

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

JUNE 30, 2013

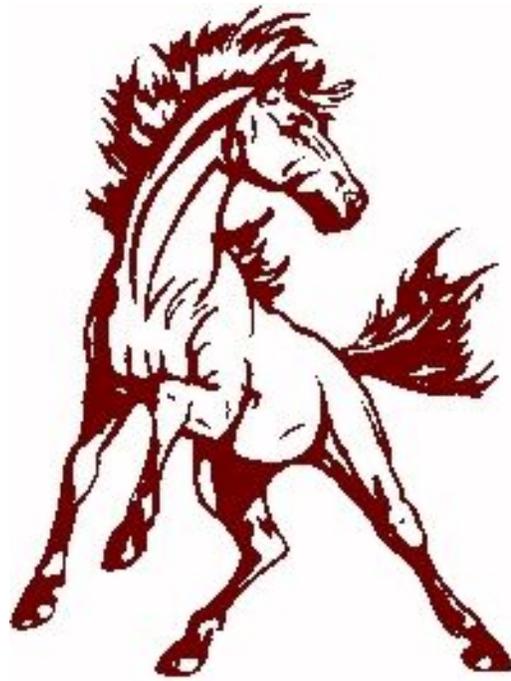
Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-18
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	20
Statement of Activities	B	21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Position	G	26
Statement of Revenues, Expenditures and Changes in Fund Net Position	H	27
Statement of Cash Flows	I	28
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	29
Statement of Changes in Fiduciary Net Position	K	30
Notes to Financial Statements		31-44
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Schedule of Funding Progress for the Retiree Health Plan		48
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	51
Capital Projects Accounts:		
Combining Balance Sheet	3	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	53
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	54-55
Private Purpose Trust - Scholarship Funds:		
Combining Statement of Fiduciary Net Position	6	56-57
Combining Statement of Changes in Fiduciary Net Position	7	58-59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8	60
Schedule of Expenditures of Federal Awards	9	61
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		62-63
Independent Auditor's Report on Compliance for Each Major Program, on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		64-65
Schedule of Findings and Questioned Costs		66-73

Shenandoah Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Leroy Heatherington	President	2013
Greg Ritchey	Vice President	2015
Tim Johnson	Board Member (deceased)	2013
Dwight Mayer	Board Member	2013
Kip Anderson	Board Member	2015
Kathy Langley	Board Member (Elected May, 2013)	2013
School Officials		
Jeff Hiser	Superintendent	2013
Joyce Morgan	Business Manager and District Secretary	2013
Ahlers and Cooney	Attorney	2013



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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Shenandoah Community School District:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

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 18 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.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2014 on our consideration of Shenandoah Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports 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.


NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2014
Newton, Iowa

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, 2013.

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 decreased from \$10,522,116 in fiscal year 2012 to \$10,331,686 in fiscal year 2013, while General Fund expenditures increased from \$10,016,029 in fiscal year 2012 to \$10,028,393 in fiscal year 2013. This resulted in an increase in the District's General Fund balance from \$1,459,984 in fiscal year 2012 to \$1,763,277 in fiscal year 2013, representing an increase of 20.77%.
- ◆ The fiscal year 2013 General Fund revenue decrease was mainly attributable to decreases in revenue from state and federal 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 8.51% at June 30, 2012 to 15.33% at June 30, 2013.

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 Position 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 position 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 position 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.

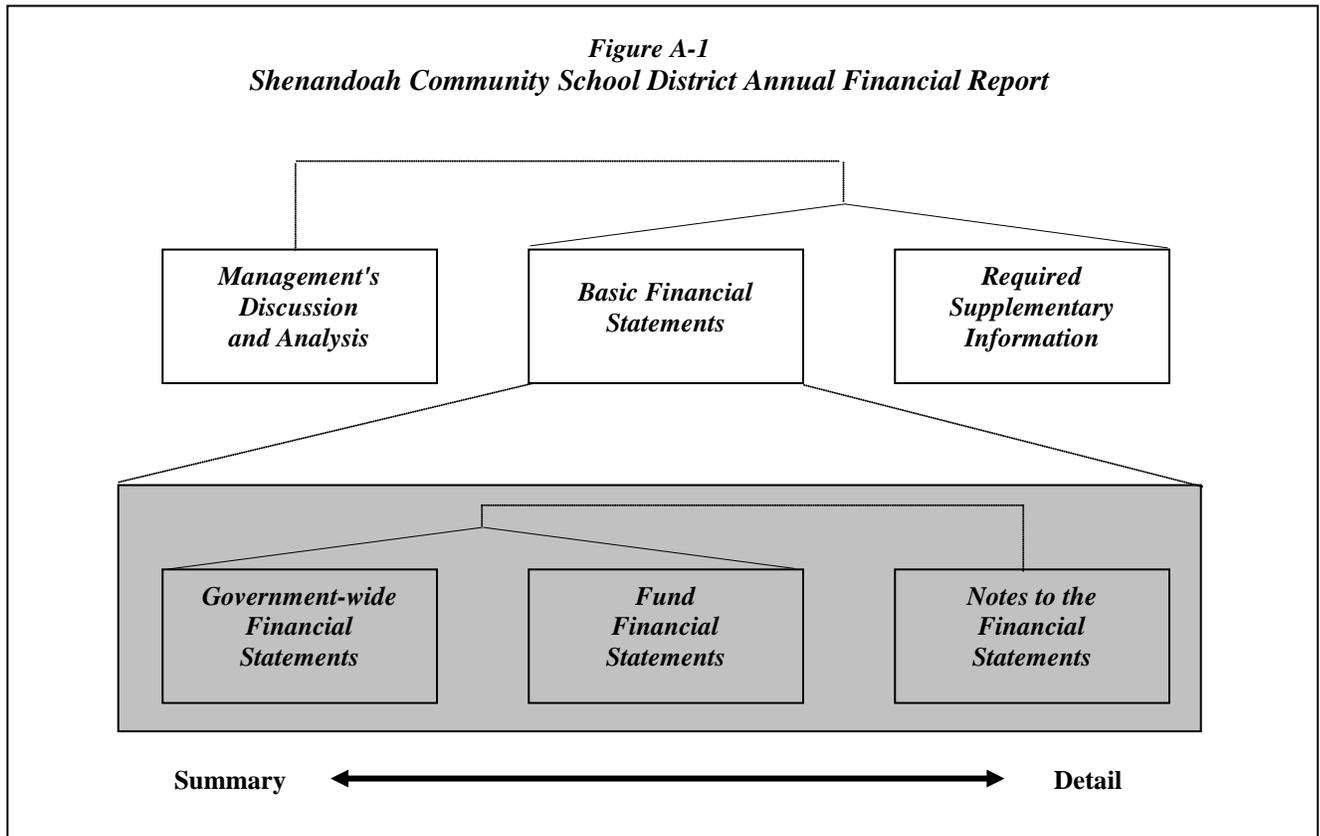


Figure A-2 on the next page summarizes the major features of the government-wide and fund financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights 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
Required financial statements	<ul style="list-style-type: none"> ◆ Statement of net position ◆ 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 position Statement of revenues, expenses and changes in fund net position ◆ Statement of cash flows 	<ul style="list-style-type: none"> ◆ Statement of fiduciary net position ◆ Statement of changes in fiduciary net position
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 position 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 position and how it has changed. Net position – 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 position 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 position is 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 POSITION

