
Support services	3,231,082	3,559	3,234,641	4,156,726	4,901,297	1,666,656
Non-instructional programs	-	529,009	529,009	657,025	800,000	270,991
Other expenditures	3,203,582	-	3,203,582	4,887,546	4,000,000	796,418
Total expenditures/expenses	13,572,676	532,568	14,105,244	17,304,857	17,304,857	3,199,613
Deficiency of revenues under expenditures/expenses	(712,363)	(53,374)	(765,737)	(4,685,774)	(4,685,774)	3,920,037
Other financing sources, net	18,292	5,556	23,848	6,956	6,956	16,892
Deficiency of revenues and other financing sources under expenditures/expenses	(694,071)	(47,818)	(741,889)	(4,678,818)	(4,678,818)	3,936,929
Balances beginning of year	6,241,460	120,054	6,361,514	4,678,818	4,678,818	1,682,696
Balances end of year	\$ 5,547,389	72,236	5,619,625	-	-	5,619,625

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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 reclassifying expenditures between the functional areas.

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%
2012	July 1, 2009	-	739,000	739,000	0.00%	5,384,378	13.72%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 331,718	84,646	416,364
Receivables:			
Property tax:			
Delinquent	3,212	-	3,212
Succeeding year	200,000	-	200,000
Accounts	-	709	709
Total assets	\$ 534,930	85,355	620,285
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	-	11,336	11,336
Due to other funds	36,238	102	36,340
Deferred revenue:			
Succeeding year property tax	200,000	-	200,000
Total liabilities	236,238	11,438	247,676
Fund Balances:			
Restricted for:			
Management levy purposes	298,692	-	298,692
Student activities	-	74,836	74,836
Unassigned	-	(919)	(919)
Total fund balances	298,692	73,917	372,609
Total liabilities and fund balances	\$ 534,930	85,355	620,285

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, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 149,903	-	149,903
Other	13,647	216,875	230,522
State sources	99	-	99
Total revenues	<u>163,649</u>	<u>216,875</u>	<u>380,524</u>
Expenditures:			
Current:			
Instruction:			
Regular	75,284	-	75,284
Other	-	215,245	215,245
Support services:			
Administration	38,313	-	38,313
Operation and maintenance of plant	39,987	-	39,987
Transportation	17,265	-	17,265
Total expenditures	<u>170,849</u>	<u>215,245</u>	<u>386,094</u>
Excess(Deficiency) of revenues over(under) expenditures	(7,200)	1,630	(5,570)
Other financing sources(uses):			
Transfers in	-	2,141	2,141
Transfers out	-	(200)	(200)
Total other financing sources(uses)	<u>-</u>	<u>1,941</u>	<u>1,941</u>
Changes in net assets	(7,200)	3,571	(3,629)
Fund balances beginning year	<u>305,892</u>	<u>70,346</u>	<u>376,238</u>
Fund balances end of year	<u>\$ 298,692</u>	<u>73,917</u>	<u>372,609</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 2,129,858	411,046	2,540,904
Receivables:			
Property tax:			
Delinquent	-	3,220	3,220
Succeeding year	-	259,994	259,994
Income surtax	-	240,232	240,232
Due from other governments	399,620	-	399,620
Total assets	\$ 2,529,478	914,492	3,443,970
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 288,257	6,469	294,726
Due to other funds	-	7,355	7,355
Deferred revenue:			
Succeeding year property tax	-	259,994	259,994
Income surtax	-	240,232	240,232
Total liabilities	288,257	514,050	802,307
Fund balances:			
Restricted for:			
Construction	1,055,871	-	1,055,871
School infrastructure	1,185,350	-	1,185,350
Physical plant and equipment	-	400,442	400,442
Total fund balances	2,241,221	400,442	2,641,663
Total liabilities and fund balances	\$ 2,529,478	914,492	3,443,970

