

SHENANDOAH COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Shenandoah Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</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 Terminated January 2015	2015
Monte Munsinger	Interim Superintendent Appointed October 2014	2015
Joyce Morgan	Business Manager and District Secretary	2015
Ahlers and Cooney	Attorney	2015

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
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, 2015, 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, 2015, 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.

## **Emphasis of Matter**

As discussed in Note 13 to the financial statements, Shenandoah Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 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, 2014 (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 January 26, 2016 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.

January 26, 2016  
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, 2015.

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 decreased from \$10,592,619 in fiscal year 2014 to \$10,432,982 in fiscal year 2015, while General Fund expenditures increased from \$10,161,862 in fiscal year 2014 to \$10,513,335 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$2,194,034 at June 30, 2014 to \$2,113,681 at June 30, 2015, representing a decrease of 3.66%.
- ◆ The fiscal year 2014 General Fund revenue decrease was mainly attributable to decreases in revenue from local tax 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) decreased from 17.16% at June 30, 2014 to 16.08% at June 30, 2015.

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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.

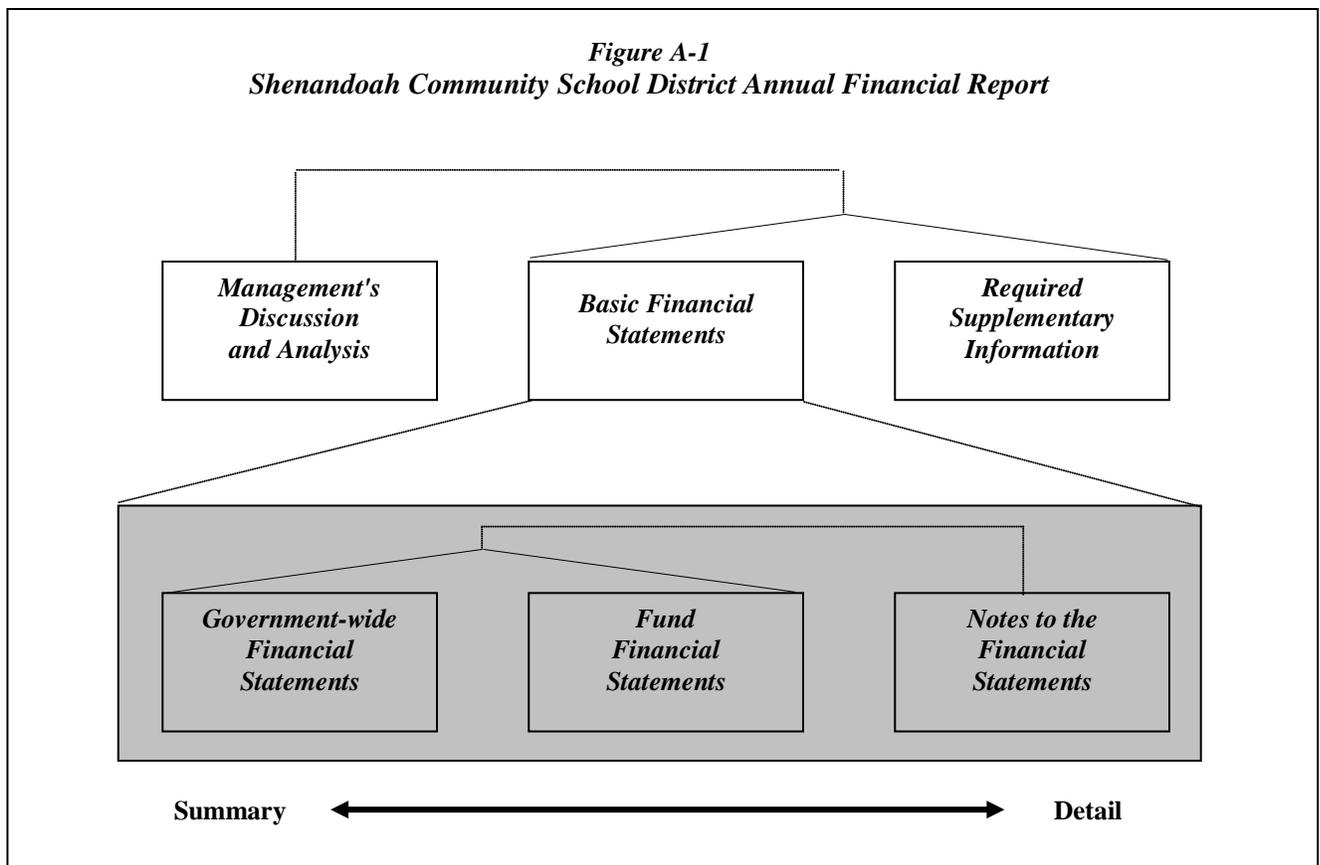
The statements for fiduciary fund statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

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, the District's proportionate share for the net pension liability and related contributions, 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
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
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 during the year or soon thereafter	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, 2015 totaling approximately \$9.14 million for the total district.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014 (Not restated)		June 30, 2014 (Not restated)		June 30, 2014 (Not restated)		June 30, 2014-15
	2015	2015	2015	2015	2015	2015	2015
Current and other assets	\$ 11,436,869	11,037,407	24,511	10,332	11,461,380	11,047,739	3.74%
Capital assets	16,040,837	16,443,818	63,099	48,501	16,103,936	16,492,319	-2.35%
Total assets	<u>27,477,706</u>	<u>27,481,225</u>	<u>87,610</u>	<u>58,833</u>	<u>27,565,316</u>	<u>27,540,058</u>	<u>0.09%</u>
Deferred outflows of resources	854,073	-	24,206	-	878,279	-	100.00%
Long-term obligations	11,935,005	8,802,457	131,554	4,892	12,066,559	8,807,349	37.01%
Other liabilities	1,613,108	1,293,530	9,282	31,349	1,622,390	1,324,879	22.46%
Total liabilities	<u>13,548,113</u>	<u>10,095,987</u>	<u>140,836</u>	<u>36,241</u>	<u>13,688,949</u>	<u>10,132,228</u>	<u>35.10%</u>
Deferred inflows of resources	5,569,056	4,145,746	47,050	-	5,616,106	4,145,746	35.47%
Net position:							
Net investment in capital assets	8,580,837	8,238,818	63,099	48,501	8,643,936	8,287,319	4.30%
Restricted	3,264,983	2,958,709	-	-	3,264,983	2,958,709	10.35%
Unrestricted	(2,631,210)	2,041,965	(139,169)	(25,909)	(2,770,379)	2,016,056	-237.42%
Total net position	<u>\$ 9,214,610</u>	<u>13,239,492</u>	<u>(76,070)</u>	<u>22,592</u>	<u>9,138,540</u>	<u>13,262,084</u>	<u>-31.09%</u>

The District's combined net position decreased by 31.09%, or \$4,123,544, compared to the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$306,274, or 10.35% from the prior year. The increase in restricted net position can be attributed in part to the increase in fund balances of the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Management Levy 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 - decreased \$4,786,435, or 237.42%. This decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$4,851,458 and \$152,109, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