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

Figure A-3 provides a summary of the District's net position for the year ended June 30, 2013 totaling approximately \$12.82 million in government-wide.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 11,428,486	11,626,042	15,783	18,518	11,444,269	11,644,560	-1.72%
Capital assets	16,953,782	16,545,120	61,823	73,759	17,015,605	16,618,879	2.39%
Total assets	<u>28,382,268</u>	<u>28,171,162</u>	<u>77,606</u>	<u>92,277</u>	<u>28,459,874</u>	<u>28,263,439</u>	<u>0.70%</u>
Long-term obligations	10,043,843	10,329,998	8,049	13,902	10,051,892	10,343,900	-2.82%
Other liabilities	5,574,800	5,587,643	22,126	6,139	5,596,926	5,593,782	0.06%
Total liabilities	<u>15,618,643</u>	<u>15,917,641</u>	<u>30,175</u>	<u>20,041</u>	<u>15,648,818</u>	<u>15,937,682</u>	<u>-1.81%</u>
Net position:							
Invested in capital assets, net of related debt	7,573,782	7,710,991	61,823	73,759	7,635,605	7,784,750	-1.92%
Restricted	3,711,297	3,375,029	-	-	3,711,297	3,375,029	9.96%
Unrestricted	1,478,546	1,167,501	(14,392)	(1,523)	1,464,154	1,165,978	25.57%
Total net position	<u>\$ 12,763,625</u>	<u>12,253,521</u>	<u>47,431</u>	<u>72,236</u>	<u>12,811,056</u>	<u>12,325,757</u>	<u>3.94%</u>

The District's combined net position increased by 3.94%, or \$485,299, compared to the prior year. The largest portion of the District's net position is 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 position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$336,268, or 9.96% from the prior year. The increase in restricted net position can be attributed in part to the increase in fund balances of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$298,176, or 25.57%. This increase in unrestricted net position was largely a result of the District's increase in the General Fund unassigned balance.

CHANGES IN NET POSITION

Figure A-4 shows the changes in net position for the year ended June 30, 2013.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 747,451	714,078	179,547	180,565	926,998	894,643	3.62%
Operating grants, contributions and restricted interest	863,887	899,474	327,412	297,579	1,191,299	1,197,053	-0.48%
Capital grants, contributions and restricted interest	146,954	465,226	-	5,556	146,954	470,782	100.00%
General revenues:							
Property tax	3,971,107	3,632,304	-	-	3,971,107	3,632,304	9.33%
Income surtax	635,846	461,844	-	-	635,846	461,844	37.68%
Statewide sales, services and use tax	836,178	786,204	-	-	836,178	786,204	6.36%
Unrestricted state grants	5,211,750	5,682,704	-	-	5,211,750	5,682,704	-8.29%
Nonspecific program federal grants	-	80,567	-	-	-	80,567	-100.00%
Unrestricted investment earnings	5,434	10,063	35	61	5,469	10,124	-45.98%
Other	84,430	79,753	1,213	989	85,643	80,742	6.07%
Transfers	(3,475)	(200)	3,475	-	-	(200)	-100.00%
Total revenues & transfers	<u>12,499,562</u>	<u>12,812,017</u>	<u>511,682</u>	<u>484,750</u>	<u>13,011,244</u>	<u>13,296,767</u>	<u>-2.15%</u>
Program expenses:							
Governmental activities:							
Instructional	7,254,074	7,216,920	-	-	7,254,074	7,216,920	0.51%
Support services	3,498,540	3,080,014	1,665	3,559	3,500,205	3,083,573	13.51%
Non-instructional programs	-	-	534,822	529,009	534,822	529,009	1.10%
Other expenses	1,236,844	1,199,910	-	-	1,236,844	1,199,910	3.08%
Total expenses	<u>11,989,458</u>	<u>11,496,844</u>	<u>536,487</u>	<u>532,568</u>	<u>12,525,945</u>	<u>12,029,412</u>	<u>4.13%</u>
Change in net position	510,104	1,315,173	(24,805)	(47,818)	485,299	1,267,355	61.71%
Beginning net position	<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>
Ending net position	<u>\$ 12,763,625</u>	<u>12,253,521</u>	<u>47,431</u>	<u>72,236</u>	<u>12,811,056</u>	<u>12,325,757</u>	<u>3.94%</u>

In Figure A-4 property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 85.24% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89.68% 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 \$3.66 million or 36.53% 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 \$12,499,562 while expenditures were \$11,989,458.

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		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 7,254,074	7,216,920	0.51%	6,107,049	6,010,065	1.61%
Support services	3,498,540	3,080,014	13.59%	3,268,367	2,593,165	26.04%
Other expenses	1,236,844	1,199,910	3.08%	855,750	814,836	5.02%
Totals	<u>\$ 11,989,458</u>	<u>11,496,844</u>	<u>4.28%</u>	<u>10,231,166</u>	<u>9,418,066</u>	<u>8.63%</u>

For the year ended June 30, 2013:

- ◆ The cost financed by users of the District's programs was \$747,451.
- ◆ Federal and state governments subsidized certain programs with grants and contributions totaling \$1,010,841.
- ◆ The net cost of governmental activities was financed with \$3,971,107 in property tax, \$635,846 in income surtax, \$836,178 in statewide sales, services and use tax, \$5,211,750 in unrestricted state grants, \$5,434 in interest income and \$80,955 in other general revenues, net of transfers.

BUSINESS TYPE ACTIVITIES

Revenues of the District's business type activities were \$511,682 while expenditures were \$536,487. 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, 2013, 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 \$5,290,245, below last year's ending fund balance of \$5,547,389. 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 \$1,459,984 to \$1,763,277. Revenue did decrease compared to the prior year, but still exceeded expenses by \$289,677 not including other financing sources and uses.
- ◆ The Capital Projects Fund balance decreased from \$2,641,663 at June 30, 2012 to \$2,099,359 at June 30, 2013. The decrease was due to expenditures associated with various construction projects worked on during the year.
- ◆ The Debt Service Fund balance decreased from \$1,073,133 at June 30, 2012 to \$1,070,699 at June 30, 2013. The decrease is attributable to expenditures on long term debt exceeding revenues and transfers into the debt service fund. The decrease in the fund balance was \$2,434 or 0.23%.

Proprietary Fund Highlights:

The School Nutrition Fund net position decreased from \$72,236 at June 30, 2012 to \$47,431 at June 30, 2013 or 34.34%. The decrease is attributable in part to increased food costs, and a slight decrease in lunches served when compared to the prior year. Federal revenues did increase compared to the prior year but not enough to prevent a decrease in net position.

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.

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.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area.

CAPITAL ASSETS

At June 30, 2013, the District had invested \$17,015,605, net of accumulated depreciation in a board range of capital assets, including land, buildings, athletic facilities, computers and transportation equipment. Governmental funds account for \$16,953,782 of the capital assets with the remainder of \$61,823 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 \$624,072.