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, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 786,204	390,575	1,176,779
Other	6,366	12,996	19,362
State sources	53,209	99	53,308
Federal sources	399,067	-	399,067
Total revenues	<u>1,244,846</u>	<u>403,670</u>	<u>1,648,516</u>
Expenditures:			
Current:			
Support Services:			
Instructional staff	45,170	136,693	181,863
Administration	18,768	12,792	31,560
Operation and maintenance of plant	35,092	19,406	54,498
Transportation	-	88,090	88,090
Capital outlay	1,688,475	27,870	1,716,345
Total expenditures	<u>1,787,505</u>	<u>284,851</u>	<u>2,072,356</u>
Excess(deficiency) of revenues over(under) expenditures	(542,659)	118,819	(423,840)
Other financing sources(uses):			
Transfers in	-	1,825	1,825
Transfers out	(1,037,165)	(68,412)	(1,105,577)
Total other financing sources(uses)	<u>(1,037,165)</u>	<u>(66,587)</u>	<u>(1,103,752)</u>
Net change in fund balances	(1,579,824)	52,232	(1,527,592)
Fund balances beginning of year	<u>3,821,045</u>	<u>348,210</u>	<u>4,169,255</u>
Fund balances end of year	<u>\$ 2,241,221</u>	<u>400,442</u>	<u>2,641,663</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, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund/ Intrafund Transfers	Balance End of Year
HS General Athletics	\$ 5,332	11,189	10,478	(3,531)	2,512
Athletic Director	-	192	361	169	-
MS General Athletics	-	-	150	150	-
Boys Basketball	-	6,937	7,250	313	-
MS Boys Basketball	-	1,043	942	(101)	-
Football	-	11,449	7,707	(3,742)	-
MS Football	-	919	1,457	538	-
Baseball	-	-	3,766	3,766	-
Boys Track	-	3,587	6,386	2,949	150
MS Boys Track	-	-	1,409	1,409	-
Boys Cross Country	-	2,164	973	(1,191)	-
Boys Tennis	-	-	884	884	-
Boys Golf	-	1,166	1,546	380	-
Wrestling	-	4,872	4,880	8	-
MS Wrestling	-	4,054	3,475	(579)	-
Girls Basketball	-	5,273	3,346	(1,927)	-
MS Girls Basketball	-	1,448	547	(751)	150
Volleyball	-	5,446	4,594	(852)	-
MS Volleyball	-	1,235	305	(930)	-
Softball	-	65	3,468	3,403	-
Girls Track	-	630	4,309	3,744	65
MS Girls Track	-	338	1,325	987	-
Girls Cross Country	-	600	881	281	-
Girls Tennis	151	40	1,651	1,460	-
Girls Golf	-	1,030	1,847	817	-
BPA	1,504	4,560	8,187	2,141	18
Annual	14,836	8,074	6,259	-	16,651
Math Club	508	2,145	2,124	-	529
HOSA	289	700	279	-	710
HS Shen IA Club	519	763	875	-	407
Cheerleaders	2,737	17,012	12,266	(200)	7,283
Class of 2011	1,371	-	1,371	-	-
Class of 2012	741	-	632	-	109
Class of 2013	1,546	2,815	3,004	-	1,357
Class of 2014	856	-	26	-	830
Class of 2015	800	1,106	-	-	1,906
Concessions	-	12,433	10,393	(2,040)	-
FFA	1,667	15,327	16,046	-	948
FCCLA	997	3,026	3,398	-	625

