

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014

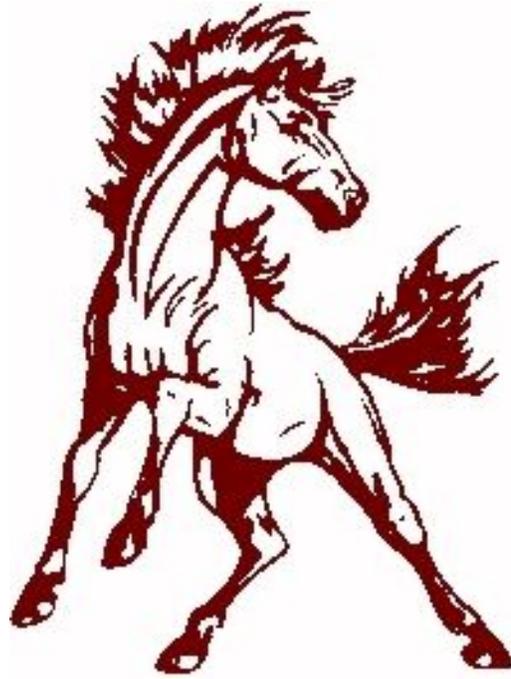
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Shenandoah Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2014)</b>		
Leroy Heatherington	President	2013
Greg Ritchey	Vice President	2015
Dwight Mayer	Board Member	2013
Kip Anderson	Board Member	2015
Kathy Langley	Board Member	2013
<b>(After September 2014)</b>		
Dwight Mayer	President	2017
Connie Holmes	Vice President	2017
Greg Ritchey	Board Member	2015
Kip Anderson	Board Member	2015
Lisa Johnson	Board Member	2017
<b>School Officials</b>		
Jeff Hiser	Superintendent	2014
Joyce Morgan	Business Manager and District Secretary	2014
Ahlers and Cooney	Attorney	2014



*Shenandoah Community School District*

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of Shenandoah Community School District:

**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, 2014, 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, 2014, 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 16 and 42 through 44 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, 2013 (which are not presented herein) and expressed unmodified 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 25, 2015 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 25, 2015  
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, 2014.

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.

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### FINANCIAL HIGHLIGHTS

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- ◆ General Fund revenues increased from \$10,331,686 in fiscal year 2013 to \$10,592,619 in fiscal year 2014, while General Fund expenditures increased from \$10,028,393 in fiscal year 2013 to \$10,161,862 in fiscal year 2014. This resulted in an increase in the District's General Fund balance from \$1,763,277 at June 30, 2013 to \$2,194,034 at June 30, 2014, representing an increase of 24.43%.
- ◆ The fiscal year 2014 General Fund revenue increase was mainly attributable to increases 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 15.30% at June 30, 2013 to 17.16% at June 30, 2014.

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### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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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.

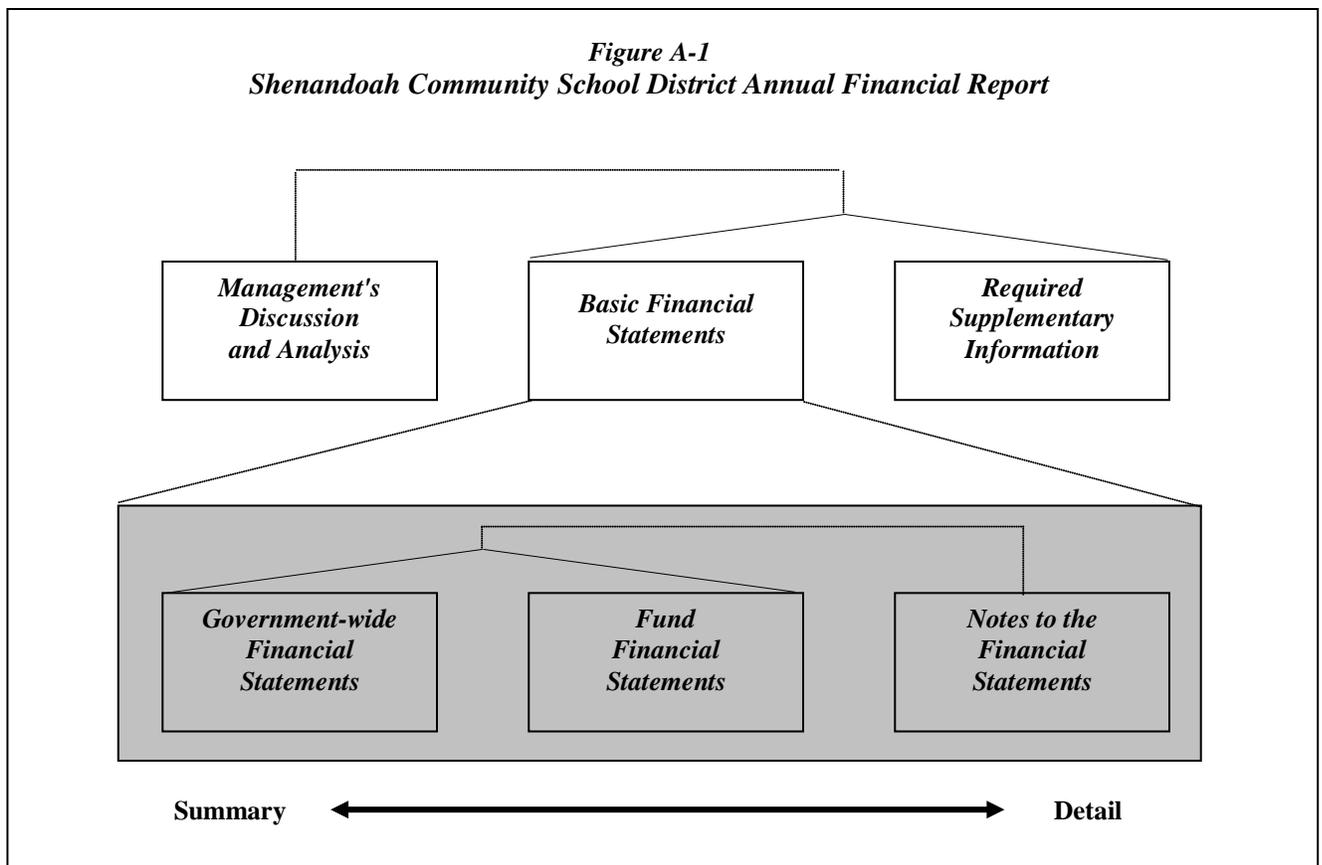
The statements for fiduciary fund statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

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** 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.

<b>Figure A-2: Major Features of the Government Wide and Fund Financial Statements</b>				
	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"> <li>◆ Statement of net position</li> <li>◆ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance sheet</li> <li>◆ Statement of expenditures, revenues, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of net position</li> <li>Statement of revenues, expenses and changes in fund net position</li> <li>◆ Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of fiduciary net position</li> <li>◆ Statement of changes in fiduciary net position</li> </ul>
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

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## **GOVERNMENT-WIDE STATEMENTS - REPORTING THE DISTRICT AS A WHOLE**

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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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. 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 is 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.