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

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 175,000	183,000	-	-	175,000	183,000	-4.57%
Construction in progress	672,567	3,089,774	-	-	672,567	3,089,774	-359.40%
Buildings	15,433,681	12,629,462	-	-	15,433,681	12,629,462	22.20%
Land improvements	239,821	267,700	-	-	239,821	267,700	-10.41%
Machinery and equipment	432,713	375,184	61,823	73,759	494,536	448,943	10.16%
Total	<u>\$ 16,953,782</u>	<u>16,545,120</u>	<u>61,823</u>	<u>73,759</u>	<u>17,015,605</u>	<u>16,618,879</u>	<u>2.39%</u>

LONG -TERM DEBT

As of June 30, 2013, the School District had \$10,051,892 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of 2.82% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

There was \$4,145,000 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 \$195,081 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 \$36,375 of outstanding debt for termination benefits payable. Of that total, \$3,492 is payable from the General Fund with the remainder of \$32,883 payable from the Special Revenue, Management Levy Fund.

The District also had a net OPEB liability of \$243,789. Of which, \$243,475 was for governmental activities with the remainder of \$314 in business type activities.

During the year ended June 30, 2013, the District entered into a computer lease. At June 30, 2013, \$196,647 was remaining to be paid.

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
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 4,145,000	4,655,000	-	-	4,145,000	4,655,000	-10.96%
Revenue bonds	5,235,000	5,235,000	-	-	5,235,000	5,235,000	0.00%
Computer lease	196,647	-	-	-	196,647	-	100.00%
Compensated absences	187,346	187,457	7,735	10,180	195,081	197,637	-1.29%
Termination benefits	36,375	72,751	-	-	36,375	72,751	-50.00%
Net OPEB liability	243,475	179,790	314	3,722	243,789	183,512	32.85%
Total	<u>\$ 10,043,843</u>	<u>10,329,998</u>	<u>8,049</u>	<u>13,902</u>	<u>10,051,892</u>	<u>10,343,900</u>	<u>-2.82%</u>

FACTORS THAT IMPACT THE DISTRICT'S FUTURE

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

- It is a concern of this District, as well as every District in the state, that certain costs will continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. Other uncontrolled costs such as fuel also continue to be watched. With the legislature's hesitancy to fully fund and increase funding, knowing that these costs will continue to rise, the District remains vigilant to use completely and efficiently all the resources it has at its disposal.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.
- Future increases in state aid to schools will be based upon the condition of the state and national economy. What happens in the future with state aid will have an impact on the District's General Fund budget.
- The District is in good financial health. A solid foundation of cash balance and unspent balance, allow the District to provide resources needed for excellent student achievement while still keeping the tax burden reasonable. The District remains vigilant to use completely and efficiently all the resources it has at its disposal.
- Union negotiated agreements for salaries and benefits costs exceed the District's new money. Continual increases in health insurance, fuel and utility costs need to be monitored as they have an impact on the District's finances.

- The requirements contained in the Affordable Health Care Act may potentially impact the District's future employee benefit costs. Health Care Reform mandates are going to have to be monitored very closely. The District currently has some part-time employee groups that do not have health coverage offered to them. Offering health care coverage to these employees will be an added expenditure to the District.

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 POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 6,098,202	10,253	6,108,455
Receivables:			
Property tax:			
Delinquent	86,536	-	86,536
Succeeding year	4,180,874	-	4,180,874
Income surtax	588,624	-	588,624
Accounts	14,974	8	14,982
Due from other funds	14,750	-	14,750
Due from other governments	444,526	-	444,526
Inventories	-	5,522	5,522
Capital assets, net of accumulated depreciation	16,953,782	61,823	17,015,605
Total assets	28,382,268	77,606	28,459,874
Liabilities			
Accounts payable	330,536	-	330,536
Salaries and benefits payable	1,038,207	2,089	1,040,296
Due to other funds	-	14,750	14,750
Accrued interest payable	25,183	-	25,183
Deferred revenue:			
Succeeding year property tax	4,180,874	-	4,180,874
Unearned revenue	-	5,287	5,287
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	535,000	-	535,000
Revenue bonds payable	100,000	-	100,000
Computer lease payable	98,324	-	98,324
Compensated absences	187,346	7,735	195,081
Termination benefits payable	36,375	-	36,375
Portion due after one year:			
General obligation bonds payable	3,610,000	-	3,610,000
Revenue bonds payable	5,135,000	-	5,135,000
Computer lease payable	98,323	-	98,323
Net OPEB liability	243,475	314	243,789
Total liabilities	15,618,643	30,175	15,648,818
Net Position			
Invested in capital assets, net of related debt	7,573,782	61,823	7,635,605
Restricted for:			
Categorical funding	240,747	-	240,747
Debt service	1,045,516	-	1,045,516
Management levy purposes	241,268	-	241,268
Student activities	84,407	-	84,407
School infrastructure	1,549,650	-	1,549,650
Physical plant and equipment	549,709	-	549,709
Unrestricted	1,478,546	(14,392)	1,464,154
Total net position	\$ 12,763,625	47,431	12,811,056