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund/ Intrafund Transfers	Balance End of Year
Shen Girls Golf	261	-	215	-	46
Interest	-	83	-	(80)	3
Marching Mustangs	(1,949)	3,428	2,390	-	(911)
National Art Honor Society	251	876	648	-	479
National Honor Society	347	1,585	1,171	-	761
Investment Interest	-	12	-	(12)	-
Shen Basketball Boys	500	2,737	3,245	-	(8)
Shen Basketball Girls	912	9,784	9,523	-	1,173
Shen Boys Golf	406	1,231	583	-	1,054
Shen Boys Cross Country	369	1,650	1,078	-	941
Shen Boys Tennis	188	811	715	-	284
Shen Boys Track	1,329	1,337	518	(1,755)	393
Shen Football	2,863	7,632	6,409	-	4,086
Shen Girls Track	687	778	879	-	586
Shen Girls Tennis	1,362	1,153	851	-	1,664
Shen Girls Cross Country	900	9,576	10,004	-	472
Shen Singers	134	3,862	3,223	-	773
Shen Softball	798	1,604	1,672	-	730
Shen Volleyball	546	3,887	3,051	-	1,382
Shen Weight Club	176	6,211	3,605	-	2,782
Shen Wrestlers	1,672	4,755	4,683	-	1,744
SHS Speech Club	908	1,749	2,419	-	238
Student Activity	-	3,465	-	(3,465)	-
Student Council	3,034	6,612	6,816	-	2,830
Shen Baseball	1,265	990	1,267	-	988
DAOUST Homeroom	25	313	324	-	14
MS Annual	769	3,323	3,058	-	1,034
MS Cheerleaders	586	-	-	-	586
MS FCCLA	1,181	454	540	-	1,095
MS Weight Room	1,735	542	1,998	-	279
MS Leadership Academy	986	-	960	(26)	-
MS Marching Mustangs	7,195	2,808	3,468	-	6,535
MS Swing Choir	630	78	200	-	508
MS Pride Builders	4,014	1,911	875	26	5,076
Shen Girls Bowling	302	-	-	(302)	-
Beecher NAHS	2,110	-	60	-	2,050
Total	\$ 70,346	216,875	215,245	1,941	73,917

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2012

	FCA Scholarship	Bateman Scholarship	Dreyer Scholarship	Pickard Scholarship	Wilson Scholarship	Sjulin Scholarship
Assets						
Cash and pooled investments	\$ 229	9,248	1,559	2,507	197,214	38
Liabilities						
		-	-	-	-	-
Net Assets						
Restricted for scholarships	229	9,248	1,559	2,507	197,214	38
Total net assets	\$ 229	9,248	1,559	2,507	197,214	38

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Keenan Scholarship	Roscoe Scholarship	Folden Scholarship	Spears Scholarship	Pitner Scholarship	Whitehill Scholarship	Pepsi Scholarship	Miscellaneous Scholarship	Total
16,727	1,652	1,700	300	4,539	2,318	750	900	239,681
-	-	-	-	-	-	-	-	-
16,727	1,652	1,700	300	4,539	2,318	750	900	239,681
16,727	1,652	1,700	300	4,539	2,318	750	900	239,681

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2012

	FCA	Bateman	Dreyer	Pickard	Wilson	Sjulin
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship
Additions:						
Local sources:						
Contributions	\$ 229	-	-	-	-	-
Interest	-	2	1	-	40	-
Total additions:	229	2	1	-	40	-
Deductions:						
Regular instruction:						
Regular						
Scholarships awarded	-	-	-	-	1,750	-
Change in net assets before other financing sources(uses)	229	2	1	-	(1,710)	-
Other financing sources(uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources(uses)	-	-	-	-	-	-
Change in net assets	229	2	1	-	(1,710)	-
Net assets beginning of year	-	9,246	1,558	2,507	198,924	38
Net assets end of year	\$ 229	9,248	1,559	2,507	197,214	38

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 7

Keenan Scholarship	Roscoe Scholarship	Folden Scholarship	Spears Scholarship	Pitner Scholarship	Whitehill Scholarship	Smith Scholarship	Pepsi Scholarship	Miscellaneous Scholarship	Total
-	-	1,700	-	-	-	-	-	-	1,929
4	-	-	-	1	-	-	-	-	48
4	-	1,700	-	1	-	-	-	-	1,977
500	75		-	-	-	2,755	750	200	6,030
(496)	(75)	1,700	-	1	-	(2,755)	(750)	(200)	(4,053)
-	100		-	-	-	-	-	200	300
-	-		-	-	-	-	-	(100)	(100)
-	100	-	-	-	-	-	-	100	200
(496)	25	1,700	-	1	-	(2,755)	(750)	(100)	(3,853)
17,223	1,627	-	300	4,538	2,318	2,755	1,500	1,000	243,534
16,727	1,652	1,700	300	4,539	2,318	-	750	900	239,681