### CHANGES IN NET POSITION

**Figure A-4** shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (not restated)	2015	2014 (not restated)	2015	2014 (not restated)	2014-15
Revenues:							
Program revenues:							
Charges for services	\$ 742,860	672,701	201,756	189,690	944,616	862,391	9.53%
Operating grants, contributions and restricted interest	924,616	879,091	352,988	348,402	1,277,604	1,227,493	4.08%
Capital grants, contributions and restricted interest	14,000	-	-	-	14,000	-	100.00%
General revenues:							
Property tax	4,125,557	4,086,387	-	-	4,125,557	4,086,387	0.96%
Income surtax	660,200	735,691	-	-	660,200	735,691	-10.26%
Statewide sales, services and use tax	921,802	865,874	-	-	921,802	865,874	6.46%
Unrestricted state grants	5,469,771	5,377,527	-	-	5,469,771	5,377,527	1.72%
Unrestricted investment earnings	6,944	6,146	58	44	7,002	6,190	13.12%
Other	105,014	74,389	1,387	871	106,401	75,260	41.38%
<b>Total revenues</b>	<b>12,970,764</b>	<b>12,697,806</b>	<b>556,189</b>	<b>539,007</b>	<b>13,526,953</b>	<b>13,236,813</b>	<b>2.19%</b>
Program expenses:							
Governmental activities:							
Instructional	7,409,171	7,305,820	-	-	7,409,171	7,305,820	1.41%
Support services	3,546,450	3,650,007	5,028	4,902	3,551,478	3,654,909	-2.83%
Non-instructional programs	-	-	526,123	558,944	526,123	558,944	-5.87%
Other expenses	1,160,158	1,266,112	-	-	1,160,158	1,266,112	-8.37%
<b>Total expenses</b>	<b>12,115,779</b>	<b>12,221,939</b>	<b>531,151</b>	<b>563,846</b>	<b>12,646,930</b>	<b>12,785,785</b>	<b>-1.09%</b>
Excess(Deficiency) of revenues over(under) expenses	854,985	475,867	25,038	(24,839)	880,023	451,028	95.11%
Transfers	(28,409)	-	28,409	-	-	-	0.00%
<b>Change in net position</b>	<b>826,576</b>	<b>475,867</b>	<b>53,447</b>	<b>(24,839)</b>	<b>880,023</b>	<b>451,028</b>	<b>95.11%</b>
Beginning net position, as restated	8,388,034	12,763,625	(129,517)	47,431	8,258,517	12,811,056	-35.54%
<b>Ending net position</b>	<b>\$ 9,214,610</b>	<b>13,239,492</b>	<b>(76,070)</b>	<b>22,592</b>	<b>9,138,540</b>	<b>13,262,084</b>	<b>-31.09%</b>

In Figure A-4 property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 82.63% of the District's total revenue. The District's expenses primarily relate to instruction and support services which account for 86.67% of the District's total expenses.

The total cost of our general fund activities this year was approximately \$10.51 million. The amount that our taxpayers ultimately financed for general fund activities through school district taxes was

approximately \$3.47 million or 33.02% 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 \$12,970,764 while expenditures were \$12,115,779.

*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		
	2015	2014	Change 2014-15	2015	2014	Change 2014-15
Instruction	\$ 7,409,171	7,305,820	1.41%	6,215,170	6,160,082	0.89%
Support services	3,546,450	3,650,007	-2.84%	3,458,795	3,636,773	-4.89%
Other expenses	1,160,158	1,266,112	-8.37%	760,338	873,292	-12.93%
Totals	<u>\$ 12,115,779</u>	<u>12,221,939</u>	<u>-0.87%</u>	<u>10,434,303</u>	<u>10,670,147</u>	<u>-2.21%</u>

For the year ended June 30, 2015:

- ◆ The cost financed by users of the District’s programs was \$742,860.
- ◆ Federal, state governments and outside organizations subsidized certain programs with grants and contributions totaling \$938,616.
- ◆ The net cost of governmental activities was financed with \$4,125,557 in property tax, \$660,200 in income surtax, \$921,802 in statewide sales, services and use tax, \$5,469,771 in unrestricted state grants, \$6,944 in interest income and \$105,014 in other general revenues.

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**BUSINESS TYPE ACTIVITIES**

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Revenues of the District’s business type activities were \$584,598 while expenditures were \$531,151. 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.

Salaries and benefits decreased 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 \$5,094,053, above last year’s ending fund balance of \$4,963,495. The main reason for the increase in combined fund balances is the increase in fund balance of the Management Levy 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 decreased from \$2,194,034 at June 30, 2014 to \$2,113,681 at June 30, 2015. Revenue decreased compared to the prior year combined with an increase in expenditures resulted in a decrease in fund equity of \$80,353 not including other financing sources and uses.
- ◆ The Capital Projects Fund balance decreased from \$1,541,207 at June 30, 2014 to \$1,528,834 at June 30, 2015. The decrease in capital projects accounts balance was mainly due to a transfer that was made from the Capital Projects: Physical Plant and Equipment Levy Tax Fund to the Debt Service Fund for payment on a copier lease during the year.
- ◆ The Debt Service Fund balance increased from \$871,277 at June 30, 2014 to \$892,787 at June 30, 2015. The increase is attributable to an increase in revenues from local taxes.

### **Proprietary Fund Highlights:**

The School Nutrition Fund net position increased from a restated deficit balance of \$129,517 at July 1, 2014 to a deficit balance of \$76,070 at June 30, 2015, representing an increase of 41.27%. The increase is attributable in part to decreased salaries and benefit costs when compared to the prior year. Federal revenues did increase compared to the prior year which assisted in the increase 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 46.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

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## **CAPITAL ASSETS**

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At June 30, 2014, the District had invested \$16,103,936, net of accumulated depreciation in a board range of capital assets, including land, buildings, athletic facilities, computers and transportation equipment. Governmental funds account for \$16,040,837 of the capital assets with the remainder of \$63,099 in the Proprietary, School Nutrition Fund. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$627,196.

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

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014	2015	2014	2015	2014	2014-15
	Land	\$ 175,000	175,000	-	-	175,000	175,000
Buildings	15,112,546	15,524,815	-	-	15,112,546	15,524,815	-2.66%
Land improvements	374,670	370,492	-	-	374,670	370,492	1.13%
Machinery and equipment	378,621	373,511	63,099	48,501	441,720	422,012	4.67%
Total	\$ 16,040,837	16,443,818	63,099	48,501	16,103,936	16,492,319	-2.35%

### LONG -TERM DEBT

As of June 30, 2015, the School District had \$12,066,559 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of 37.01% from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

There was \$2,470,000 in outstanding debt for general obligation bonds for the PK-8 building. The bonds are paid primarily from property tax revenues.

At June 30, 2015, the District had outstanding revenue bonds of \$4,990,000 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The School District had \$154,430 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 \$24,817 of outstanding debt for termination benefits payable from the Special Revenue, Management Levy Fund.

The District had a net pension liability of \$4,058,224 at June 30, 2015. Of which, \$3,934,854 was for governmental activities with the remainder of \$123,370 in business type activities.

The District also had a net OPEB liability of \$369,088. Of which, \$368,612 was for governmental activities with the remainder of \$476 in business type activities.