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## **FUND FINANCIAL STATEMENTS -- REPORTING THE DISTRICT BY FUNDS**

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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, 2014 totaling approximately \$13.26 million for the total district.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 11,037,407	11,428,486	10,332	15,783	11,047,739	11,444,269	-3.46%
Capital assets	16,443,818	16,953,782	48,501	61,823	16,492,319	17,015,605	-3.08%
Total assets	<u>27,481,225</u>	<u>28,382,268</u>	<u>58,833</u>	<u>77,606</u>	<u>27,540,058</u>	<u>28,459,874</u>	<u>-3.23%</u>
Long-term obligations	8,802,457	10,043,843	4,892	8,049	8,807,349	10,051,892	-12.38%
Other liabilities	1,293,530	1,393,926	31,349	22,126	1,324,879	1,416,052	-6.44%
Total liabilities	<u>10,095,987</u>	<u>11,437,769</u>	<u>36,241</u>	<u>30,175</u>	<u>10,132,228</u>	<u>11,467,944</u>	<u>-11.65%</u>
Deferred inflows of resources	<u>4,145,746</u>	<u>4,180,874</u>	<u>-</u>	<u>-</u>	<u>4,145,746</u>	<u>4,180,874</u>	<u>-0.84%</u>
Net position:							
Net investment in capital assets	8,238,818	7,573,782	48,501	61,823	8,287,319	7,635,605	8.54%
Restricted	2,958,709	3,711,297	-	-	2,958,709	3,711,297	-20.28%
Unrestricted	2,041,965	1,478,546	(25,909)	(14,392)	2,016,056	1,464,154	37.69%
Total net position	<u>\$ 13,239,492</u>	<u>12,763,625</u>	<u>22,592</u>	<u>47,431</u>	<u>13,262,084</u>	<u>12,811,056</u>	<u>3.52%</u>

The District's combined net position increased by 3.52%, or \$451,028, 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 decreased \$752,588, or 20.28% from the prior year. The decrease in restricted net position can be attributed in part to the decrease 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 \$551,902, or 37.69%. This increase in unrestricted net position was largely a result of the increase in fund balance of the General Fund as compared to the previous year.

### CHANGES IN NET POSITION

*Figure A-4* shows the changes in net position for the year ended June 30, 2014.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 672,701	747,451	189,690	179,547	862,391	926,998	-6.97%
Operating grants, contributions and restricted interest	879,091	863,887	348,402	327,412	1,227,493	1,191,299	3.04%
Capital grants, contributions and restricted interest	-	146,954	-	-	-	146,954	-100.00%
General revenues:							
Property tax	4,086,387	3,971,107	-	-	4,086,387	3,971,107	2.90%
Income surtax	735,691	635,846	-	-	735,691	635,846	15.70%
Statewide sales, services and use tax	865,874	836,178	-	-	865,874	836,178	3.55%
Unrestricted state grants	5,377,527	5,211,750	-	-	5,377,527	5,211,750	3.18%
Unrestricted investment earnings	6,146	5,434	44	35	6,190	5,469	13.18%
Other	74,389	84,430	871	1,213	75,260	85,643	-12.12%
Total revenues	<u>12,697,806</u>	<u>12,503,037</u>	<u>539,007</u>	<u>508,207</u>	<u>13,236,813</u>	<u>13,011,244</u>	<u>1.73%</u>
Program expenses:							
Governmental activities:							
Instructional	7,305,820	7,254,074	-	-	7,305,820	7,254,074	0.71%
Support services	3,650,007	3,498,540	4,902	1,665	3,654,909	3,500,205	4.42%
Non-instructional programs	-	-	558,944	534,822	558,944	534,822	4.51%
Other expenses	1,266,112	1,236,844	-	-	1,266,112	1,236,844	2.37%
Total expenses	<u>12,221,939</u>	<u>11,989,458</u>	<u>563,846</u>	<u>536,487</u>	<u>12,785,785</u>	<u>12,525,945</u>	<u>2.07%</u>
Excess(Deficiency) of revenues over(under) expenses	475,867	513,579	(24,839)	(28,280)	451,028	485,299	-7.06%
Transfers	-	(3,475)	-	3,475	-	-	0.00%
Change in net position	475,867	510,104	(24,839)	(24,805)	451,028	485,299	-7.06%
Beginning 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>
Ending net position	<u>\$ 13,239,492</u>	<u>12,763,625</u>	<u>22,592</u>	<u>47,431</u>	<u>13,262,084</u>	<u>12,811,056</u>	<u>3.52%</u>

In Figure A-4 property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 83.60% of the District's total revenue. The District's expenses primarily relate to instruction and support services which account for 85.69% of the District's total expenses.

The total cost of our general fund activities this year was approximately \$10.16 million. The amount that our taxpayers ultimately financed for general fund activities through school district taxes was approximately \$3.84 million or 37.77% 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.

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**GOVERNMENTAL ACTIVITIES**

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Revenues for governmental activities were \$12,697,806 while expenditures were \$12,221,939.

*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		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 7,305,820	7,254,074	0.71%	6,160,082	6,107,049	0.87%
Support services	3,650,007	3,498,540	4.33%	3,636,773	3,268,367	11.27%
Other expenses	1,266,112	1,236,844	2.37%	873,292	855,750	2.05%
Totals	\$ 12,221,939	11,989,458	1.94%	10,670,147	10,231,166	4.29%

For the year ended June 30, 2014:

- ◆ The cost financed by users of the District’s programs was \$672,701.
- ◆ Federal and state governments subsidized certain programs with grants and contributions totaling \$879,091.
- ◆ The net cost of governmental activities was financed with \$4,086,387 in property tax, \$735,691 in income surtax, \$865,874 in statewide sales, services and use tax, \$5,377,527 in unrestricted state grants, \$6,146 in interest income and \$74,389 in other general revenues.

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**BUSINESS TYPE ACTIVITIES**

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Revenues of the District’s business type activities were \$539,007 while expenditures were \$563,846. 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.

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.

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**GOVERNMENTAL AND PROPRIETARY FUND HIGHLIGHTS**

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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 \$4,963,495, below last year’s ending fund balance of \$5,290,245. The main reason for the decrease in combined fund balances is the decrease in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax fund as compared to the previous year.

### **Governmental Fund Highlights:**

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

- ◆ The General Fund balance increased from \$1,763,277 to \$2,194,034. Revenue increased compared to the prior year, but still exceeded expenses by \$417,139 not including other financing sources and uses.
- ◆ The Capital Projects Fund balance decreased from \$2,099,359 at June 30, 2013 to \$1,541,207 at June 30, 2014. The decrease in capital projects accounts balance was mainly due to a transfer that was made from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund as part of the general obligation bond refinancing the District completed during the year.
- ◆ The Debt Service Fund balance decreased from \$1,070,699 at June 30, 2013 to \$871,277 at June 30, 2014. 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 \$199,422 or 18.63%.

### **Proprietary Fund Highlights:**

The School Nutrition Fund net position decreased from \$47,431 at June 30, 2013 to \$22,592 at June 30, 2014, representing a decrease of 52.37%. 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.

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## **BUDGETARY HIGHLIGHTS**

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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 42.