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	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	\$ 4,499,376	417,098	92,554	-	(3,989,724)	-	(3,989,724)
Special	1,266,018	101,870	52,940	-	(1,111,208)	-	(1,111,208)
Other	1,488,680	215,328	267,235	-	(1,006,117)	-	(1,006,117)
	<u>7,254,074</u>	<u>734,296</u>	<u>412,729</u>	<u>-</u>	<u>(6,107,049)</u>	<u>-</u>	<u>(6,107,049)</u>
Support services:							
Student	358,014	-	60,841	-	(297,173)	-	(297,173)
Instructional staff	841,123	-	7,476	-	(833,647)	-	(833,647)
Administration	1,036,600	-	-	-	(1,036,600)	-	(1,036,600)
Operation and maintenance of plant	818,261	-	-	146,954	(671,307)	-	(671,307)
Transportation	444,542	13,155	1,747	-	(429,640)	-	(429,640)
	<u>3,498,540</u>	<u>13,155</u>	<u>70,064</u>	<u>146,954</u>	<u>(3,268,367)</u>	<u>-</u>	<u>(3,268,367)</u>
Long-term debt interest	357,388	-	-	-	(357,388)	-	(357,388)
Other expenditures:							
AEA flowthrough	381,094	-	381,094	-	-	-	-
Depreciation(unallocated)*	498,362	-	-	-	(498,362)	-	(498,362)
	<u>879,456</u>	<u>-</u>	<u>381,094</u>	<u>-</u>	<u>(498,362)</u>	<u>-</u>	<u>(498,362)</u>
Total governmental activities	11,989,458	747,451	863,887	146,954	(10,231,166)	-	(10,231,166)
Business Type activities:							
Support services:							
Instructional staff	575	-	-	-	-	(575)	(575)
Operation and maintenance of plant	1,090	-	-	-	-	(1,090)	(1,090)
	<u>1,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,665)</u>	<u>(1,665)</u>
Non-instructional programs:							
Food service operations	534,822	179,547	327,412	-	-	(27,863)	(27,863)
Total business type activities	536,487	179,547	327,412	-	-	(29,528)	(29,528)
Total	\$ 12,525,945	926,998	1,191,299	146,954	(10,231,166)	(29,528)	(10,260,694)
General Revenues and Transfers:							
General Revenues:							
Local tax for:							
General purposes					\$ 3,554,912	-	3,554,912
Debt service					274,117	-	274,117
Capital outlay					142,078	-	142,078
Income surtax					635,846	-	635,846
Statewide sales, services and use tax					836,178	-	836,178
Unrestricted state grants					5,211,750	-	5,211,750
Unrestricted investment earnings					5,434	35	5,469
Other					84,430	1,213	85,643
Transfers					(3,475)	3,475	-
Total general revenues and transfers					<u>10,741,270</u>	<u>4,723</u>	<u>10,745,993</u>
Change in net position					510,104	(24,805)	485,299
Net position beginning of year					<u>12,253,521</u>	<u>72,236</u>	<u>12,325,757</u>
Net position end of year					<u>\$ 12,763,625</u>	<u>47,431</u>	<u>12,811,056</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,638,862	1,942,675	1,162,368	354,297	6,098,202
Receivables:					
Property tax:					
Delinquent	73,344	3,011	5,811	4,370	86,536
Succeeding year	3,569,651	128,672	282,551	200,000	4,180,874
Income surtax	313,933	274,691	-	-	588,624
Accounts	14,285	-	-	689	14,974
Due from other funds	14,750	-	-	2,500	17,250
Due from other governments	182,471	261,980	-	75	444,526
Total assets	\$ 6,807,296	2,611,029	1,450,730	561,931	11,430,986
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 119,728	108,307	97,480	5,021	330,536
Salaries and benefits payable	1,038,207	-	-	-	1,038,207
Due to other funds	2,500	-	-	-	2,500
Deferred revenue:					
Succeeding year property tax	3,569,651	128,672	282,551	200,000	4,180,874
Income surtax	313,933	274,691	-	-	588,624
Total liabilities	5,044,019	511,670	380,031	205,021	6,140,741
Fund Balances:					
Restricted for:					
Categorical funding	240,747	-	-	-	240,747
Debt service	-	-	1,070,699	-	1,070,699
Management levy purposes	-	-	-	274,151	274,151
Student activities	-	-	-	84,407	84,407
School infrastructure	-	1,549,650	-	-	1,549,650
Physical plant and equipment	-	549,709	-	-	549,709
Unassigned:					
General	1,522,530	-	-	-	1,522,530
Student activities	-	-	-	(1,648)	(1,648)
Total fund balances	1,763,277	2,099,359	1,070,699	356,910	5,290,245
Total liabilities and fund balances	\$ 6,807,296	2,611,029	1,450,730	561,931	11,430,986

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 22)	\$	5,290,245
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.		16,953,782
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		588,624
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.		(25,183)
Long-term liabilities including general obligation bonds payable, revenue bonds payable, compensated absences payable, termination benefits 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>(10,043,843)</u>
Net position of governmental activities(page 20)	\$	<u><u>12,763,625</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,661,564	1,239,409	274,117	199,919	5,375,009
Tuition	514,597	-	-	-	514,597
Other	174,266	16,741	52	255,874	446,933
State sources	5,617,242	15,715	164	123	5,633,244
Federal sources	347,901	117,231	-	-	465,132
Total revenues	<u>10,315,570</u>	<u>1,389,096</u>	<u>274,333</u>	<u>455,916</u>	<u>12,434,915</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,407,725	513	-	135,838	4,544,076
Special	1,244,355	-	-	-	1,244,355
Other	1,229,972	-	-	243,997	1,473,969
	<u>6,882,052</u>	<u>513</u>	<u>-</u>	<u>379,835</u>	<u>7,262,400</u>
Support services:					
Student	354,308	-	-	-	354,308
Instructional staff	326,223	530,650	-	-	856,873
Administration	979,265	33,804	-	9,472	1,022,541
Operation and maintenance of plant	785,692	26,838	-	64,197	876,727
Transportation	317,259	137,335	-	20,611	475,205
	<u>2,762,747</u>	<u>728,627</u>	<u>-</u>	<u>94,280</u>	<u>3,585,654</u>
Capital outlay	-	822,033	-	-	822,033
Long-term debt:					
Principal	-	-	608,324	-	608,324
Interest and fiscal charges	-	-	361,697	-	361,697
	<u>-</u>	<u>-</u>	<u>970,021</u>	<u>-</u>	<u>970,021</u>
Other expenditures:					
AEA flowthrough	381,094	-	-	-	381,094
Total expenditures	<u>10,025,893</u>	<u>1,551,173</u>	<u>970,021</u>	<u>474,115</u>	<u>13,021,202</u>
Excess(deficiency) of revenues over(under)expenditures	289,677	(162,077)	(695,688)	(18,199)	(586,287)
Other financing sources(uses):					
Operating transfers in	-	-	693,254	2,500	695,754
Operating transfers out	(2,500)	(693,254)	-	-	(695,754)
Sale of equipment	16,116	-	-	-	16,116
Computer lease proceeds	-	294,971	-	-	294,971
Proceeds from disposal of property	-	18,056	-	-	18,056
Total other financing sources(uses)	<u>13,616</u>	<u>(380,227)</u>	<u>693,254</u>	<u>2,500</u>	<u>329,143</u>
Change in fund balances	303,293	(542,304)	(2,434)	(15,699)	(257,144)
Fund balances beginning of year	1,459,984	2,641,663	1,073,133	372,609	5,547,389
Fund balances end of year	<u>\$ 1,763,277</u>	<u>2,099,359</u>	<u>1,070,699</u>	<u>356,910</u>	<u>5,290,245</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, 2013

Net change in fund balances - total governmental funds(page 24) \$ (257,144)

*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 Position 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	\$ 1,024,062	
Depreciation expense	(606,875)	
Disposal of land	(8,000)	
Loss on disposal	(525)	408,662

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Current year repayments exceeded repayments, as follows:

Issued	(294,971)	
Repaid	608,324	313,353

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

4,309

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

68,122

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.

Termination benefits	36,376	
Compensated absences	111	
Other postemployment benefits	(63,685)	(27,198)

Change in net position of governmental activities(page 21) \$ 510,104

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSIION
PROPRIETARY FUND
JUNE 30, 2013

	School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 10,253
Accounts receivable	8
Inventories	5,522
Total current assets	15,783
Non-current assets:	
Capital assets, net of accumulated depreciation	61,823
Total assets	77,606
Liabilities	
Current liabilities:	
Salaries and benefits payable	2,089
Interfund payable	14,750
Unearned revenue	5,287
Total current liabilities	22,126
Long-term liabilities:	
Compensated absences	7,735
Net OPEB liability	314
Total long-term liabilities	8,049
Total liabilities	30,175
Net Position	
Invested in capital assets	61,823
Unrestricted	(14,392)
Total net position	\$ 47,431