*Figure A-7* presents the outstanding long-term debt for the district.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014	2015	2014	2015	2014	2014-15
	Revenue bonds	\$ 4,990,000	5,135,000	-	-	4,990,000	5,135,000
General obligation bonds	2,470,000	3,070,000	-	-	2,470,000	3,070,000	-19.54%
Computer lease	-	98,323	-	-	-	98,323	-100.00%
Compensated absences	146,722	146,359	7,708	4,500	154,430	150,859	2.37%
Termination benefits	24,817	49,635	-	-	24,817	49,635	-50.00%
Net Pension liability	3,934,854	-	123,370	-	4,058,224	-	100.00%
Net OPEB liability	368,612	303,140	476	392	369,088	303,532	21.60%
Total	\$ 11,935,005	8,802,457	131,554	4,892	12,066,559	8,807,349	37.01%

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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 of concern to the District that the Iowa Department of Education voted to dissolve Farragut Community School District. There will be approximately 186 displaced students. Shenandoah CSD is contiguous with Farragut CSD and currently open enrolls in 52 students from that district. The transportation, facilities, and students bring added pressures to the district.
- Eaton Manufacturing is a transmission manufacturing company located in Shenandoah. Eaton has permanently laid off 75 positions since October 2015.
- It is a concern that 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. With the legislature's hesitancy to full 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.
- Union negotiated agreements for salaries and benefits costs exceed the district's new money. Continual increases in health insurance 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 have impacted the district's employee costs. Health Care Reform mandates are going to have to be monitored very closely.

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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: Sherri Ruzek, 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, 2015

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 6,287,506	16,729	6,304,235
Receivables:			
Property tax:			
Delinquent	57,295	-	57,295
Succeeding year	4,068,416	-	4,068,416
Income surtax	669,525	-	669,525
Accounts	16,527	-	16,527
Due from other governments	337,600	-	337,600
Inventories	-	7,782	7,782
Capital assets, net of accumulated depreciation	16,040,837	63,099	16,103,936
<b>Total assets</b>	<b>27,477,706</b>	<b>87,610</b>	<b>27,565,316</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	854,073	24,206	878,279
<b>Liabilities</b>			
Accounts payable	579,344	240	579,584
Salaries and benefits payable	1,025,531	1,325	1,026,856
Accrued interest payable	8,233	-	8,233
Unearned revenue	-	7,717	7,717
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	600,000	-	600,000
Revenue bonds payable	150,000	-	150,000
Compensated absences	146,722	7,708	154,430
Termination benefits payable	24,817	-	24,817
Portion due after one year:			
General obligation bonds payable	1,870,000	-	1,870,000
Revenue bonds payable	4,840,000	-	4,840,000
Net pension liability	3,934,854	123,370	4,058,224
Net OPEB liability	368,612	476	369,088
<b>Total liabilities</b>	<b>13,548,113</b>	<b>140,836</b>	<b>13,688,949</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	4,068,416	-	4,068,416
Pension related deferred inflows	1,500,640	47,050	1,547,690
<b>Total deferred inflows of resources</b>	<b>5,569,056</b>	<b>47,050</b>	<b>5,616,106</b>
<b>Net Position</b>			
Net investment in capital assets	8,580,837	63,099	8,643,936
Restricted for:			
Categorical funding	316,494	-	316,494
Debt service	884,554	-	884,554
Management levy purposes	398,236	-	398,236
Student activities	136,865	-	136,865
School infrastructure	1,158,471	-	1,158,471
Physical plant and equipment	370,363	-	370,363
Unrestricted	(2,631,210)	(139,169)	(2,770,379)
<b>Total net position</b>	<b>\$ 9,214,610</b>	<b>(76,070)</b>	<b>9,138,540</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 4,476,683	441,960	77,771	-	(3,956,952)	-	(3,956,952)
Special	1,481,885	79,974	102,230	-	(1,299,681)	-	(1,299,681)
Other	1,450,603	220,802	271,264	-	(958,537)	-	(958,537)
	7,409,171	742,736	451,265	-	(6,215,170)	-	(6,215,170)
Support services:							
Student	335,879	-	65,981	-	(269,898)	-	(269,898)
Instructional staff	611,973	-	2,600	-	(609,373)	-	(609,373)
Administration	1,089,071	-	4,950	-	(1,084,121)	-	(1,084,121)
Operation and maintenance of plant	1,094,125	-	-	14,000	(1,080,125)	-	(1,080,125)
Transportation	415,402	124	-	-	(415,278)	-	(415,278)
	3,546,450	124	73,531	14,000	(3,458,795)	-	(3,458,795)
Long-term debt interest	239,827	-	-	-	(239,827)	-	(239,827)
Other expenditures:							
AEA flowthrough	399,820	-	399,820	-	-	-	-
Depreciation(unallocated)*	520,511	-	-	-	(520,511)	-	(520,511)
	920,331	-	399,820	-	(520,511)	-	(520,511)
Total governmental activities	12,115,779	742,860	924,616	14,000	(10,434,303)	-	(10,434,303)
Business type activities:							
Support services:							
Administration	2,302	-	-	-	-	(2,302)	(2,302)
Operation and maintenance of plant	2,726	-	-	-	-	(2,726)	(2,726)
	5,028	-	-	-	-	(5,028)	(5,028)
Non-instructional programs:							
Food service operations	526,123	201,756	352,988	-	-	28,621	28,621
Total business type activities	531,151	201,756	352,988	-	-	23,593	23,593
Total	\$ 12,646,930	944,616	1,277,604	14,000	(10,434,303)	23,593	(10,410,710)
<b>General Revenues and Transfers:</b>							
Local tax for:							
General purposes					\$ 3,525,133	-	3,525,133
Debt service					471,516	-	471,516
Capital outlay					128,908	-	128,908
Income surtax					660,200	-	660,200
Statewide sales, services and use tax					921,802	-	921,802
Unrestricted state grants					5,469,771	-	5,469,771
Unrestricted investment earnings					6,944	58	7,002
Other					105,014	1,387	106,401
Transfers					(28,409)	28,409	-
Total general revenues					11,260,879	29,854	11,290,733
Change in net position					826,576	53,447	880,023
Net position beginning of year, as restated					8,388,034	(129,517)	8,258,517
Net position end of year					\$ 9,214,610	(76,070)	9,138,540

\* 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, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 3,055,907	1,548,944	1,126,636	556,019	6,287,506
Receivables:					
Property tax:					
Delinquent	43,558	1,758	6,431	5,548	57,295
Succeeding year	2,862,699	144,317	661,400	400,000	4,068,416
Income surtax	357,080	312,445	-	-	669,525
Accounts	14,675	-	-	1,852	16,527
Due from other governments	194,096	143,504	-	-	337,600
<b>Total Assets</b>	<b>\$ 6,528,015</b>	<b>2,150,968</b>	<b>1,794,467</b>	<b>963,419</b>	<b>11,436,869</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 169,024	165,372	240,280	4,668	579,344
Salaries and benefits payable	1,025,531	-	-	-	1,025,531
Total liabilities	1,194,555	165,372	240,280	4,668	1,604,875
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,862,699	144,317	661,400	400,000	4,068,416
Income surtax	357,080	312,445	-	-	669,525
Total deferred inflows of resources	3,219,779	456,762	661,400	400,000	4,737,941
Fund balances:					
Restricted for:					
Categorical funding	316,494	-	-	-	316,494
Debt service	-	-	892,787	-	892,787
Management levy purposes	-	-	-	423,053	423,053
Student activities	-	-	-	136,865	136,865
School infrastructure	-	1,158,471	-	-	1,158,471
Physical plant and equipment	-	370,363	-	-	370,363
Assigned	183,904	-	-	-	183,904
Unassigned:					
General	1,613,283	-	-	-	1,613,283
Student activities	-	-	-	(1,167)	(1,167)
Total fund balances	2,113,681	1,528,834	892,787	558,751	5,094,053
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 6,528,015</b>	<b>2,150,968</b>	<b>1,794,467</b>	<b>963,419</b>	<b>11,436,869</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, 2015