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 other expenditures functional area and in total.

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## **CAPITAL ASSETS**

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At June 30, 2014, the District had invested \$16,492,319, net of accumulated depreciation in a board range of capital assets, including land, buildings, athletic facilities, computers and transportation equipment. Governmental funds account for \$16,443,818 of the capital assets with the remainder of \$48,501 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 \$624,711.

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

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 175,000	175,000	-	-	175,000	175,000	0.00%
Construction in progress	-	672,567	-	-	-	672,567	100.00%
Buildings	15,524,815	15,433,681	-	-	15,524,815	15,433,681	0.59%
Land improvements	370,492	239,821	-	-	370,492	239,821	54.49%
Machinery and equipment	373,511	432,713	48,501	61,823	422,012	494,536	-14.67%
Total	<u>\$ 16,443,818</u>	<u>16,953,782</u>	<u>48,501</u>	<u>61,823</u>	<u>16,492,319</u>	<u>17,015,605</u>	<u>-3.08%</u>

### LONG -TERM DEBT

As of June 30, 2014, the School District had \$8,807,349 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of 12.38% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

There was \$3,070,000 in outstanding debt for general obligation bonds for the PK-8 building. The bonds are paid primarily from property tax revenues.

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

The School District had \$150,859 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 \$49,635 of outstanding debt for termination benefits payable from the Special Revenue, Management Levy Fund.

The District also had a net OPEB liability of \$303,532. Of which, \$303,140 was for governmental activities with the remainder of \$392 in business type activities.

During the year ended June 30, 2013, the District entered into a computer lease. At June 30, 2014, \$98,323 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		Business Type		Total		Total
	Activities		Activities		District		Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenue bonds	\$ 5,135,000	5,235,000	-	-	5,135,000	5,235,000	-1.91%
General obligation bonds	3,070,000	4,145,000	-	-	3,070,000	4,145,000	-25.93%
Computer lease	98,323	196,647	-	-	98,323	196,647	-50.00%
Compensated absences	146,359	187,346	4,500	7,735	150,859	195,081	-22.67%
Termination benefits	49,635	36,375	-	-	49,635	36,375	36.45%
Net OPEB liability	303,140	243,475	392	314	303,532	243,789	24.51%
Total	<u>\$ 8,802,457</u>	<u>10,043,843</u>	<u>4,892</u>	<u>8,049</u>	<u>8,807,349</u>	<u>10,051,892</u>	<u>-12.38%</u>

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## **FACTORS THAT IMPACT THE DISTRICT'S FUTURE**

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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.

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## **CONTACTING THE SCHOOL DISTRICT**

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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, 2014

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 5,673,911	4,450	5,678,361
Receivables:			
Property tax:			
Delinquent	54,309	-	54,309
Succeeding year	4,145,746	-	4,145,746
Income surtax	655,103	-	655,103
Accounts	4,415	-	4,415
Due from other funds	25,156	-	25,156
Due from other governments	478,767	-	478,767
Inventories	-	5,882	5,882
Capital assets, net of accumulated depreciation	16,443,818	48,501	16,492,319
<b>Total assets</b>	<b>27,481,225</b>	<b>58,833</b>	<b>27,540,058</b>
<b>Liabilities</b>			
Accounts payable	293,334	43	293,377
Salaries and benefits payable	979,729	115	979,844
Due to other funds	-	25,156	25,156
Accrued interest payable	20,467	-	20,467
Unearned revenue	-	6,035	6,035
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	600,000	-	600,000
Revenue bonds payable	145,000	-	145,000
Computer lease payable	98,323	-	98,323
Compensated absences	146,359	4,500	150,859
Termination benefits payable	49,635	-	49,635
Portion due after one year:			
General obligation bonds payable	2,470,000	-	2,470,000
Revenue bonds payable	4,990,000	-	4,990,000
Net OPEB liability	303,140	392	303,532
<b>Total liabilities</b>	<b>10,095,987</b>	<b>36,241</b>	<b>10,132,228</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	4,145,746	-	4,145,746
<b>Net Position</b>			
Net investment in capital assets	8,238,818	48,501	8,287,319
Restricted for:			
Categorical funding	258,683	-	258,683
Debt service	850,810	-	850,810
Management levy purposes	200,886	-	200,886
Student activities	107,123	-	107,123
School infrastructure	972,095	-	972,095
Physical plant and equipment	569,112	-	569,112
Unrestricted	2,041,965	(25,909)	2,016,056
<b>Total net position</b>	<b>\$ 13,239,492</b>	<b>22,592</b>	<b>13,262,084</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 4,503,366	366,239	153,030	(3,984,097)	-	(3,984,097)
Special	1,345,660	95,573	49,703	(1,200,384)	-	(1,200,384)
Other	1,456,794	210,889	270,304	(975,601)	-	(975,601)
	<u>7,305,820</u>	<u>672,701</u>	<u>473,037</u>	<u>(6,160,082)</u>	<u>-</u>	<u>(6,160,082)</u>
Support services:						
Student	382,346	-	-	(382,346)	-	(382,346)
Instructional staff	553,876	-	9,838	(544,038)	-	(544,038)
Administration	1,008,371	-	3,396	(1,004,975)	-	(1,004,975)
Operation and maintenance of plant	1,293,713	-	-	(1,293,713)	-	(1,293,713)
Transportation	411,701	-	-	(411,701)	-	(411,701)
	<u>3,650,007</u>	<u>-</u>	<u>13,234</u>	<u>(3,636,773)</u>	<u>-</u>	<u>(3,636,773)</u>
Long-term debt interest	356,305	-	-	(356,305)	-	(356,305)
Other expenditures:						
AEA flowthrough	392,820	-	392,820	-	-	-
Depreciation(unallocated)*	516,987	-	-	(516,987)	-	(516,987)
	<u>909,807</u>	<u>-</u>	<u>392,820</u>	<u>(516,987)</u>	<u>-</u>	<u>(516,987)</u>
Total governmental activities	12,221,939	672,701	879,091	(10,670,147)	-	(10,670,147)
Business type activities:						
Support services:						
Instructional staff	58	-	-	-	(58)	(58)
Administration	676	-	-	-	(676)	(676)
Operation and maintenance of plant	4,168	-	-	-	(4,168)	(4,168)
	<u>4,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,902)</u>	<u>(4,902)</u>
Non-instructional programs:						
Food service operations	558,944	189,690	348,402	-	(20,852)	(20,852)
Total business type activities	<u>563,846</u>	<u>189,690</u>	<u>348,402</u>	<u>-</u>	<u>(25,754)</u>	<u>(25,754)</u>
Total	<u>\$ 12,785,785</u>	<u>862,391</u>	<u>1,227,493</u>	<u>(10,670,147)</u>	<u>(25,754)</u>	<u>(10,695,901)</u>
<b>General Revenues:</b>						
Local tax for:						
General purposes				\$ 3,679,176	-	3,679,176
Debt service				279,794	-	279,794
Capital outlay				127,417	-	127,417
Income surtax				735,691	-	735,691
Statewide sales, services and use tax				865,874	-	865,874
Unrestricted state grants				5,377,527	-	5,377,527
Unrestricted investment earnings				6,146	44	6,190
Other				74,389	871	75,260
Total general revenues				<u>11,146,014</u>	<u>915</u>	<u>11,146,929</u>
Change in net position				475,867	(24,839)	451,028
Net position beginning of year				<u>12,763,625</u>	<u>47,431</u>	<u>12,811,056</u>
Net position end of year				<u>\$ 13,239,492</u>	<u>22,592</u>	<u>13,262,084</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, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 2,990,615	1,255,141	1,072,947	355,208	5,673,911
Receivables:					
Property tax:					
Delinquent	46,505	1,626	3,571	2,607	54,309
Succeeding year	3,142,617	129,490	473,639	400,000	4,145,746
Income surtax	349,388	305,715	-	-	655,103
Accounts	3,804	-	-	611	4,415
Due from other funds	46,668	-	-	-	46,668
Due from other governments	148,117	330,650	-	-	478,767
<b>Total assets</b>	<b>\$ 6,727,714</b>	<b>2,022,622</b>	<b>1,550,157</b>	<b>758,426</b>	<b>11,058,919</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Due to other funds	\$ -	21,137	-	375	21,512
Accounts payable	61,946	25,073	205,241	1,074	293,334
Salaries and benefits payable	979,729	-	-	-	979,729
Total liabilities	1,041,675	46,210	205,241	1,449	1,294,575
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,142,617	129,490	473,639	400,000	4,145,746
Income surtax	349,388	305,715	-	-	655,103
Total deferred inflows of resources	3,492,005	435,205	473,639	400,000	4,800,849
Fund balances:					
Restricted for:					
Categorical funding	258,683	-	-	-	258,683
Debt service	-	-	871,277	-	871,277
Management levy purposes	-	-	-	250,521	250,521
Student activities	-	-	-	107,123	107,123
School infrastructure	-	972,095	-	-	972,095
Physical plant and equipment	-	569,112	-	-	569,112
Assigned	185,328	-	-	-	185,328
Unassigned:					
General	1,750,023	-	-	-	1,750,023
Student activities	-	-	-	(667)	(667)
Total fund balances	2,194,034	1,541,207	871,277	356,977	4,963,495
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 6,727,714</b>	<b>2,022,622</b>	<b>1,550,157</b>	<b>758,426</b>	<b>11,058,919</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2014