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 179,547
Miscellaneous	1,213
Total operating revenues:	180,760
Operating expenses:	
Support services:	
Instructional staff:	
Services	575
Operation and maintenance of plant:	
Services	1,090
Total support services	1,665
Non-instructional programs:	
Food service operations:	
Salaries	196,018
Benefits	42,905
Services	2,777
Supplies	275,711
Depreciation	17,197
Total non-instructional programs	534,608
Total operating expenses	536,273
Operating loss	(355,513)
Non-operating revenues:	
State sources	4,713
Federal sources	322,699
Interest on investments	35
Total non-operating revenues	327,447
Change in net position before other financing sources(uses)	(28,066)
Other financing sources(uses):	
Loss on disposal of capital assets	(214)
Contributed capital	3,475
Total other financing sources	3,261
Change in net position	(24,805)
Net position beginning of year	72,236
Net position end of year	\$ 47,431

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type Activites: Enterprise Fund School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 179,771
Cash received from miscellaneous	1,213
Cash payments to employees for services	(243,414)
Cash payments to suppliers for goods or services	(258,018)
Net cash used in operating activities	(320,448)
Cash flows from non-capital financing activities:	
Borrowings from the General Fund	14,750
State grants received	4,713
Federal grants received	299,319
Net cash provided by non-capital financing activities	318,782
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,000)
Cash flows from investing activities:	
Interest on investments	35
Net decrease in cash and cash equivalents	(3,631)
Cash and cash equivalents at beginning of year	13,884
Cash and cash equivalents at end of year	\$ 10,253
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (355,513)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	23,380
Depreciation	17,197
Increase in inventories	(888)
Increase in accounts receivable	(8)
Decrease in accounts payable	(357)
Increase in salaries and benefits payable	1,362
Increase in unearned revenue	232
Decrease in compensated absences	(2,445)
Decrease in net OPEB liability	(3,408)
Net cash used in operating activities	\$ (320,448)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$23,380 of federal commodities

During the year ended June 30, 2013, the Nutrition Fund received contributed capital of \$3,475 from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 235,593
Liabilities	-
Net Position	
Restricted for scholarships	\$ 235,593

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2013

		Private Purpose Trust
		Scholarship
Additions:		
Local sources:		
Contributions	\$	400
Interest		12
Total additions		412
Deductions:		
Regular instruction:		
Scholarships awarded		4,500
Change in net position		(4,088)
Net position beginning of year		239,681
Net position end of year	\$	235,593

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has 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 position and changes in net position. 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 position 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.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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 Position 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 Position 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, 2013. 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 Position.

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 Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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. During the year ended June 30, 2013 expenditures exceeded the amended budget in the non-instructional function.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,938,996 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, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise Fund: School Nutrition	\$ 14,750
Student Activity	General	2,500
Total		<u>\$ 17,250</u>

The Enterprise Fund: School Nutrition is repaying the General Fund for insurance benefits for nutrition personnel paid from the General Fund.

The General Fund is repaying the Student Activity Fund for expenses paid from the Activity Fund to be expensed from the General Fund.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 594,930
Debt Service	Capital Projects: Physical Plant and Equipment Levy	98,324
Student Activity	General	2,500
Total		<u>\$ 695,754</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 District was given a gift in 2006 which was deposited into the General Fund. The donor attached no restrictions on the gift. The District uses the money for the benefit of students by providing additional resources for education and programs. The Board of Directors approved a transfer to the Student Activity Fund to finance part of the BPA trip to a national event.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 183,000	-	8,000	175,000
Construction in progress	3,089,774	858,020	3,275,227	672,567
Total capital assets not being depreciated	<u>3,272,774</u>	<u>858,020</u>	<u>3,283,227</u>	<u>847,567</u>
Capital assets being depreciated:				
Buildings	20,477,726	3,275,227	32,757	23,720,196
Land improvements	751,713	-	-	751,713
Machinery and equipment	1,657,656	166,042	87,365	1,736,333
Total capital assets being depreciated	<u>22,887,095</u>	<u>3,441,269</u>	<u>120,122</u>	<u>26,208,242</u>
Less accumulated depreciation for:				
Buildings	7,848,264	470,483	32,232	8,286,515
Land improvements	484,013	27,879	-	511,892
Machinery and equipment	1,282,472	108,513	87,365	1,303,620
Total accumulated depreciation	<u>9,614,749</u>	<u>606,875</u>	<u>119,597</u>	<u>10,102,027</u>
Total capital assets being depreciated, net	<u>13,272,346</u>	<u>2,834,394</u>	<u>525</u>	<u>16,106,215</u>
Governmental activities capital assets, net	<u>\$ 16,545,120</u>	<u>3,692,414</u>	<u>3,283,752</u>	<u>16,953,782</u>

	Balance			Balance
	Beginning		Decreases	End
	of Year	Increases		of Year
Business type activities:				
Machinery and equipment	\$ 251,582	5,475	1,285	255,772
Less accumulated depreciation	177,823	17,197	1,071	193,949
Business type activities capital assets, net	\$ 73,759	(11,722)	214	61,823

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 21,264
Support services:			
Instructional staff			5,521
Transportation			81,728
			<u>108,513</u>
Unallocated depreciation			498,362
			<u>498,362</u>
Total governmental activities depreciation expense			\$ <u>606,875</u>
Business type activities:			
Food services			\$ <u>17,197</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
Governmental activities:					
General obligation bonds	\$ 4,655,000	-	510,000	4,145,000	535,000
Revenue bonds	5,235,000	-	-	5,235,000	100,000
Computer lease	-	294,971	98,324	196,647	98,324
Compensated absences	187,457	187,346	187,457	187,346	187,346
Termination benefits	72,751	-	36,376	36,375	36,375
Net OPEB liability	179,790	63,685	-	243,475	-
Total governmental activities	\$ 10,329,998	546,002	832,157	10,043,843	957,045
Business type activities:					
Compensated absences	\$ 10,180	7,735	10,180	7,735	7,735
Net OPEB liability	3,722	-	3,408	314	-
Total business type activities	\$ 13,902	7,735	13,588	8,049	7,735

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated September 28, 2005				
	Interest Rates		Principal	Interest	Total
2014	3.50	% \$	535,000	146,550	674,487
2015	3.55		545,000	127,650	681,550
2016	3.65		565,000	107,985	672,985
2017	3.65		590,000	87,159	677,159
2018	3.65		615,000	65,441	680,441
2019-2020	3.70-3.75		1,295,000	61,141	1,356,141
Total			\$ 4,145,000	595,926	4,740,926

Revenue Bonds

Details of the District's June 30, 2013 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
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	2.90		160,000	177,510	337,510
2019-2023	2.90-3.40		1,440,000	794,650	2,234,650
2024-2028	3.55-4.10		2,210,000	465,813	2,675,813
2029-2030	4.20-4.35		875,000	45,491	920,491
Total			\$ 5,235,000	2,235,844	7,470,844

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 \$7,470,844. For the current year, interest paid on the bonds was \$193,460 and total statewide sales, services and use tax revenues were \$836,178.

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.

Computer Lease

During the year ended June 30, 2013 the District entered into a computer lease with Dell Financial Services for the purchase of additional computers. The District has \$196,647 of principal payments remaining on the lease.