<b>Total fund balances of governmental funds (page 20)</b>	\$	5,094,053
 <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.		16,040,837
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.		669,525
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.		(8,233)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 854,073	
Deferred inflows of resources	<u>(1,500,640)</u>	(646,567)
Long-term liabilities including general obligation bonds payable, revenue bonds payable compensated absences payable, termination benefits payable, other post-employment benefits payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(11,935,005)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>9,214,610</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, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,471,310	430,486	471,516	398,023	4,771,335
Tuition	491,267	-	-	-	491,267
Other	182,385	15,831	611	275,196	474,023
State sources	5,865,363	924,786	10,916	9,333	6,810,398
Federal sources	409,319	-	-	-	409,319
Total revenues	<u>10,419,644</u>	<u>1,371,103</u>	<u>483,043</u>	<u>682,552</u>	<u>12,956,342</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,449,628	965	-	131,525	4,582,118
Special	1,490,295	-	-	-	1,490,295
Other	1,241,254	10,560	-	233,644	1,485,458
	<u>7,181,177</u>	<u>11,525</u>	<u>-</u>	<u>365,169</u>	<u>7,557,871</u>
Support services:					
Student	349,503	-	-	-	349,503
Instructional staff	368,413	261,925	-	-	630,338
Administration	1,016,745	89,895	-	17,623	1,124,263
Operation and maintenance of plant	872,629	10,383	-	71,849	954,861
Transportation	322,643	97,810	-	23,031	443,484
	<u>2,929,933</u>	<u>460,013</u>	<u>-</u>	<u>112,503</u>	<u>3,502,449</u>
Non-instructional programs	-	27,070	-	-	27,070
Capital outlay	-	251,088	-	-	251,088
Long-term debt:					
Principal	-	-	843,323	-	843,323
Interest and fiscal charges	-	-	252,061	-	252,061
	<u>-</u>	<u>-</u>	<u>1,095,384</u>	<u>-</u>	<u>1,095,384</u>
Other expenditures:					
AEA flowthrough	399,820	-	-	-	399,820
Total expenditures	<u>10,510,930</u>	<u>749,696</u>	<u>1,095,384</u>	<u>477,672</u>	<u>12,833,682</u>
Excess(Deficiency) of revenues over(under)expenditures	(91,286)	621,407	(612,341)	204,880	122,660
Other financing sources(uses):					
Transfer in	5,440	71	633,851	2,405	641,767
Transfer out	(2,405)	(633,851)	-	(5,511)	(641,767)
Insurance proceeds	7,898	-	-	-	7,898
Total other financing sources(uses)	<u>10,933</u>	<u>(633,780)</u>	<u>633,851</u>	<u>(3,106)</u>	<u>7,898</u>
Change in fund balances	(80,353)	(12,373)	21,510	201,774	130,558
Fund balances beginning of year	2,194,034	1,541,207	871,277	356,977	4,963,495
Fund balances end of year	<u>\$ 2,113,681</u>	<u>1,528,834</u>	<u>892,787</u>	<u>558,751</u>	<u>5,094,053</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2015

**Change in fund balances - total governmental funds (page 22)** \$ 130,558

*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	\$ 210,404	
Depreciation expense	(613,385)	(402,981)

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 are as follows:

843,323

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.

12,234

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.

14,422

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

578,397

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	24,818	
Compensated absences	(363)	
Pension expense	(308,360)	
Other postemployment benefits	(65,472)	(349,377)

**Change in net position of governmental activities (page 19)** \$ 826,576

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	School Nutrition
<b>Assets</b>	
Current assets:	
Cash and pooled investments	\$ 16,729
Inventories	7,782
Total current assets	24,511
Non-current assets:	
Capital assets, net of accumulated depreciation	63,099
<b>Total assets</b>	87,610
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	24,206
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	240
Salaries and benefits payable	1,325
Unearned revenue	7,717
Total current liabilities	9,282
Non-current liabilities:	
Compensated absences	7,708
Net pension liability	123,370
Net OPEB liability	476
Total non-current liabilities	131,554
<b>Total liabilities</b>	140,836
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	47,050
<b>Net Position</b>	
Net investment in capital assets	63,099
Unrestricted	(139,169)
<b>Total net position</b>	\$ (76,070)

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, 2015

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 201,756
Miscellaneous	1,387
Total operating revenues:	203,143
Operating expenses:	
Support services:	
Administration:	
Services	2,302
Operation and maintenance of plant:	
Services	2,726
Total support services	5,028
Non-instructional programs:	
Food service operations:	
Salaries	181,299
Benefits	25,668
Services	427
Supplies	304,918
Depreciation	13,811
Total non-instructional programs	526,123
Total operating expenses	531,151
Operating loss	(328,008)
Non-operating revenues:	
State sources	4,382
Federal sources	348,606
Interest on investments	58
Total non-operating revenues	353,046
Change in net position before other financing sources	25,038
Other financing sources:	
Contributed capital	28,409
Change in net position	53,447
Net position beginning of year, as restated	(129,517)
Net position end of year	\$ (76,070)

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

		School Nutrition
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$	203,438
Cash received from miscellaneous		1,387
Cash payments to employees for services		(208,360)
Cash payments to suppliers for goods or services		(282,354)
Net cash used in operating activities		(285,889)
Cash flows from non-capital financing activities:		
Repayments to the General Fund		(25,156)
State grants received		4,382
Federal grants received		318,884
Net cash provided by non-capital financing activities		298,110
Cash flows from investing activities:		
Interest on investments		58
Net increase in cash and pooled investments		12,279
Cash and pooled investments at beginning of year		4,450
Cash and pooled investments at end of year	\$	16,729
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$	(328,008)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed		29,722
Depreciation		13,811
Increase in inventories		(1,900)
Increase in accounts payable		197
Increase in salaries and benefits payable		1,210
Increase in unearned revenue		1,682
Decrease in net pension liability		(46,916)
Decrease in deferred outflows of resources		(6,029)
Increase in deferred inflows of resources		47,050
Increase in compensated absences		3,208
Increase in net OPEB liability		84
Net cash used in operating activities	\$	(285,889)

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

During the year ended June 30, 2015, the District received \$29,722 of federal commodities.

During the year ended June 30, 2015, the Nutrition Fund received contributed capital of \$28,409 from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 378,821
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Held in trust for scholarships	<u>\$ 378,821</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Contributions	\$	350
Interest		380
Total additions		<u>730</u>
Deductions:		
Instruction:		
Regular:		
Scholarships awarded		<u>3,775</u>
Change in net position		(3,045)
Net position beginning of year		<u>381,866</u>
Net position end of year	\$	<u><u>378,821</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

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.