<b>Total fund balances of governmental funds (page 20)</b>	\$	4,963,495
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.		16,443,818
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		655,103
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.		(20,467)
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.		(8,802,457)
		<hr style="border-top: 1px solid black;"/>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>13,239,492</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Revenues:</b>					
<b>Local sources:</b>					
Local tax	\$ 3,838,052	439,738	279,794	198,015	4,755,599
Tuition	435,121	-	-	-	435,121
Other	160,752	1,380	1,017	266,168	429,317
State sources	5,789,463	865,945	156	113	6,655,677
Federal sources	355,613	-	-	-	355,613
<b>Total revenues</b>	<b>10,579,001</b>	<b>1,307,063</b>	<b>280,967</b>	<b>464,296</b>	<b>12,631,327</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	4,347,061	1,415	-	127,075	4,475,551
Special	1,343,399	-	-	-	1,343,399
Other	1,227,310	-	-	234,657	1,461,967
	<b>6,917,770</b>	<b>1,415</b>	<b>-</b>	<b>361,732</b>	<b>7,280,917</b>
<b>Support services:</b>					
Student	373,958	-	-	-	373,958
Instructional staff	357,628	176,601	-	-	534,229
Administration	970,114	64,814	-	25,367	1,060,295
Operation and maintenance of plant	843,185	26,280	-	55,905	925,370
Transportation	306,387	55,874	-	21,225	383,486
	<b>2,851,272</b>	<b>323,569</b>	<b>-</b>	<b>102,497</b>	<b>3,277,338</b>
Capital outlay	-	446,976	-	-	446,976
<b>Long-term debt:</b>					
Principal	-	-	4,343,324	-	4,343,324
Interest and fiscal charges	-	-	361,021	-	361,021
	<b>-</b>	<b>-</b>	<b>4,704,345</b>	<b>-</b>	<b>4,704,345</b>
<b>Other expenditures:</b>					
AEA flowthrough	392,820	-	-	-	392,820
<b>Total expenditures</b>	<b>10,161,862</b>	<b>771,960</b>	<b>4,704,345</b>	<b>464,229</b>	<b>16,102,396</b>
Excess(Deficiency) of revenues over(under)expenditures	417,139	535,103	(4,423,378)	67	(3,471,069)
<b>Other financing sources(uses):</b>					
Transfer in	-	-	1,093,255	-	1,093,255
Transfer out	-	(1,093,255)	-	-	(1,093,255)
General obligation refunding bond issuance	-	-	3,070,000	-	3,070,000
Premiums on refunding bond issuance	-	-	85,261	-	85,261
Discount on refunding bond issuance	-	-	(24,560)	-	(24,560)
Sale of equipment	13,618	-	-	-	13,618
<b>Total other financing sources(uses)</b>	<b>13,618</b>	<b>(1,093,255)</b>	<b>4,223,956</b>	<b>-</b>	<b>3,144,319</b>
Change in fund balances	430,757	(558,152)	(199,422)	67	(326,750)
Fund balances beginning of year	1,763,277	2,099,359	1,070,699	356,910	5,290,245
Fund balances end of year	\$ 2,194,034	1,541,207	871,277	356,977	4,963,495

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, 2014

**Change in fund balances - total governmental funds (page 22)** \$ (326,750)

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

Capital outlay 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 outlay	\$ 99,425	
Depreciation expense	<u>(609,389)</u>	(509,964)

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.

Repayment of long-term liabilities in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Current year repayments exceeded issuances, as follows:

Issued	(3,070,000)	
Repaid	<u>4,343,324</u>	1,273,324

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.

4,716

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds.

66,479

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	(13,260)	
Compensated absences	40,987	
Other postemployment benefits	<u>(59,665)</u>	<u>(31,938)</u>

**Change in net position of governmental activities (page 19)** \$ 475,867

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

	School Nutrition
<b>Assets</b>	
Current assets:	
Cash and pooled investments	\$ 4,450
Inventories	5,882
Total current assets	10,332
Non-current assets:	
Capital assets, net of accumulated depreciation	48,501
<b>Total assets</b>	<b>58,833</b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	43
Due to other funds	25,156
Salaries and benefits payable	115
Unearned revenue	6,035
Total current liabilities	31,349
Non-current liabilities:	
Compensated absences	4,500
Net OPEB liability	392
Total non-current liabilities	4,892
<b>Total liabilities</b>	<b>36,241</b>
<b>Net Position</b>	
Net investment in capital assets	48,501
Unrestricted	(25,909)
<b>Total net position</b>	<b>\$ 22,592</b>