Year Ending June 30,	Principal
2014	\$ 98,324
2015	98,323
Total	\$ 196,647

(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$554,671, \$517,100, and \$420,681 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health plan which provides medical benefits for employees, retirees and their spouses. There are 118 active and 10 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 85,513
Interest on net OPEB obligation	4,588
Adjustment to annual required contribution	(14,424)
Annual OPEB cost	<u>75,677</u>
Contributions made	<u>(15,400)</u>
Increase in net OPEB obligation	60,277
Net OPEB obligation beginning of year	<u>183,512</u>
Net OPEB obligation end of year	<u><u>\$ 243,789</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, 2013.

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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 120,555	44.85%	\$ 134,555
2012	102,957	52.45%	183,512
2013	75,677	20.35%	243,789

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$739,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$462,496. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,452,647 and the ratio of the UAAL to covered payroll was 8.48%. As of June 30, 2013, 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, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The ultimate health care cost trend rate is 6.0%.

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 \$590 per month for retirees less than age 65. 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 \$381,094 for the year ended June 30, 2013 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, 2013 is comprised of the following programs:

Program	Amount
Gifted and Talented Programs	\$ 36,684
Returning Dropouts and Dropout Prevention Programs	55,637
Market Factor	500
Professional Development for Model Core Curriculum	27,996
Professional Development	112,147
Market Factor Incentives	7,783
	<u>\$ 240,747</u>

(12) Construction Commitment

The District has incurred \$672,567 of expenses on various projects around the District. Due to the size of the projects there are no formal contracts in place. The expense of the various projects will be capitalized as the projects are completed.

(13) Deficit Balance

The District had deficit unrestricted net position of \$14,392 in the School Nutrition Fund. The District had six negative accounts in the Special Revenue, Student Activity Fund totaling \$1,648.

(14) Budget Overexpenditure

During the year ended June 30, 2013, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

(15) Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.

	Invested in Capital Assets	Debt Service	Management Levy	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ 0	1,070,699	274,151	1,520,882
Capital assets	16,953,782	0	0	0
Accrued interest payable	0	(25,183)	0	0
Total termination benefits payable	0	0	(32,883)	(3,492)
Net OPEB liability	0	0	0	(243,475)
General obligation bonds payable	(4,145,000)	0	0	0
Revenue bonds payable	(5,235,000)	0	0	0
Computer lease payable	0	0	0	(196,647)
Compensated absences	0	0	0	(187,346)
Income surtax	0	0	0	588,624
Net position	<u>\$ 7,573,782</u>	<u>1,045,516</u>	<u>241,268</u>	<u>1,478,546</u>

REQUIRED SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 6,336,539	180,795	6,517,334	6,353,183	6,353,183	164,151
Intermediate sources	-	-	-	-	-	-
State sources	5,633,244	4,713	5,637,957	5,669,571	5,669,571	(31,614)
Federal sources	465,132	322,699	787,831	803,396	803,396	(15,565)
Total revenues	12,434,915	508,207	12,943,122	12,826,150	12,826,150	116,972
Expenditures/Expenses:						
Instruction	7,262,400	-	7,262,400	7,499,285	7,499,285	236,885
Support services	3,585,654	1,665	3,587,319	4,964,804	4,964,804	1,377,485
Non-instructional programs	-	534,608	534,608	529,657	529,657	(4,951)
Other expenditures	2,173,148	-	2,173,148	3,302,073	3,302,073	1,128,925
Total expenditures/expenses	13,021,202	536,273	13,557,475	16,295,819	16,295,819	2,738,344
Deficiency of revenues under expenditures/expenses	(586,287)	(28,066)	(614,353)	(3,469,669)	(3,469,669)	2,855,316
Other financing sources, net	329,143	3,261	332,404	-	-	332,404
Deficiency of revenues and other financing sources under expenditures/expenses	(257,144)	(24,805)	(281,949)	(3,469,669)	(3,469,669)	3,187,720
Balances beginning of year	5,547,389	72,236	5,619,625	4,837,975	4,837,975	781,650
Balances end of year	\$ 5,290,245	47,431	5,337,676	1,368,306	1,368,306	3,969,370

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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 ended June 30, 2013, expenditures in the non-instructional programs exceeded the amounts budgeted.

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)	UAAL 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%
2013	July 1, 2012	-	462,496	462,496	0.00%	5,452,647	8.48%

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, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 269,968	84,329	354,297
Receivables:			
Property tax:			
Delinquent	4,370	-	4,370
Succeeding year	200,000	-	200,000
Accounts	-	689	689
Due from other funds	-	2,500	2,500
Due from other governments	-	75	75
Total assets	\$ 474,338	87,593	561,931
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 187	4,834	5,021
Deferred revenue:			
Succeeding year property tax	200,000	-	200,000
Total liabilities	200,187	4,834	205,021
Fund Balances:			
Restricted for:			
Management levy purposes	274,151	-	274,151
Student activities	-	84,407	84,407
Unassigned	-	(1,648)	(1,648)
Total fund balances	274,151	82,759	356,910
Total liabilities and fund balances	\$ 474,338	87,593	561,931

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, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 199,919	-	199,919
Other	5,535	250,339	255,874
State sources	123	-	123
Total revenues	<u>205,577</u>	<u>250,339</u>	<u>455,916</u>
Expenditures:			
Current:			
Instruction:			
Regular	135,838	-	135,838
Other	-	243,997	243,997
Support services:			
Administration	9,472	-	9,472
Operation and maintenance of plant	64,197	-	64,197
Transportation	20,611	-	20,611
Total expenditures	<u>230,118</u>	<u>243,997</u>	<u>474,115</u>
Excess(Deficiency) of revenues over(under) expenditures	(24,541)	6,342	(18,199)
Other financing sources:			
Transfers in	-	2,500	2,500
Change in fund balances	(24,541)	8,842	(15,699)
Fund balances beginning year	<u>298,692</u>	<u>73,917</u>	<u>372,609</u>
Fund balances end of year	<u>\$ 274,151</u>	<u>82,759</u>	<u>356,910</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,390,232	552,443	1,942,675
Recivables:			
Property tax:			
Delinquent	-	3,011	3,011
Succeeding year	-	128,672	128,672
Income surtax	-	274,691	274,691
Due from other governments	261,980	-	261,980
Total assets	\$ 1,652,212	958,817	2,611,029
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 102,562	5,745	108,307
Deferred revenue:			
Succeeding year property tax	-	128,672	128,672
Income surtax	-	274,691	274,691
Total liabilities	102,562	409,108	511,670
Fund balances:			
Restricted for:			
School infrastructure	1,549,650	-	1,549,650
Physical plant and equipment	-	549,709	549,709
Total fund balances	1,549,650	549,709	2,099,359
Total liabilities and fund balances	\$ 1,652,212	958,817	2,611,029