#### **Note 2. Cash and Pooled Investments**

The District's deposits at June 30, 2015 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, 2015, the District had no investments to be reported.

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 535,527
Debt Service	Capital Projects: Physical Plant and Equipment Levy	98,324
Student Activity	General Fund	2,405
General Fund	Student Activity	317
General Fund	Management Levy	5,123
Capital Projects: Physical Plant and Equipment Levy	Management Levy	71
Total		<u>\$ 641,767</u>

\$200,000 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 \$335,527 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.

The transfer from the General Fund to the Student Activity Fund was to close out the school store.

The transfer from the Student Activity Fund to the General Fund was to move accounts to a more appropriate fund.

The transfer from the Management Levy Fund to the General Fund was to move expenses to a more appropriate fund.

The transfer from the Management Levy Fund to the Capital Projects: Physical Plant and Equipment Levy Fund was to move expenses to a more appropriate fund.

**Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2015 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
Total capital assets not being depreciated	<u>175,000</u>	-	-	<u>175,000</u>
Capital assets being depreciated:				
Buildings	24,292,092	69,891	-	24,361,983
Land improvements	918,609	42,529	-	961,138
Machinery and equipment	1,704,354	97,984	-	1,802,338
Total capital assets being depreciated	<u>26,915,055</u>	<u>210,404</u>	-	<u>27,125,459</u>
Less accumulated depreciation for:				
Buildings	8,767,277	482,160	-	9,249,437
Land improvements	548,117	38,351	-	586,468
Machinery and equipment	1,330,843	92,874	-	1,423,717
Total accumulated depreciation	<u>10,646,237</u>	<u>613,385</u>	-	<u>11,259,622</u>
Total capital assets being depreciated, net	<u>16,268,818</u>	<u>(402,981)</u>	-	<u>15,865,837</u>
Governmental activities capital assets, net	<u>\$ 16,443,818</u>	<u>(402,981)</u>	-	<u>16,040,837</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 257,772	28,409	-	286,181
Less accumulated depreciation	209,271	13,811	-	223,082
Business type activities capital assets, net	<u>\$ 48,501</u>	<u>14,598</u>	-	<u>63,099</u>
Governmental activities:				
Instruction:				
Regular				\$ 17,608
Other				1,793
Support services:				
Instructional staff				3,065
Operation and maintenance of plant				4,708
Transportation				65,700
				<u>92,874</u>
Unallocated depreciation				<u>520,511</u>
Total governmental activities depreciation expense				<u>\$ 613,385</u>
Business type activities:				
Food services				<u>\$ 13,811</u>

**Note 5. Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year, as Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 5,135,000	-	145,000	4,990,000	150,000
General obligation bonds	3,070,000	-	600,000	2,470,000	600,000
Computer lease	98,323	-	98,323	-	-
Compensated absences	146,359	146,722	146,359	146,722	146,722
Termination benefits	49,635	-	24,818	24,817	24,817
Net pension liability	5,431,224	-	1,496,370	3,934,854	-
Net OPEB liability	303,140	65,472	-	368,612	-
Total governmental activities	<u>\$ 14,233,681</u>	<u>212,194</u>	<u>2,510,870</u>	<u>11,935,005</u>	<u>921,539</u>
<b>Business type activities:</b>					
Compensated absences	\$ 4,500	7,708	4,500	7,708	7,708
Net pension liability	170,286	-	46,916	123,370	-
Net OPEB liability	392	84	-	476	-
Total business type activities	<u>\$ 175,178</u>	<u>7,792</u>	<u>51,416</u>	<u>131,554</u>	<u>7,708</u>

**Revenue Bonds**

Details of the District's June 30, 2015 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	
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	
2020	3.00	175,000	168,085	343,085	
2021-2025	3.20-3.85	1,920,000	690,010	2,610,010	
2026-2030	4.00-4.35	2,265,000	274,989	2,539,989	
Total		<u>\$ 4,990,000</u>	<u>1,851,824</u>	<u>6,841,824</u>	

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 36% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$6,841,824. For the current year, \$145,000 in principal and interest and interest of \$190,560 was paid on the bonds and total statewide sales, services and use tax revenues were \$921,802.

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, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated May, 1 2014				
	Interest Rates		Principal	Interest	Total
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			\$ 2,470,000	112,350	2,582,350

**Note 6. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member’s first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member’s highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$593,959.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$4,058,224 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.100275 percent, which was an increase of 0.001344 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$318,027. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,105	\$ -
Changes of assumptions	179,099	-
Net difference between projected and actual earnings on pension plan investments	-	1,547,690
Changes in proportion and differences between District contributions and proportionate share of contributions	61,116	-
District contributions subsequent to the measurement date	<u>593,959</u>	-
Total	<u>\$ 878,279</u>	<u>\$ 1,547,690</u>

\$593,959 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (320,492)
2017	(320,492)
2018	(320,492)
2019	(320,492)
2020	18,598
	<u>\$ (1,263,370)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 7,667,901	\$ 4,058,224	\$ 1,011,283

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$69,487 for legally required employer contributions and \$46,299 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 7. 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	\$	88,469
Interest on net OPEB obligation		7,588
Adjustment to annual required contribution		(21,485)
Annual OPEB cost		<u>74,572</u>
Contributions made		<u>(9,016)</u>
Increase in net OPEB obligation		65,556
Net OPEB obligation beginning of year		<u>303,532</u>
Net OPEB obligation end of year	\$	<u><u>369,088</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, 2015.

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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 75,677	20.35%	\$ 243,789
2014	71,783	16.77%	303,532
2015	74,572	12.09%	369,088

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$430,163, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$430,163. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,508,463 and the ratio of the UAAL to covered payroll was 6.61%. As of June 30, 2015, 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 8. 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 9. 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 \$399,820 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 10. Deficit Net Position/Balance**

The District had deficit unrestricted net position of \$139,169 and a deficit net position of \$76,070 in the School Nutrition Fund. The District had a deficit unrestricted net position of \$2,631,210 in the governmental activities. The District had two negative accounts in the Special Revenue, Student Activity Fund totaling \$1,167.