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, 2014

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 189,690
Donations and contributions	4,000
Miscellaneous	871
Total operating revenues:	194,561
Operating expenses:	
Support services:	
Instructional staff:	
Services	58
Administration:	
Services	676
Operation and maintenance of plant:	
Services	4,168
Total support services	4,902
Non-instructional programs:	
Food service operations:	
Salaries	200,602
Benefits	58,719
Services	981
Supplies	283,320
Depreciation	15,322
Total non-instructional programs	558,944
Total operating expenses	563,846
Operating loss	(369,285)
Non-operating revenues:	
State sources	4,742
Federal sources	339,660
Interest on investments	44
Total non-operating revenues	344,446
Change in net position	(24,839)
Net position beginning of year	47,431
Net position end of year	\$ 22,592

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 190,446
Cash received from donations	4,000
Cash received from miscellaneous	871
Cash payments to employees for services	(264,452)
Cash payments to suppliers for goods or services	(261,885)
Net cash used in operating activities	(331,020)
Cash flows from non-capital financing activities:	
Borrowings from the General Fund	10,406
State grants received	4,742
Federal grants received	312,025
Net cash provided by non-capital financing activities	327,173
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,000)
Cash flows from investing activities:	
Interest on investments	44
Net decrease in cash and cash equivalents	(5,803)
Cash and cash equivalents at beginning of year	10,253
Cash and cash equivalents at end of year	\$ 4,450
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (369,285)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	27,635
Depreciation	15,322
Increase in inventories	(360)
Decrease in accounts receivable	8
Increase in accounts payable	43
Decrease in salaries and benefits payable	(1,974)
Increase in unearned revenue	748
Decrease in compensated absences	(3,235)
Increase in net OPEB liability	78
Net cash used in operating activities	\$ (331,020)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2014, the District received \$27,635 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 381,866
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Restricted for scholarships	<u>\$ 381,866</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Contributions	\$ 150,400
Interest	197
Total additions	<u>150,597</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>4,324</u>
Change in net position	146,273
Net position beginning of year	<u>235,593</u>
Net position end of year	<u>\$ 381,866</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 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 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists 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 is 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, Deferred Inflows of Resources and Fund Balances**

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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 Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 inflows of resources consist of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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, 2014. 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 Balances - 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.

Assigned - Amounts are not available for appropriation but are set aside for specific purposes in the District's General Fund. The District's Board of Directors authorizes the District Superintendent or Business manager to assign General Fund balance amounts pursuant to the District's GASB 45 policy.

Unassigned - All amounts not included in the preceding classification.

**E. Budgeting and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014 expenditures exceeded the amended budget in the other expenditures functional area and in total.

**Note 2. Cash and Pooled Investments**

The District's deposits at June 30, 2014 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, 2014, the District had no investments to be reported.

**Note 3. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise Fund: School Nutrition	\$ 25,156
General	Student Activity	375
General	Capital Projects: Physical Plant and Equipment Levy	21,137
Total		<u>\$ 46,668</u>

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

The Student Activity Fund is repaying the General Fund for money incorrectly received into the Student Activity Fund.

The Capital Projects: Physical Plant and Equipment Levy is repaying the General Fund for an operating lease which was incorrectly recorded in the General Fund.

**Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 994,931
Debt Service	Capital Projects: Physical Plant and Equipment Levy	98,324
Total		<u>\$ 1,093,255</u>

\$700,000 of the transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for general obligation bond debt relief. The remaining \$294,931 was needed for principal and interest payments on the District’s revenue bond indebtedness.

The transfer from Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for payments on the District’s computer lease indebtedness.

**Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 175,000	-	-	175,000
Construction in progress	672,567	66,225	738,792	-
Total capital assets not being depreciated	<u>847,567</u>	<u>66,225</u>	<u>738,792</u>	<u>175,000</u>
Capital assets being depreciated:				
Buildings	23,720,196	571,896	-	24,292,092
Land improvements	751,713	166,896	-	918,609
Machinery and equipment	1,736,333	33,200	65,179	1,704,354
Total capital assets being depreciated	<u>26,208,242</u>	<u>771,992</u>	<u>65,179</u>	<u>26,915,055</u>
Less accumulated depreciation for:				
Buildings	8,286,515	480,762	-	8,767,277
Land improvements	511,892	36,225	-	548,117
Machinery and equipment	1,303,620	92,402	65,179	1,330,843
Total accumulated depreciation	<u>10,102,027</u>	<u>609,389</u>	<u>65,179</u>	<u>10,646,237</u>
Total capital assets being depreciated, net	<u>16,106,215</u>	<u>162,603</u>	<u>-</u>	<u>16,268,818</u>
Governmental activities capital assets, net	<u>\$ 16,953,782</u>	<u>228,828</u>	<u>738,792</u>	<u>16,443,818</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 255,772	2,000	-	257,772
Less accumulated depreciation	193,949	15,322	-	209,271
Business type activities capital assets, net	<u>\$ 61,823</u>	<u>(13,322)</u>	<u>-</u>	<u>48,501</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 20,935
Support services:		
Instructional staff		5,521
Transportation		65,946
		92,402
Unallocated depreciation		516,987
		\$ 609,389
Business type activities:		
Food services		\$ 15,322

**Note 6. Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 5,235,000	-	100,000	5,135,000	145,000
General obligation bonds	4,145,000	3,070,000	4,145,000	3,070,000	600,000
Computer lease	196,647	-	98,324	98,323	98,323
Compensated absences	187,346	146,359	187,346	146,359	146,359
Termination benefits	36,375	49,635	36,375	49,635	-
Net OPEB liability	243,475	59,665	-	303,140	-
Total governmental activities	\$ 10,043,843	3,325,659	4,567,045	8,802,457	989,682
<b>Business type activities:</b>					
Compensated absences	\$ 7,735	4,500	7,735	4,500	4,500
Net OPEB liability	314	78	-	392	-
Total business type activities	\$ 8,049	4,578	7,735	4,892	4,500

**Revenue Bonds**

Details of the District's June 30, 2014 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
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	2.90	165,000	172,870	337,870
2019-2023	2.90-3.40	1,675,000	747,338	2,422,338
2024-2028	3.55-4.10	2,320,000	377,807	2,697,807
2029-2030	4.20-4.35	365,000	7,939	372,939
Total		\$ 5,135,000	2,042,384	7,177,384

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. Annual principal and interest payments on the bonds are expected to require nearly 39% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$7,177,384. For the current year, \$100,000 in principal and interest and interest of \$193,460 was paid on the bonds and total statewide sales, services and use tax revenues were \$865,874.

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.

**General Obligation Bonds**

Details of the District’s June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated May, 1 2014				
	Interest Rates		Principal	Interest	Total
2015	3.55	% \$	600,000	58,400	658,400
2016	3.65		600,000	46,400	646,400
2017	3.65		610,000	34,400	644,400
2018	3.65		625,000	22,050	647,050
2019	3.70		635,000	9,500	644,500
Total			\$ 3,070,000	170,750	3,240,750

**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 a payment of \$98,323 remaining on the lease which is payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

**Note 7. Bond Defeasement**

On April 4, 2014 the District used \$500,000 from the Debt Service Levy Fund and issued \$3,070,000 of general obligation bonds with interest rates of 2.00% to advance refund \$3,610,000 of outstanding September 28, 2005 general obligation bonds with interest rates ranging from 3.55% to 3.75%. The general obligation bonds dated September 28, 2005 are considered to be defeased and the liability for those bonds has been removed from the government-wide Statement of Net Position. The new refunding bonds have been added to the appropriate financial statements and schedules. The net economic gain of this bond refunding is \$280,591.