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, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 836,178	403,231	1,239,409
Other	2,624	14,117	16,741
State sources	15,630	85	15,715
Federal sources	117,231	-	117,231
Total revenues	<u>971,663</u>	<u>417,433</u>	<u>1,389,096</u>
Expenditures:			
Current:			
Instruction:			
Regular	513	-	513
Support Services:			
Instructional staff	199,218	331,432	530,650
Administration	12,236	21,568	33,804
Operation and maintenance of plant	-	26,838	26,838
Transportation	122,342	14,993	137,335
Capital outlay	733,995	88,038	822,033
Total expenditures	<u>1,068,304</u>	<u>482,869</u>	<u>1,551,173</u>
Deficiency of revenue under expenditures	(96,641)	(65,436)	(162,077)
Other financing sources(uses):			
Transfers out	(594,930)	(98,324)	(693,254)
Computer lease proceeds	-	294,971	294,971
Proceeds from disposal of property	-	18,056	18,056
Total other financing sources(uses)	<u>(594,930)</u>	<u>214,703</u>	<u>(380,227)</u>
Net change in fund balances	(691,571)	149,267	(542,304)
Fund balances beginning of year	<u>2,241,221</u>	<u>400,442</u>	<u>2,641,663</u>
Fund balances end of year	<u>\$ 1,549,650</u>	<u>549,709</u>	<u>2,099,359</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, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund/ Intrafund Transfers	Balance End of Year
HS General Athletics	\$ 2,512	15,672	10,311	(4,080)	3,793
Athletic Director	-	-	260	260	-
MS General Athletics	-	45	50	5	-
Boys Basketball	-	3,901	5,322	1,421	-
MS Boys Basketball	-	1,443	1,431	(12)	-
Football	-	10,531	8,152	(2,379)	-
MS Football	-	1,300	1,717	417	-
Baseball	-	27	4,047	4,020	-
Boys Track	150	2,851	2,411	(941)	(351)
MS Boys Track	-	1,205	721	(484)	-
Boys Cross Country	-	755	2,385	1,630	-
Boys Tennis	-	331	1,121	790	-
Boys Golf	-	1,056	1,652	596	-
Boys Bowling	-	1,279	1,362	83	-
Wrestling	-	5,308	3,477	(1,831)	-
MS Wrestling	-	772	1,560	788	-
Girls Basketball	-	10,306	10,408	102	-
MS Girls Basketball	150	1,318	1,251	(217)	-
Volleyball	-	5,325	4,596	(729)	-
MS Volleyball	-	2,042	1,552	(490)	-
Softball	-	3,313	5,711	2,398	-
Girls Track	65	2,016	1,819	(613)	(351)
MS Girls Track	-	1,305	710	(595)	-
Girls Cross Country	-	3,314	4,749	1,435	-
Girls Tennis	-	105	1,112	1,007	-
Girls Golf	-	520	1,147	627	-
BPA	18	10,445	13,391	2,500	(428)
Girls Bowling	-	1,278	1,270	(8)	-
Annual	16,651	7,522	5,741	-	18,432
Math Club	529	230	450	-	309
HOSA	710	528	491	-	747
HS Shen IA Club	407	1,708	2,173	-	(58)
Cheerleaders	7,283	15,345	19,091	-	3,537
Class of 2012	109	-	109	-	-
Class of 2013	1,357	-	320	-	1,037
Class of 2014	830	4,609	5,119	-	320
Class of 2015	1,906	673	-	-	2,579
Class of 2016	-	1,281	172	-	1,109
Concessions	-	9,557	6,504	(3,053)	-
FFA	948	17,933	18,077	-	804
FCCLA	625	4,370	3,206	-	1,789

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund/ Intrafund Transfers	Balance End of Year
Shen Girls Golf	46	880	845	-	81
Interest	3	144	-	(147)	-
Marching Mustangs	(911)	11,637	10,864	935	797
National Art Honor Society	479	382	451	-	410
National Honor Society	761	696	661	-	796
Shen Basketball Boys	(8)	835	667	-	160
Shen Basketball Girls	1,173	1,399	1,849	-	723
Shen Boys Golf	1,054	1,014	1,410	-	658
Shen Boys Cross Country	941	1,728	1,632	-	1,037
Shen Boys Tennis	284	466	491	-	259
Shen Boys Track	393	886	845	-	434
Shen Football	4,086	6,166	5,809	-	4,443
Shen Girls Track	586	1,478	880	-	1,184
Shen Girls Tennis	1,664	558	641	-	1,581
Shen Girls Cross Country	472	7,654	6,531	-	1,595
Shen Singers	773	6,227	5,525	-	1,475
Shen Softball	730	2,296	1,410	-	1,616
Shen Volleyball	1,382	4,502	3,721	-	2,163
Shen Weight Club	2,782	6,578	8,661	-	699
Shen Wrestlers	1,744	11,299	9,618	-	3,425
SHS Speech Club	238	2,475	3,026	-	(313)
Shenandoah Interact Club	-	394	-	-	394
Student Activity	-	875	-	-	875
Student Council	2,830	8,929	9,097	-	2,662
Shen Baseball	988	1,310	2,158	-	140
DAOUST Homeroom	14	265	274	-	5
MS Annual	1,034	1,999	977	-	2,056
MS Cheerleaders	586	-	-	-	586
MS FCCLA	1,095	129	159	-	1,065
MS Weight Room	279	-	426	-	(147)
MS Marching Mustangs	6,535	3,542	2,500	(935)	6,642
MS Swing Choir	508	-	-	-	508
MS Pride Builders	5,076	1,121	-	-	6,197
5th/6th Grade March Mustangs	-	9,632	6,551	-	3,081
Shen Boys Bowling	-	240	213	-	27
Shen Girls Bowling	-	240	213	-	27
May Mentoring Activity	-	844	744	-	100
Beecher NAHS	2,050	-	-	-	2,050
Total	\$ 73,917	250,339	243,997	2,500	82,759

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2013

	FCA Scholarship	Bateman Scholarship	Dreyer Scholarship	Pickard Scholarship	Wilson Scholarship	Sjulin Scholarship
Assets						
Cash and pooled investments	\$ 229	9,248	1,459	2,407	195,725	38
Liabilities						
	-	-	-	-	-	-
Net Position						
Restricted for scholarships	229	9,248	1,459	2,407	195,725	38
Total net position	\$ 229	9,248	1,459	2,407	195,725	38

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Keenan Scholarship	Roscoe Scholarship	Folden Scholarship	Spears Scholarship	Pitner Scholarship	Whitehill Scholarship	Miscellaneous Scholarship	Total
16,227	1,652	1,700	300	4,539	1,819	250	235,593
-	-	-	-	-	-	-	-
16,227	1,652	1,700	300	4,539	1,819	250	235,593
16,227	1,652	1,700	300	4,539	1,819	250	235,593

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2013

	FCA	Bateman	Dreyer	Pickard	Wilson	Sjulin
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship
Additions:						
Local sources:						
Contributions	\$ -	-	-	-	-	-
Interest	-	-	-	-	11	-
Total additions:	-	-	-	-	11	-
Deductions:						
Regular instruction:						
Regular						
Scholarships awarded	-	-	100	100	1,500	-
Change in net position	-	-	(100)	(100)	(1,489)	-
Net position beginning of year	229	9,248	1,559	2,507	197,214	38
Net position end of year	\$ 229	9,248	1,459	2,407	195,725	38

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 7

Keenan Scholarship	Roscoe Scholarship	Folden Scholarship	Spears Scholarship	Pitner Scholarship	Whitehill Scholarship	Pepsi Scholarship	Miscellaneous Scholarship	Total
-	-	-	-	-	-	-	400	400
-	-	-	-	-	1	-	-	12
-	-	-	-	-	1	-	400	412
500	-	-	-	-	500	750	1,050	4,500
(500)	-	-	-	-	(499)	(750)	(650)	(4,088)
16,727	1,652	1,700	300	4,539	2,318	750	900	239,681
16,227	1,652	1,700	300	4,539	1,819	-	250	235,593