**Note 11. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Gifted and Talented Programs	\$ 53,194
Returning Dropouts and Dropout Prevention Programs	121,528
Beginning Teacher Mentoring	50
Successful Progression For Early Readers	8,223
Professional Development for Model Core Curriculum	30,707
Professional Development	97,218
Teacher Leadership Grants	5,574
	<u>\$ 316,494</u>

**Note 12. 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>	\$ -	892,787	423,053	1,613,283
Capital assets, net of accumulated depreciation	16,040,837	-	-	-
Accrued interest payable	-	(8,233)	-	-
Termination benefits payable	-	-	(24,817)	-
Net OPEB liability	-	-	-	(368,612)
General obligation bond capitalized indebtedness	(2,470,000)	-	-	-
Revenue bonds capitalized indebtedness	(4,990,000)	-	-	-
Compensated absences	-	-	-	(146,722)
Income surtax	-	-	-	669,525
Pension related deferred outflows	-	-	-	854,073
Net pension liability	-	-	-	(3,934,854)
Pension related deferred inflows	-	-	-	(1,500,640)
Assigned general fund balances	-	-	-	183,904
Unassigned student activity fund balance	-	-	-	(1,167)
<b>Net Position (Exhibit A)</b>	<u>\$ 8,580,837</u>	<u>884,554</u>	<u>398,236</u>	<u>(2,631,210)</u>

**Note 13. Accounting Change/Restatement Note**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 13,239,492	\$ 22,592
Net pension liability at June 30, 2014	(5,431,224)	(170,286)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	<u>579,766</u>	<u>18,177</u>
Net position July 1, 2014, as restated	<u>\$ 8,388,034</u>	<u>\$ (129,517)</u>

**Note 14. Special Investigation**

On June 22, 2015 the Office of the Auditor of State released a report on a special investigation of the Shenandoah Community School District for the period of July 1, 2012 through September 30, 2014. The investigation was requested by District officials as result of concerns regarding certain reimbursement requests submitted by the former Superintendent. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State’s web site at <http://auditor.iowa.gov/reports/1430-5976-TE00.pdf>

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 FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total Actual			Final to Actual Variance
	Fund Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 5,736,625	203,201	5,939,826	6,792,003	6,792,003	(852,177)
State sources	6,810,398	4,382	6,814,780	6,014,667	6,014,667	800,113
Federal sources	409,319	348,606	757,925	663,500	663,500	94,425
Total revenues	12,956,342	556,189	13,512,531	13,470,170	13,470,170	42,361
Expenditures/Expenses:						
Instruction	7,557,871	-	7,557,871	8,756,658	10,136,526	2,578,655
Support services	3,502,449	5,028	3,507,477	4,288,332	5,000,000	1,492,523
Non-instructional programs	27,070	526,123	553,193	749,556	650,000	96,807
Other expenditures	1,746,292	-	1,746,292	3,113,579	2,000,000	253,708
Total expenditures/expenses	12,833,682	531,151	13,364,833	16,908,125	17,786,526	4,421,693
Excess(Deficiency) of revenues over(under) expenditures/expenses	122,660	25,038	147,698	(3,437,955)	(4,316,356)	4,464,054
Other financing sources, net	7,898	28,409	36,307	(225,500)	(225,500)	261,807
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	130,558	53,447	184,005	(3,663,455)	(4,541,856)	4,725,861
Balances beginning of year, as restated	4,963,495	(129,517)	4,833,978	3,663,455	3,663,455	1,170,523
Balances end of year	\$ 5,094,053	(76,070)	5,017,983	-	(878,401)	5,896,384

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing expenditures by \$878,401.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.100275%
District's proportionate share of the net pension liability	\$ 4,058
District's covered-employee payroll	\$ 6,651
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.01%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

**Note:** Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS  
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 594	598	555	517	421	426	390	355	315	288
Contributions in relation to the statutorily required contribution	(594)	(598)	(555)	(517)	(421)	(426)	(390)	(355)	(315)	(288)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 6,651	6,697	6,401	6,406	6,058	6,129	6,142	5,868	5,478	5,009
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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	-	498,470	498,470	0.00%	5,452,647	9.14%
2014	July 1, 2012	-	462,496	462,496	0.00%	5,999,219	7.71%
2015	July 1, 2012	-	430,163	430,163	0.00%	6,508,463	6.61%

See Note 7 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.

SHENANDOAH COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 415,736	140,283	556,019
Receivables:			
Property tax:			
Delinquent	5,548	-	5,548
Succeeding year	400,000	-	400,000
Accounts	1,769	83	1,852
<b>Total assets</b>	<b>\$ 823,053</b>	<b>140,366</b>	<b>963,419</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	4,668	4,668
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	400,000	-	400,000
Fund balances:			
Restricted for:			
Management levy purposes	423,053	-	423,053
Student activities	-	136,865	136,865
Unassigned	-	(1,167)	(1,167)
Total fund balances	423,053	135,698	558,751
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 823,053</b>	<b>140,366</b>	<b>963,419</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, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 398,023	-	398,023
Other	14,398	260,798	275,196
State sources	9,333	-	9,333
Total revenues	<u>421,754</u>	<u>260,798</u>	<u>682,552</u>
Expenditures:			
Current:			
Instruction:			
Regular	131,525	-	131,525
Other	-	233,644	233,644
Support services:			
Administration	17,623	-	17,623
Operation and maintenance of plant	71,849	-	71,849
Transportation	23,031	-	23,031
Total expenditures	<u>244,028</u>	<u>233,644</u>	<u>477,672</u>
Excess of revenues over expenditures	177,726	27,154	204,880
Other financing sources(uses):			
Transfers in	-	2,405	2,405
Transfers out	(5,194)	(317)	(5,511)
Total other financing sources(uses)	<u>(5,194)</u>	<u>2,088</u>	<u>(3,106)</u>
Change in fund balances	172,532	29,242	201,774
Fund balances beginning year	<u>250,521</u>	<u>106,456</u>	<u>356,977</u>
Fund balances end of year	<u>\$ 423,053</u>	<u>135,698</u>	<u>558,751</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
<b>Assets</b>			
Cash and pooled investments	\$ 1,116,011	432,933	1,548,944
Recivables:			
Property tax:			
Delinquent	-	1,758	1,758
Succeeding year	-	144,317	144,317
Income surtax	-	312,445	312,445
Due from other governments	143,504	-	143,504
<b>Total assets</b>	<b>\$ 1,259,515</b>	<b>891,453</b>	<b>2,150,968</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 101,044	64,328	165,372
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	144,317	144,317
Income surtax	-	312,445	312,445
Total deferred inflows of resources	-	456,762	456,762
Fund balances:			
Restricted for:			
School infrastructure	1,158,471	-	1,158,471
Physical plant and equipment	-	370,363	370,363
Total fund balances	1,158,471	370,363	1,528,834
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,259,515</b>	<b>891,453</b>	<b>2,150,968</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, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	430,486	430,486
Other	1,093	14,738	15,831
State sources	921,802	2,984	924,786
Total revenues	922,895	448,208	1,371,103
Expenditures:			
Current:			
Instruction:			
Regular	198	767	965
Other	-	10,560	10,560
Support services:			
Instructional staff	107,132	154,793	261,925
Administration	53	89,842	89,895
Operation and maintenance of plant	-	10,383	10,383
Transportation	93,609	4,201	97,810
Non-instructional programs	-	27,070	27,070
Capital outlay	-	251,088	251,088
Total expenditures	200,992	548,704	749,696
Excess(deficiency) of revenues over(under) expenditures	721,903	(100,496)	621,407
Other financing sources(uses):			
Transfers in	-	71	71
Transfer out	(535,527)	(98,324)	(633,851)
Total other financing sources(uses)	(535,527)	(98,253)	(633,780)
Change in fund balances	186,376	(198,749)	(12,373)
Fund balances beginning of year	972,095	569,112	1,541,207
Fund balances end of year	\$ 1,158,471	370,363	1,528,834