**Note 8. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District’s contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$597,943, \$554,671, and \$517,100 respectively, equal to the required contributions for each year.

**Note 9. 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, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$	86,203
Interest on net OPEB obligation		6,095
Adjustment to annual required contribution		<u>(20,515)</u>
Annual OPEB cost		71,783
Contributions made		<u>(12,040)</u>
Increase in net OPEB obligation		59,743
Net OPEB obligation beginning of year		<u>243,789</u>
Net OPEB obligation end of year	\$	<u><u>303,532</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, 2014.

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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 102,957	52.45%	\$ 183,512
2013	75,677	20.35%	243,789
2014	71,783	16.77%	303,532

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$462,496, 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 \$5,999,219 and the ratio of the UAAL to covered payroll was 7.71%. As of June 30, 2014, 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.

#### **Note 10. Risk Management**

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

#### **Note 11. Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the amount budgeted. The budget was also exceeded in total.

**Note 12. 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 \$392,820 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 13. Categorical Funding**

The District’s restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Gifted and Talented Programs	\$ 45,032
Returning Dropouts and Dropout Prevention Programs	48,123
Market Factor	209
Professional Development for Model Core Curriculum	31,896
Professional Development	99,097
Market Factor Incentives	7,783
Beginning Teacher Mentoring	54
Successful Progression For Early Readers	19,394
Teacher Leadership Grants	7,095
	<u>\$ 258,683</u>

**Note 14. Deficit Balance**

The District had deficit unrestricted net position of \$25,909 in the School Nutrition Fund. The District had three negative accounts in the Special Revenue, Student Activity Fund totaling \$667.

**Note 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.

	Net Investment in Capital Assets	Debt Service	Management Levy	Unassigned/ Restricted Balances
<b>Fund Balance (Exhibit C)</b>	\$ -	871,277	250,521	1,750,023
Capital assets, net of accumulated depreciation	16,443,818	-	-	-
Accrued interest payable	-	(20,467)	-	-
Termination benefits payable	-	-	(49,635)	-
Net OPEB liability	-	-	-	(303,140)
General obligation bond capitalized indebtedness	(3,070,000)	-	-	-
Revenue bonds capitalized indebtedness	(5,135,000)	-	-	-
Computer lease payable	-	-	-	(98,323)
Compensated absences	-	-	-	(146,359)
Income surtax	-	-	-	655,103
Assigned general fund balances	-	-	-	185,328
Unassigned student activity fund balance	-	-	-	(667)
<b>Net Position (Exhibit A)</b>	<u>\$ 8,238,818</u>	<u>850,810</u>	<u>200,886</u>	<u>2,041,965</u>

**Note 16. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	Governmental	Proprietary	Total Actual			Final to Actual Variance
	Fund Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 5,620,037	194,605	5,814,642	6,702,598	6,702,598	(887,956)
State sources	6,655,677	4,742	6,660,419	5,563,572	5,563,572	1,096,847
Federal sources	355,613	339,660	695,273	751,600	751,600	(56,327)
Total revenues	12,631,327	539,007	13,170,334	13,017,770	13,017,770	152,564
Expenditures/Expenses:						
Instruction	7,280,917	-	7,280,917	8,703,990	8,200,000	919,083
Support services	3,277,338	4,902	3,282,240	4,221,926	4,000,000	717,760
Non-instructional programs	-	558,944	558,944	516,546	560,000	1,056
Other expenditures	5,544,141	-	5,544,141	1,980,299	2,662,761	(2,881,380)
Total expenditures/expenses	16,102,396	563,846	16,666,242	15,422,761	15,422,761	(1,243,481)
Deficiency of revenues under expenditures/expenses	(3,471,069)	(24,839)	(3,495,908)	(2,404,991)	(2,404,991)	(1,090,917)
Other financing sources, net	3,144,319	-	3,144,319	294,460	294,460	2,849,859
Deficiency of revenues and other financing sources under expenditures/expenses	(326,750)	(24,839)	(351,589)	(2,110,531)	(2,110,531)	1,758,942
Balances beginning of year	5,290,245	47,431	5,337,676	3,155,790	3,155,790	2,181,886
Balances end of year	\$ 4,963,495	22,592	4,986,087	1,045,259	1,045,259	3,940,828

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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, 2014, expenditures in the other expenditures programs exceeded the amounts budgeted. The budget was also exceeded in total.

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%
2014	July 1, 2012	-	462,496	462,496	0.00%	5,999,219	7.71%

See Note 9 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 247,914	107,294	355,208
Receivables:			
Property tax:			
Delinquent	2,607	-	2,607
Succeeding year	400,000	-	400,000
Accounts	-	611	611
<b>Total assets</b>	<b>\$ 650,521</b>	<b>107,905</b>	<b>758,426</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Due to other funds	\$ -	375	375
Accounts payable	-	1,074	1,074
Total liabilities	-	1,449	1,449
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	400,000	-	400,000
Fund balances:			
Restricted for:			
Management levy purposes	250,521	-	250,521
Student activities	-	107,123	107,123
Unassigned	-	(667)	(667)
Total fund balances	250,521	106,456	356,977
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 650,521</b>	<b>107,905</b>	<b>758,426</b>

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, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 198,015	-	198,015
Other	7,814	258,354	266,168
State sources	113	-	113
Total revenues	<u>205,942</u>	<u>258,354</u>	<u>464,296</u>
Expenditures:			
Current:			
Instruction:			
Regular	127,075	-	127,075
Other	-	234,657	234,657
Support services:			
Administration	25,367	-	25,367
Operation and maintenance of plant	55,905	-	55,905
Transportation	21,225	-	21,225
Total expenditures	<u>229,572</u>	<u>234,657</u>	<u>464,229</u>
Change in fund balances	(23,630)	23,697	67
Fund balances beginning year	<u>274,151</u>	<u>82,759</u>	<u>356,910</u>
Fund balances end of year	<u>\$ 250,521</u>	<u>106,456</u>	<u>356,977</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 641,641	613,500	1,255,141
Recivables:			
Property tax:			
Delinquent	-	1,626	1,626
Succeeding year	-	129,490	129,490
Income surtax	-	305,715	305,715
Due from other governments	330,650	-	330,650
<b>Total assets</b>	<b>\$ 972,291</b>	<b>1,050,331</b>	<b>2,022,622</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Due to other funds	\$ -	21,137	21,137
Accounts payable	196	24,877	25,073
Total liabilities	196	46,014	46,210
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	129,490	129,490
Income surtax	-	305,715	305,715
Total deferred inflows of resources	-	435,205	435,205
Fund balances:			
Restricted for:			
School infrastructure	972,095	-	972,095
Physical plant and equipment	-	569,112	569,112
Total fund balances	972,095	569,112	1,541,207
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 972,291</b>	<b>1,050,331</b>	<b>2,022,622</b>