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

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 5,375,009	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
Tuition	514,597	487,286	426,560	363,275	439,780	413,345	325,825	309,238	340,218	302,508
Other	446,933	405,877	492,155	424,652	427,090	664,398	693,361	582,805	476,170	555,042
Intermediate sources	-	4,866	36,000	-	-	-	-	-	-	36,106
State sources	5,633,244	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
Federal sources	465,132	890,925	725,418	1,058,763	469,614	363,206	349,274	356,245	334,296	368,460
Total	\$ 12,434,915	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
Expenditures:										
Current:										
Instruction:										
Regular	\$ 4,544,076	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
Special	1,244,355	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
Other	1,473,969	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
Support services:										
Student	354,308	330,923	327,166	306,716	304,068	283,406	262,507	194,277	169,318	169,012
Instructional staff	856,873	551,006	543,436	371,436	449,537	507,464	367,374	353,021	349,654	253,071
Administration	1,022,541	1,051,097	956,809	962,789	943,972	918,075	896,725	742,217	642,190	662,371
Operation and maintenance of plant	876,727	884,488	813,004	810,920	811,288	867,021	753,634	741,092	767,799	531,580
Transportation	475,205	413,568	389,742	389,854	310,355	441,342	407,248	347,846	257,666	230,387
Non-instructional programs	-	-	18,281	-	-	-	-	-	20,236	15,310
Capital outlay	822,033	1,716,345	1,780,729	107,427	69,659	284,050	653,882	757,609	702,778	341,688
Long-term debt:										
Principal	608,324	560,000	1,540,000	985,000	730,000	716,714	691,062	471,177	364,863	344,314
Interest and fiscal charges	361,697	542,163	218,371	238,752	266,114	293,074	318,421	970,142	440,534	460,083
Other expenditures:										
AEA flow-through	381,094	385,074	413,540	395,530	369,498	356,806	337,727	306,192	286,664	287,741
Total	\$ 13,021,202	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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 13	\$ 60,488
National School Lunch Program	10.555	FY 13	262,211 *
			<u>322,699</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	5976-G	207,178
Title I Grants to Local Educational Agencies	84.010	5976-GC	2,222
			<u>209,400</u>
Career and Technical Education - Basic Grants to States	84.048	FY 13	<u>7,045</u>
English Language Acquisition State Grants (Title III)	84.365	FY 13	<u>664</u>
Rural Education	84.358	FY 13	<u>20,388</u>
Improving Teacher Quality State Grants	84.367	FY 13	<u>50,990</u>
Grants for State Assessments and Related Activities	84.369	FY 13	<u>6,474</u>
Loess Hills Area Education Agency:			
Special Education - Grants to States (Part B)	84.027	FY 13	<u>52,940</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security:			
Hazard Mitigation Grant	97.039	FY 13	<u>117,231</u>
TOTAL			<u>\$ 787,831</u>

* Includes \$23,380 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Shenandoah Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2014.

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 certain deficiencies 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 misstatement 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 deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be 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-13 through II-C-13 to be significant deficiencies.

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Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Shenandoah Community School District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2014
Newton, Iowa

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Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Shenandoah Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Shenandoah Community School District's major federal programs for the year ended June 30, 2013. Shenandoah Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Shenandoah Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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.

Opinion on Each Major Federal Program

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 to each of its major federal programs for the year ended June 30, 2013.

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Internal Control Over Compliance

The management of Shenandoah Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. 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 to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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-13 to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2014
Newton, Iowa

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified 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
 - Individual
 - CFDA Number 84.010 - Title I
- (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, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-13 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.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Transfers - preparing and approving.
- 8) Financial reporting - preparing, reconciling and approving.

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 continues to try to provide transparency for internal controls. Particularly, the accounting software system is now networked so that other individuals in an administrative role have access to district financial information.

Conclusion - Response accepted.

II-B-13 Gate Admissions - We noted during our audit that the District does not have ticket takers count and reconcile gate receipts after an event.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.

- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The district is continuing to improve internal controls as recommended by the auditor. The Administrative personnel will periodically review and test procedures.

Conclusion - Response accepted.

II-C-13 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted purchase orders were being completed after the product had been ordered.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District’s current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The district continues to monitor the PO system and correct procedures are reviewed frequently with Administration and staff.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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: 2013
U.S. Department of Agriculture
Passed through the Iowa Department of Education**

**CFDA Number 84.010: Title I
Federal Award Year: 2013
U.S. Department of Education
Passed through the Iowa Department of Education**

III-A-13 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.

- 1) Disbursements - purchase order processing, check preparation, mailing and recording.
- 2) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 3) Financial reporting - preparing, reconciling and approving.

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 continues to try to provide transparency for internal controls. Particularly, the accounting software system is now networked so that other individuals in an administrative role have access to District financial information.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, exceeded the amount budgeted in the non-instructional programs functional area

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will monitor the budget more closely.

Conclusion - Response accepted.

IV-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-13 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-13 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Thomas French, Tennis Coach Owner Tom French	Fencing work	\$775
Andy Campbell, Teacher Owner Andy Campbell	Fencing work	\$450
Jay Sweet, Teacher Owner Jay Sweet	Furniture	\$781

In accordance with Chapter 301.28 of the Code of Iowa, the above transactions with the District employees do not appear to represent a conflict of interest.

IV-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by ten students.

Recommendation - The Iowa Department of Education and the Department of Management should be contracted to resolve this matter.

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this issue.

Conclusion - Response accepted.

IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 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-13 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-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-13 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, 2013, 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 2013 audit.

Beginning Balance		\$	2,241,221
Revenues:			
Sales tax revenues	\$	836,178	
Other local revenues		2,624	
Other state revenues		15,630	
Federal revenues		117,231	971,663
			<u>3,212,884</u>
Expenditures/Transfers out:			
School infrastructure construction	\$	544,339	
Equipment		261,977	
Other		261,988	
Transfers to other funds:			
Debt service fund		594,930	1,663,234
			<u>1,663,234</u>
Ending Balance		\$	<u>1,549,650</u>

For the year ended June 30, 2013, 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	\$ 1.71000	\$ 400,000

IV-M-13 Financial Condition - We noted during our audit that the School Nutrition Fund had a deficit unrestricted net position of \$14,392 at June 30, 2013. We also noted six accounts within the Special Revenue, Student Activity Fund with negative balances totaling \$1,648.

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

Response - The district is monitoring these accounts and is implementing procedures to reduce the deficit by raising meal prices, and controlling supply costs.

Conclusion - Response accepted.

IV-N-13 Contracts - We noted the Athletic Director was signing officiating contracts, in addition it was noted the Superintendent signed a computer lease with Dell. However Chapter 291.1 of the Code of Iowa states in part "The president of the board of directors shall preside at all of its meetings, sign all contracts made by the board" and therefore the Board President should be signing all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District has implemented the procedure for the Board President to sign all Officiating contracts.

Conclusion - Response accepted.