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

	Modified Accrual Basis									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local sources:										
Local tax	\$ 4,928,448	4,951,533	4,320,042	4,169,816	3,885,830	3,843,038	3,717,829	3,536,193	3,754,560	3,841,094
Tuition	487,286	426,560	363,275	439,780	413,345	325,825	309,238	340,218	302,508	228,698
Other	405,877	492,155	424,652	427,090	664,398	693,361	582,805	476,170	555,042	359,445
Intermediate sources	4,866	36,000	-	-	-	-	-	-	36,106	32,480
State sources	6,142,911	5,362,751	4,585,995	5,444,156	5,587,576	5,285,949	4,775,575	4,419,245	4,041,618	4,124,883
Federal sources	890,925	725,418	1,058,763	469,614	363,206	349,274	356,245	334,296	368,460	355,722
Total	\$ 12,860,313	11,994,417	10,752,727	10,950,456	10,914,355	10,497,447	9,741,692	9,106,122	9,058,294	8,942,322
Expenditures:										
Current:										
Instruction:										
Regular	\$ 4,461,168	4,158,775	4,239,647	4,283,205	4,064,957	3,730,512	3,664,547	3,301,558	3,262,129	3,040,843
Special	1,238,190	1,133,588	1,124,607	1,217,761	1,132,572	1,122,041	1,011,712	1,053,146	1,461,875	1,207,787
Other	1,438,654	1,408,582	1,498,240	1,357,037	1,228,067	1,155,714	1,117,402	1,058,543	674,085	683,090
Support services:										
Student	330,923	327,166	306,716	304,068	283,406	262,507	194,277	169,318	169,012	131,803
Instructional staff	551,006	543,436	371,436	449,537	507,464	367,374	353,021	349,654	253,071	376,276
Administration	1,051,097	956,809	962,789	943,972	918,075	896,725	742,217	642,190	662,371	665,375
Operation and maintenance of plant	884,488	813,004	810,920	811,288	867,021	753,634	741,092	767,799	531,580	511,242
Transportation	413,568	389,742	389,854	310,355	441,342	407,248	347,846	257,666	230,387	264,665
Non-instructional programs	-	18,281	-	-	-	-	-	20,236	15,310	11,530
Capital outlay	1,716,345	1,780,729	107,427	69,659	284,050	653,882	757,609	702,778	341,688	1,284,673
Long-term debt:										
Principal	560,000	1,540,000	985,000	730,000	716,714	691,062	471,177	364,863	344,314	331,480
Interest and fiscal charges	542,163	218,371	238,752	266,114	293,074	318,421	970,142	440,534	460,083	457,521
Other expenditures:										
AEA flow-through	385,074	413,540	395,530	369,498	356,806	337,727	306,192	286,664	287,741	308,801
Total	\$ 13,572,676	13,702,023	11,430,918	11,112,494	11,093,548	10,696,847	10,677,234	9,414,949	8,693,646	9,275,086

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

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 12	\$ 56,169
National School Lunch Program	10.555	FY 12	236,544 *
			<u>292,713</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	5976-G	209,574
Title I Grants to Local Educational Agencies	84.010	5976-GC	34,220
			<u>243,794 **</u>
Career and Technical Education - Basic Grants to States	84.048	FY 12	<u>10,191</u>
Advanced Placement Program	84.330	FY 12	<u>39</u>
Rural Education	84.358	FY 12	<u>22,272</u>
Mathematics and Science Partnerships(Title IIB)	84.366	FY 12	<u>2,700</u>
Improving Teacher Quality State Grants	84.367	FY 12	<u>50,775</u>
Grants for State Assessments and Related Activities	84.369	FY 12	<u>6,806</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 12	<u>18,938 **</u>
Education Jobs Fund	84.410	FY 11	77,592
Education Jobs Fund	84.410	FY 12	2,975
			<u>80,567</u>
Loess Hills Area Education Agency:			
Special Education - Grants to States(Part B)	84.027	FY 12	<u>55,776</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security:			
Hazard Mitigation Grant	97.047	FY 12	<u>399,067</u>
TOTAL			<u>\$ 1,183,638</u>

* Includes \$25,933 of non-cash awards.