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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	439,738	439,738
Other	925	455	1,380
State sources	865,874	71	865,945
Total revenues	<u>866,799</u>	<u>440,264</u>	<u>1,307,063</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,415	-	1,415
Support services:			
Instructional staff	130,181	46,420	176,601
Administration	1,677	63,137	64,814
Operation and maintenance of plant	5,599	20,681	26,280
Transportation	-	55,874	55,874
Capital outlay	310,551	136,425	446,976
Total expenditures	<u>449,423</u>	<u>322,537</u>	<u>771,960</u>
Excess of revenue over expenditures	417,376	117,727	535,103
Other financing uses:			
Transfer out	(994,931)	(98,324)	(1,093,255)
Change in fund balances	(577,555)	19,403	(558,152)
Fund balances beginning of year	<u>1,549,650</u>	<u>549,709</u>	<u>2,099,359</u>
Fund balances end of year	<u>\$ 972,095</u>	<u>569,112</u>	<u>1,541,207</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, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
HS General Athletics	\$ 3,793	19,563	5,403	8,515	26,468
Athletic Director	-	-	520	520	-
Gate Boxes	-	800	800	-	-
MS General Athletics	-	-	356	356	-
Boys Basketball	-	12,448	9,989	(2,459)	-
MS Boys Basketball	-	1,377	1,729	352	-
Football	-	16,616	6,028	(10,588)	-
MS Football	-	1,798	560	(1,238)	-
Baseball	-	2,440	8,388	5,948	-
Boys Track	(351)	2,932	3,918	1,337	-
MS Boys Track	-	801	543	(258)	-
Boys Cross Country	-	1,557	2,572	1,015	-
Boys Tennis	-	5,005	5,489	484	-
Boys Golf	-	925	1,960	1,035	-
Boys Bowling	-	712	662	(50)	-
Wrestling	-	7,827	6,657	(1,170)	-
MS Wrestling	-	696	450	(246)	-
Girls Basketball	-	13,088	11,288	(1,800)	-
MS Girls Basketball	-	1,436	1,778	342	-
Volleyball	-	6,281	7,674	1,393	-
MS Volleyball	-	1,325	668	(657)	-
Softball	-	1,579	5,004	3,475	50
Girls Track	(351)	2,163	6,074	4,262	-
MS Girls Track	-	757	414	(343)	-
Girls Cross Country	-	1,314	1,796	482	-
Girls Tennis	-	5,110	5,615	505	-
Girls Golf	-	675	1,201	526	-
BPA	(428)	8,082	8,120	-	(466)
Girls Bowling	-	712	463	(249)	-
Annual	18,432	6,875	8,104	-	17,203
Math Club	309	602	676	-	235
HOSA	747	723	455	-	1,015
HS Shen IA Club	(58)	75	-	-	17
Cheerleaders	3,537	9,931	9,242	-	4,226
Class of 2013	1,037	-	-	(1,037)	-
Class of 2014	320	76	334	-	62
Class of 2015	2,579	3,451	5,663	-	367
Class of 2016	1,109	599	14	-	1,694
Class of 2017	-	1,771	291	-	1,480
Concessions	-	16,349	8,362	(7,987)	-
FFA	804	19,180	17,061	-	2,923
FCCLA	1,789	1,131	2,619	-	301

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## Schedule 5

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Shen Girls Golf	81	250	330	-	1
Interest	-	146	-	(146)	-
Marching Mustangs	797	762	710	-	849
National Art Honor Society	410	219	298	-	331
National Honor Society	796	1,021	946	-	871
Shen Basketball Boys	160	3,636	3,591	-	205
Shen Basketball Girls	723	9,451	8,811	-	1,363
Shen Boys Golf	658	494	691	-	461
Shen Boys Cross Country	1,037	2,256	2,225	-	1,068
Shen Boys Tennis	259	933	1,016	-	176
Shen Boys Track	434	495	726	-	203
Shen Football	4,443	4,635	3,418	-	5,660
Shen Girls Track	1,184	430	1,461	-	153
Shen Girls Tennis	1,581	1,039	2,563	-	57
Shen Girls Cross Country	1,595	1,948	2,348	-	1,195
Shen Singers	1,475	310	1,623	-	162
Shen Softball	1,616	1,801	1,962	-	1,455
Shen Volleyball	2,163	5,663	3,824	-	4,002
Shen Weight Club	699	1,342	1,516	-	525
Shen Wrestlers	3,425	5,197	6,141	-	2,481
SHS Speech Club	(313)	6,963	6,042	-	608
Shenandoah Interact Club	394	703	726	-	371
Student Activity	875	1,444	-	(2,319)	-
Student Council	2,662	7,557	7,797	-	2,422
Shen Baseball	140	405	-	-	545
DAOUST Homeroom	5	185	186	-	4
MS Annual	2,056	1,462	981	-	2,537
MS Cheerleaders	586	-	-	-	586
MS FCCLA	1,065	144	153	-	1,056
MS Weight Room	(147)	-	-	-	(147)
MS Marching Mustangs	6,642	1,690	314	-	8,018
MS Swing Choir	508	59	-	-	567
MS Pride Builders	6,197	4,131	2,152	-	8,176
5th/6th Grade March Mustangs	3,081	8,360	9,769	-	1,672
Shen Boys Bowling	27	858	309	-	576
Shen Girls Bowling	27	857	308	-	576
May Mentoring Activity	100	2,589	2,589	-	100
Si-Fy Club	-	137	191	-	(54)
Beecher NAHS	2,050	-	-	-	2,050
Total	\$ 82,759	258,354	234,657	-	106,456

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2014

	FCA Scholarship	Bateman Scholarship	Dreyer Scholarship	Pickard Scholarship	Wilson Scholarship	Sjulin Scholarship	Keenan Scholarship
<b>Assets</b>							
Cash and pooled investments	\$ 229	9,253	1,259	2,309	193,830	38	15,736
<b>Liabilities</b>							
	-	-	-	-	-	-	-
<b>Net Position</b>							
Restricted for scholarships	\$ 229	9,253	1,259	2,309	193,830	38	15,736

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 6

Roscoe Scholarship	Folden Scholarship	Ingrim Scholarship	Spears Scholarship	Pitner Scholarship	Whitehill Scholarship	Miscellaneous Scholarship	Total
1,578	1,701	150,072	200	4,041	1,319	301	381,866
-	-	-	-	-	-	-	-
1,578	1,701	150,072	200	4,041	1,319	301	381,866

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2014

	FCA Scholarship	Bateman Scholarship	Dreyer Scholarship	Pickard Scholarship	Wilson Scholarship	Sjulin Scholarship	Keenan Scholarship
Additions:							
Local sources:							
Contributions	\$ -	-	-	-	-	-	-
Interest	-	5	-	2	105	-	9
Total additions:	-	5	-	2	105	-	9
Deductions:							
Instruction:							
Regular							
Scholarships awarded	-	-	200	100	2,000	-	500
Change in net position	-	5	(200)	(98)	(1,895)	-	(491)
Net position beginning of year	229	9,248	1,459	2,407	195,725	38	16,227
Net position end of year	\$ 229	9,253	1,259	2,309	193,830	38	15,736