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund and Intrafund Transfers	Balance End of Year
HS General Athletics	\$ 26,468	24,576	8,580	10,426	52,890
Gate Boxes	-	800	800	-	-
Boys Basketball	-	8,016	6,793	(1,223)	-
MS Boys Basketball	-	1,071	880	(191)	-
Football	-	15,192	5,720	(9,472)	-
MS Football	-	1,780	840	(940)	-
Baseball	-	42	6,666	6,624	-
Boys Track	-	6,430	6,359	(71)	-
MS Boys Track	-	504	764	260	-
Boys Cross Country	-	644	1,904	1,260	-
Boys Tennis	-	213	1,343	1,130	-
Boys Golf	-	2,142	2,687	545	-
Boys Bowling	-	473	6	(467)	-
Wrestling	-	4,773	4,952	179	-
MS Wrestling	-	586	364	(222)	-
Girls Basketball	-	14,436	12,552	(1,884)	-
MS Girls Basketball	-	1,013	1,020	7	-
Volleyball	-	7,718	9,155	1,437	-
MS Volleyball	-	2,041	707	(1,334)	-
Softball	50	1,462	4,780	3,268	-
MS Softball	-	-	190	190	-
Girls Track	-	9,192	9,297	105	-
MS Girls Track	-	1,988	1,467	(521)	-
Girls Cross Country	-	405	961	556	-
Girls Tennis	-	70	1,404	1,334	-
Girls Golf	-	1,308	2,150	842	-
Girls Bowling	-	614	554	(60)	-
BPA	(466)	9,784	8,268	-	1,050
Annual	17,203	7,439	5,560	-	19,082
Math Club	235	1,029	525	-	739
HOSA	1,015	2,311	1,883	-	1,443
HS Shen IA Club	17	-	-	(17)	-
Cheerleaders	4,226	5,180	8,850	936	1,492
Class of 2014	62	-	-	-	62
Class of 2015	367	-	103	-	264
Class of 2016	1,694	2,765	4,337	-	122
Class of 2017	1,480	609	-	-	2,089
Class of 2018	-	1,644	365	-	1,279
Concessions	-	26,841	17,563	(9,278)	-
FFA	2,923	13,323	14,291	-	1,955
FCCLA	301	4,391	3,706	-	986

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## Schedule 5

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Shen Girls Golf	1	229	185	-	45
Marching Mustangs	849	733	872	-	710
National Art Honor Society	331	361	424	-	268
National Honor Society	871	1,502	724	-	1,649
Shen Boys Bowling	576	1,060	1,242	-	394
Shen Basketball Boys	205	7,579	7,207	-	577
Shen Basketball Girls	1,363	5,259	5,562	-	1,060
Shen Boys Golf	461	449	537	-	373
Shen Boys Cross Country	1,068	2,487	1,993	-	1,562
Shen Boys Tennis	176	487	452	-	211
Shen Boys Track	203	282	256	-	229
Shen Football	5,660	3,686	4,954	-	4,392
Shen Girls Track	153	1,145	1,132	-	166
Shen Girls Tennis	57	1,280	1,064	-	273
Shen Girls Cross Country	1,195	1,308	2,286	-	217
Shen Singers	162	2,019	1,889	-	292
Shen Softball	1,455	500	221	-	1,734
Shen Volleyball	4,002	6,098	4,746	-	5,354
Shen Weight Club	525	1,715	865	-	1,375
Shen Wrestlers	2,481	2,164	3,612	-	1,033
SHS Speech Club	608	6,395	5,670	-	1,333
Shenandoah Interact Club	371	364	58	-	677
Student Activity	-	1,293	-	-	1,293
Student Council	2,422	10,265	8,545	-	4,142
Shen Baseball	545	-	385	-	160
DAOUST Homeroom	4	445	-	(445)	4
MS Annual	2,537	1,649	2,609	-	1,577
MS Cheerleaders	586	-	-	(586)	-
MS FCCLA	1,056	-	-	-	1,056
MS Weight Room	(147)	-	-	-	(147)
MS Marching Mustangs	8,018	9,947	11,464	1,372	7,873
MS Swing Choir	567	-	-	-	567
MS Pride Builders	8,176	2,568	787	-	9,957
5th/6th Grade March Mustangs	1,672	-	-	(1,672)	-
Shen Girls Bowling	576	1,621	1,506	-	691
May Mentoring Activity	100	2,362	2,344	-	118
Si-Fy Club	(54)	741	1,707	-	(1,020)
Beecher NAHS	2,050	-	-	-	2,050
Total	\$ 106,456	260,798	233,644	2,088	135,698

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2015

	FCA Scholarship	Bateman Scholarship	Dreyer Scholarship	Pickard Scholarship	Wilson Scholarship	Sjulin Scholarship	Keenan Scholarship
<b>Assets</b>							
Cash and pooled investments	\$ 229	9,262	1,260	2,311	192,257	38	15,250
<b>Liabilities</b>							
	-	-	-	-	-	-	-
<b>Net Position</b>							
Held in trust for scholarships	\$ 229	9,262	1,260	2,311	192,257	38	15,250

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 6

Roscoe Scholarship	Folden Scholarship	Ingrim Scholarship	Spears Scholarship	Pitner Scholarship	Whitehill Scholarship	Miscellaneous Scholarship	Total
1,508	1,702	150,238	200	3,545	820	201	378,821
-	-	-	-	-	-	-	-
1,508	1,702	150,238	200	3,545	820	201	378,821

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2015

	FCA Scholarship	Bateman Scholarship	Dreyer Scholarship	Pickard Scholarship	Wilson Scholarship	Sjulin Scholarship	Keenan Scholarship
Additions:							
Local sources:							
Contributions	\$ -	-	-	-	-	-	-
Interest	-	9	1	2	177	-	14
Total additions:	-	9	1	2	177	-	14
Deductions:							
Instruction:							
Regular							
Scholarships awarded	-	-	-	-	1,750	-	500
Change in net position	-	9	1	2	(1,573)	-	(486)
Net position beginning of year	229	9,253	1,259	2,309	193,830	38	15,736
Net position end of year	\$ 229	9,262	1,260	2,311	192,257	38	15,250

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 7

Roscoe Scholarship	Folden Scholarship	Ingrim Scholarship	Spears Scholarship	Pitner Scholarship	Whitehill Scholarship	Miscellaneous Scholarship	Total
-	-	-	-	-	-	350	350
5	1	166	-	4	1	-	380
5	1	166	-	4	1	350	730
75	-	-	-	500	500	450	3,775
(70)	1	166	-	(496)	(499)	(100)	(3,045)
1,578	1,701	150,072	200	4,041	1,319	301	381,866
1,508	1,702	150,238	200	3,545	820	201	378,821