** Total for Title I Cluster is \$262,732.

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)

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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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 10, 2013. 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

The management of Shenandoah Community School District is responsible for establishing and maintaining effective 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 an 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 a material weakness and other deficiencies we consider to be significant deficiencies.

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-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-12 and II-C-12 to be significant deficiencies.

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 which 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, 2012 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 Shenandoahs, 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 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.

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, CORMAN & JOHNSON, P.C.

January 10, 2013

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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, 2012. 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, 2012.

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-12 to be a material weakness.

Shenandoah Community School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the District's response, we did not audit Shenandoah Community School District's response and, accordingly, we express no opinion on it.

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.

January 10, 2013

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiencies in internal control over financial reporting were 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 97.047 - Hazard Mitigation Grant
- (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, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among 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 is moving forward with new technology and upgrades. Administration will have access to live accounting data, and the duties of entering accounts payables and payroll are shared with the office secretaries. This networking moves the District closer to the goal of accountability and transparency. We will continue to monitor and evaluate our procedures to obtain the most effective segregation of duties with our limited staff.

Conclusion - Response accepted.

II-B-12 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation. District Board policy number 401.16 requires employees and officers using a District credit card to submit detailed receipts.

Recommendation - The District has a policy in place for credit card usage, which states that the users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - The Administration has met to review the Board policy on credit card usage and procedures have been reviewed.

Conclusion - Response accepted.

II-C-12 Supporting Documentation for Meal Money - We noted during our audit instances of students receiving meal money during District sponsored trips. However, there was no documentation as to who received funds and/or the amount of funds received.

Recommendation - The District should document who receives cash when going on trips. The District should have a list of who received the cash and the amount. The students should sign off upon receiving cash for the trip. The District should review procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

Response - The District is working towards implementing consistency with the sign off sheets and establishing procedures for reconciling all disbursed cash.

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, 2012

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
Federal Award Year: 2012
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 97.047: Hazard Mitigation Grant
Federal Award Year: 2012
U.S. Department of Homeland Security
Passed through the Iowa Department of Homeland Security

III-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among 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 is moving forward with new technology and upgrades. Administration will have access to live accounting data, and the duties of entering accounts payables and payroll are shared with the office secretaries. This networking moves the District closer to the goal of accountability and transparency. We will continue to monitor and evaluate our procedures to obtain the most effective segregation of duties with our limited staff.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - District disbursements for the year ended June 30, 2012, did not exceed budgeted amounts.

IV-B-12 Questionable Disbursements - We noted during our audit that the District wrote checks to purchase gift certificates to give to students for sales incentives or as a reward. Gift certificates do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District is working on amending and adopting a public purpose Board policy that prohibits such activities as mentioned.

Conclusion - Response accepted.

IV-C-12 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-12 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Thomas French, Teacher	Services	\$1,200
Jay Sweet, Teacher	Services	\$6,954

In accordance with Attorney General's Opinion dated July 2, 1990, the above transactions with the employees of the District do not appear to represent a conflict of interest.

IV-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2012, 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 2012 audit.

Beginning Balance		\$	3,821,045
Revenues:			
Sales tax revenues	\$	786,204	
Other local revenues		6,366	
Other state revenues		53,209	
Federal revenues		399,067	
			<u>1,244,846</u>
			5,065,891
Expenditures/Transfers out:			
School infrastructure construction	\$	1,368,663	
Buildings purchased		37,000	
Equipment		245,248	
Other		136,594	
Transfers to other funds:			
Debt service fund		1,037,165	
			<u>2,824,670</u>
Ending Balance			<u>\$ 2,241,221</u>

For the year ended June 30, 2012, 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	\$ 1.26657	\$ 300,000

IV-M-12 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.

IV-N-12 Financial Condition - We noted during our audit that the School Nutrition Fund had deficit net assets of \$1,523 at June 30, 2012. There were also two account within the Special Revenue, Student Activity Fund with negative balances totaling \$919.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficit.

Response - The District will continue to monitor these accounts and investigate alternatives to eliminate the deficits. The District is reviewing procedures and accountability with Activity fund sponsors.

Conclusion - Response accepted.