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 7

Roscoe Scholarship	Folden Scholarship	Ingrim Scholarship	Spears Scholarship	Pitner Scholarship	Whitehill Scholarship	Miscellaneous Scholarship	Total
-	-	150,000	-	-	-	400	150,400
1	1	72	-	2	-		197
1	1	150,072	-	2	-	400	150,597
75	-	-	100	500	500	349	4,324
(74)	1	150,072	(100)	(498)	(500)	51	146,273
1,652	1,700	-	300	4,539	1,819	250	235,593
1,578	1,701	150,072	200	4,041	1,319	301	381,866

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

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 4,755,599	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
Tuition	435,121	514,597	487,286	426,560	363,275	439,780	413,345	325,825	309,238	340,218
Other	429,317	446,933	405,877	492,155	424,652	427,090	664,398	693,361	582,805	476,170
Intermediate sources	-	-	4,866	36,000	-	-	-	-	-	-
State sources	6,655,677	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
Federal sources	355,613	465,132	890,925	725,418	1,058,763	469,614	363,206	349,274	356,245	334,296
<b>Total</b>	<b>\$ 12,631,327</b>	<b>12,434,915</b>	<b>12,860,313</b>	<b>11,994,417</b>	<b>10,752,727</b>	<b>10,950,456</b>	<b>10,914,355</b>	<b>10,497,447</b>	<b>9,741,692</b>	<b>9,106,122</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 4,475,551	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
Special	1,343,399	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
Other	1,461,967	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
Support services:										
Student	373,958	354,308	330,923	327,166	306,716	304,068	283,406	262,507	194,277	169,318
Instructional staff	534,229	856,873	551,006	543,436	371,436	449,537	507,464	367,374	353,021	349,654
Administration	1,060,295	1,022,541	1,051,097	956,809	962,789	943,972	918,075	896,725	742,217	642,190
Operation and maintenance of plant	925,370	876,727	884,488	813,004	810,920	811,288	867,021	753,634	741,092	767,799
Transportation	383,486	475,205	413,568	389,742	389,854	310,355	441,342	407,248	347,846	257,666
Non-instructional programs	-	-	-	18,281	-	-	-	-	-	20,236
Capital outlay	446,976	822,033	1,716,345	1,780,729	107,427	69,659	284,050	653,882	757,609	702,778
Long-term debt:										
Principal	4,343,324	608,324	560,000	1,540,000	985,000	730,000	716,714	691,062	471,177	364,863
Interest and fiscal charges	361,021	361,697	542,163	218,371	238,752	266,114	293,074	318,421	970,142	440,534
Other expenditures:										
AEA flow-through	392,820	381,094	385,074	413,540	395,530	369,498	356,806	337,727	306,192	286,664
<b>Total</b>	<b>\$ 16,102,396</b>	<b>13,021,202</b>	<b>13,572,676</b>	<b>13,702,023</b>	<b>11,430,918</b>	<b>11,112,494</b>	<b>11,093,548</b>	<b>10,696,847</b>	<b>10,677,234</b>	<b>9,414,949</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

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 14	\$ 58,413
National School Lunch Program	10.555	FY 14	281,247 *
			<u>339,660</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	5976-G	205,043
Title I Grants to Local Educational Agencies	84.010	5976-GC	4,535
Title I - Schools in Need of Assistance	84.010	FY 14	13,500
			<u>223,078</u>
Career and Technical Education - Basic Grants to States	84.048	FY 14	<u>10,049</u>
Advanced Placement Program	84.330	FY 14	<u>255</u>
Rural Education	84.358	FY 14	<u>18,328</u>
Improving Teacher Quality State Grants	84.367	FY 14	<u>48,766</u>
Grants for State Assessments and Related Activities	84.369	FY 14	<u>5,434</u>
Loess Hills Area Education Agency:			
Special Education - Grants to States(Part B)	84.027	FY 14	<u>49,703</u>
TOTAL			<u><u>\$ 695,273</u></u>

\* Includes \$27,635 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.**  
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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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2015.

**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-14 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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-14 and II-C-14 to be significant deficiency.

## **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, 2014 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 25, 2015  
Newton, Iowa

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**Independent Auditor's Report on Compliance**  
**for Each Major Federal Program and on Internal Control over Compliance**  
**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, 2014. 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, 2014.

## 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-14 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 25, 2015  
Newton, Iowa

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

**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 unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is 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, 2014

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

II-A-14 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 networked so that other individuals in an administrative role have access to district financial information, as well as the accounts payable specialist and the accounts receivable specialist.

Conclusion - Response accepted.

II-B-14 Non-Certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The district will establish a tracking system to ensure that time records are recorded for non-certified staff coaches and determine if wages paid comply with minimum wage and overtime requirements.

Conclusion - Response accepted.

II-C-14 BoxTop Donations - We noted during our audit that the District receipts BoxTop donations into the Student Activity Fund.

Recommendation - Donations given to a school should be expended according to donor request. According to information contained on the website for BoxTops, the donation can be used for items such as books, computers or playground equipment. Since the items listed for purchase with BoxTop donations appear more instructional in nature, the most logical place to record these donations would be the general fund.

Response - The district will inform the sponsors and building principals who receive disbursements from Box Top donations of the proper revenue fund

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

**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: 2014  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education**

**CFDA Number 84.010: Title I  
Federal Award Year: 2014  
U.S. Department of Education  
Passed through the Iowa Department of Education**

III-A-14 Segregation of Duties - One important aspect of the internal control structure is the (2014-001) 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 networked so that other individuals in an administrative role have access to district financial information, as well as the accounts payable specialist and the accounts receivable specialist.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2014

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014, exceeded the amount budgeted in the other expenditures functional area and in total.

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 continue to improve the monitoring of the budget and strive for better communication for long term planning, particularly in the debt service fund, and the refunding of bonds.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements - We noted during our audit that the District purchased clothing for volunteers and staff out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity and School Nutrition Funds are “public funds” the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - The district will adhere to their public purpose board policy, stop the purchasing of personal items to district employees in lieu of using public funds. Discussions continue with the Booster Club for financing of such items.

Conclusion - Response accepted.

IV-C-14 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-14 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	\$500
Andy Campbell, Teacher Owner Andy Campbell	Fencing work	\$500

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-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 3.90 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-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-14 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, 2014, 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 2014 audit.

Beginning Balance		\$ 1,549,650
Revenues:		
Sales tax revenues	\$ 865,874	
Other local revenues	925	866,799
		<u>2,416,449</u>
Expenditures/Transfers out:		
School infrastructure construction	\$ 138,677	
Equipment	72,022	
Other	238,724	
Transfers to other funds:		
Debt service fund	994,931	1,444,354
		<u>1,444,354</u>
Ending Balance		<u>\$ 972,095</u>

For the year ended June 30, 2014, 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	<u>\$ 2.69116</u>	<u>\$ 700,000</u>

IV-M-14 Financial Condition - We noted during our audit that the School Nutrition Fund had a deficit unrestricted net position of \$25,909 at June 30, 2014. We also noted three accounts within the Special Revenue, Student Activity Fund with negative balances totaling \$667.

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

Response - The district will continue to monitor these accounts.

Conclusion - Response accepted.