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

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 4,771,335	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
Tuition	491,267	435,121	514,597	487,286	426,560	363,275	439,780	413,345	325,825	309,238
Other	474,023	429,317	446,933	405,877	492,155	424,652	427,090	664,398	693,361	582,805
Intermediate sources	-	-	-	4,866	36,000	-	-	-	-	-
State sources	6,810,398	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
Federal sources	409,319	355,613	465,132	890,925	725,418	1,058,763	469,614	363,206	349,274	356,245
<b>Total</b>	<b>\$ 12,956,342</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>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 4,582,118	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
Special	1,490,295	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
Other	1,485,458	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
Support services:										
Student	349,503	373,958	354,308	330,923	327,166	306,716	304,068	283,406	262,507	194,277
Instructional staff	630,338	534,229	856,873	551,006	543,436	371,436	449,537	507,464	367,374	353,021
Administration	1,124,263	1,060,295	1,022,541	1,051,097	956,809	962,789	943,972	918,075	896,725	742,217
Operation and maintenance of plant	954,861	925,370	876,727	884,488	813,004	810,920	811,288	867,021	753,634	741,092
Transportation	443,484	383,486	475,205	413,568	389,742	389,854	310,355	441,342	407,248	347,846
Non-instructional programs	27,070	-	-	-	18,281	-	-	-	-	-
Capital outlay	251,088	446,976	822,033	1,716,345	1,780,729	107,427	69,659	284,050	653,882	757,609
Long-term debt:										
Principal	843,323	4,343,324	608,324	560,000	1,540,000	985,000	730,000	716,714	691,062	471,177
Interest and fiscal charges	252,061	361,021	361,697	542,163	218,371	238,752	266,114	293,074	318,421	970,142
Other expenditures:										
AEA flow-through	399,820	392,820	381,094	385,074	413,540	395,530	369,498	356,806	337,727	306,192
<b>Total</b>	<b>\$ 12,833,682</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>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

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 15	\$ 62,356
National School Lunch Program	10.555	FY 15	286,250 *
			<u>348,606</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	5976-G	<u>230,476</u>
Career and Technical Education - Basic Grants to States	84.048	FY 15	<u>9,411</u>
Advanced Placement Program	84.330	FY 15	<u>194</u>
Rural Education	84.358	FY 15	<u>18,768</u>
Improving Teacher Quality State Grants	84.367	FY 15	<u>47,856</u>
Grants for State Assessments and Related Activities	84.369	FY 15	<u>4,950</u>
Green Hills Area Education Agency:			
Special Education - Grants to States(Part B)	84.027	FY 15	<u>49,043</u>
U.S. Department of Health and Human Services			
Iowa Department of Human Services			
Medical Assistance Program	93.778	FY 15	<u>48,621</u>
TOTAL			<u>\$ 757,925</u>

\* Includes \$29,722 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of Shenandoah Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Shenandoah Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 26, 2016.

**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-15 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-15 and II-C-15 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shenandoah Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2015 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.

January 26, 2016  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
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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, 2015. 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, 2015.

## 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-15 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.

January 26, 2016  
Newton, Iowa

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**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 Grants to Local Educational Agencies
- (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, 2015

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

II-A-15 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) Disbursements - purchase order processing, check preparation, mailing and recording.

4) Wire transfers - processing and approving.

5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.

6) Transfers - preparing and approving.

7) 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 provide transparency for internal controls. The accounting software is networked so that other individuals in an Administrative role have access to District financial information.

Conclusion - Response accepted.

II-B-15 Timely Deposits and Receipting Controls - We noted during our audit that deposits do not always appear to be done in a timely manner for fundraising. We noted deposits that included checks that were dated two months prior to the date of the deposit. Additionally it was noted that the central office was receiving minimal supporting documentation for items sold during fundraisers and games.

Recommendation - The District should review its procedures to ensure that deposits are made on a timely basis and properly supported.

Response - The policy for cash handling was reviewed with Administrative employees and the risks of not depositing the money timely was expressed. Every effort will be made to have cash and checks deposited weekly.

Conclusion - Response accepted.

II-C-15 Gate Admissions - It was noted that the District does not use prenumbered tickets for all events that charge for admission.

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

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

Response - The District is continuing to improve internal controls as recommended by the auditor. Administrative personnel will periodically review and test procedures. The Activities Director and School Business Official are looking into point-of-sale systems, ie: Square, for further control.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**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: 2015**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.010: Title I Grants to Local Education Agencies**  
**Federal Award Year: 2015**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

III-A-15 Segregation of Duties - One important aspect of the internal control structure is the (2015-001) 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 provide transparency for internal controls. The accounting software is networked so that other individuals in an Administrative role have access to District financial information.

Conclusion - Response accepted.

**OTHER:**

III-B-15 Procurement Processes - We noted during our audit that the District acquired bids (2015-002) for food products served to students as part of the normal food service operations. We noted that the District was not receiving the price that was bid on certain products.

Recommendation - The District should evaluate its receiving and disbursement processes to ensure that the District receives the prices that were bid.

Response - The Food Service Director will verify that the prices being invoiced are the same as the prices the district was quoted.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2015

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

IV-A-15 Certified Budget - District disbursements for the year ended June 30, 2015, did not exceed the amended certified budget.

IV-B-15 Questionable Disbursements - We noted during our audit that student athletes attended out of season camps/clinics which appear to be paid in part with District funds. Chapter 9 of the Uniform Administrative Procedures for Iowa School District and AEA Officials states in part “no district funds can be used for any student to pay for a student’s participation, either in whole or in part, in any out of season camp or clinic”.

Recommendation - The District should review its procedures to ensure compliance with the Uniform Administrative Procedures for Iowa School District and AEA Officials.

Response - The District will adhere to the Uniform Administrative Procedures for Iowa School Districts and stop paying for student participation in any out of season camp or clinic.

Conclusion - Response accepted.

IV-C-15 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. We did note instances of mileage reimbursement that did not use the rate established by the Board of Directors.

Recommendation - The District should review its procedures to ensure that reimbursements are completed in accordance with Board policy.

Response - The district will adhere to Board Policy and ensure that reimbursements are made accordingly.

Conclusion - Response accepted

IV-D-15 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jay Sweet, Teacher Owner Jay Sweet	Furniture	\$575

In accordance with Chapter 301.28 of the Code of Iowa, the above transaction with the District employee does not appear to represent a conflict of interest.

IV-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by 1.78 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-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	972,095
Revenues:			
Sales tax revenues	\$	921,802	
Other local revenues		1,093	922,895
			<u>1,894,990</u>
Expenditures/Transfers out:			
Equipment	\$	93,609	
Other		107,383	
Transfers to other funds:			
Debt service fund		535,527	736,519
			<u>736,519</u>
Ending Balance		\$	<u>1,158,471</u>

For the year ended June 30, 2015, 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	\$ 0.76000	\$ 200,000

IV-M-15 Financial Condition - We noted during our audit that the School Nutrition Fund had a deficit unrestricted net position of \$139,169 and a deficit net position of \$76,070 and the governmental activities had a deficit unrestricted net position of \$2,631,210 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year. We also noted two accounts within the Special Revenue, Student Activity Fund with negative balances totaling \$1,167.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits. The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - GASB 68 and 71 standards were explained to the Board. The Activities Director is working with Sponsors to eliminate negative balances.

Conclusion - Response accepted.

IV-N-15 Royalties - We noted during our audit that the District is receipting revenue from royalties for apparel sold with the schools name into the Activity Fund. This does not appear to be an allowable revenue source for the Activity Fund per Chapter 98 of the Iowa Administrative Code.

Recommendation - Royalties should be recorded into the General Fund per Chapter 98 of the Iowa Administrative Code. The District should review its procedures to ensure compliance with the Iowa Administrative Code.

Response - The Board of Education will approve all contracts and any royalties received will be recorded into miscellaneous income into the General Fund.

Conclusion - Response accepted.