

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

JUNE 30, 2019

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**Shenandoah Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Jean Fichter	President	2021
Greg Ritchey	Vice President	2019
Kip Anderson	Board Member	2019
Adam Van Der Vliet	Board Member	2021
Kathy Langley	Board Member	2021
<b>School Officials</b>		
Dr. Kerri Nelson	Superintendent	2019
Lisa Holmes	Board Secretary/Board Treasurer	2019
Sherri Ruzek	School Business Official	2019
Ahlers & Cooney, P.C.	Attorney	2019

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Shenandoah Community School District, Shenandoah Iowa, as of and for the year ended June 30, 2019, and the related Notes to 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, 2019, 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.

## **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 Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 15 and 44 through 49 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 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, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, 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, including the Schedule of Expenditures of Federal Awards, 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 May 5, 2020 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 report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Shenandoah Community School District's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

May 5, 2020  
Newton, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shenandoah Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2019 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$12,958,571 in fiscal year 2018 to \$12,591,487 in fiscal year 2019, while General Fund expenditures decreased from \$12,816,252 in fiscal year 2018 to \$12,580,361 in fiscal year 2019. The District's General Fund balance increased from \$2,718,629 at June 30, 2018 to \$2,729,755 at June 30, 2019.
- The decrease in General Fund revenues was attributable to local tax revenue decrease. The decrease in expenditures occurred mainly in the instruction and support services functional areas compared to the prior year.
- The District's solvency ratio (unassigned fund balance/general fund revenues less AEA flowthrough) increased from 18.18% at June 30, 2018 to 19.34% at June 30, 2019.
- The District's total net position increased from \$9,717,538 at June 30, 2018 to \$10,500,309 at June 30, 2019. Total revenues increased from \$15,991,366 in fiscal year 2018 to \$16,730,319 in fiscal year 2019, a 4.62% increase, while total expenses increased from \$15,737,473 in fiscal year 2018 to \$15,947,548 in fiscal year 2019, a 1.33% increase compared to the prior year. The increase in revenues was primarily caused by an increase in operating grants, contributions and income surtax, while the majority of the increase in expenses occurred in the instruction functional area.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Shenandoah Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental and business type activities were financed in the short term as well as what remains for future spending. Fund financial statements report Shenandoah Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Shenandoah Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provide 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.

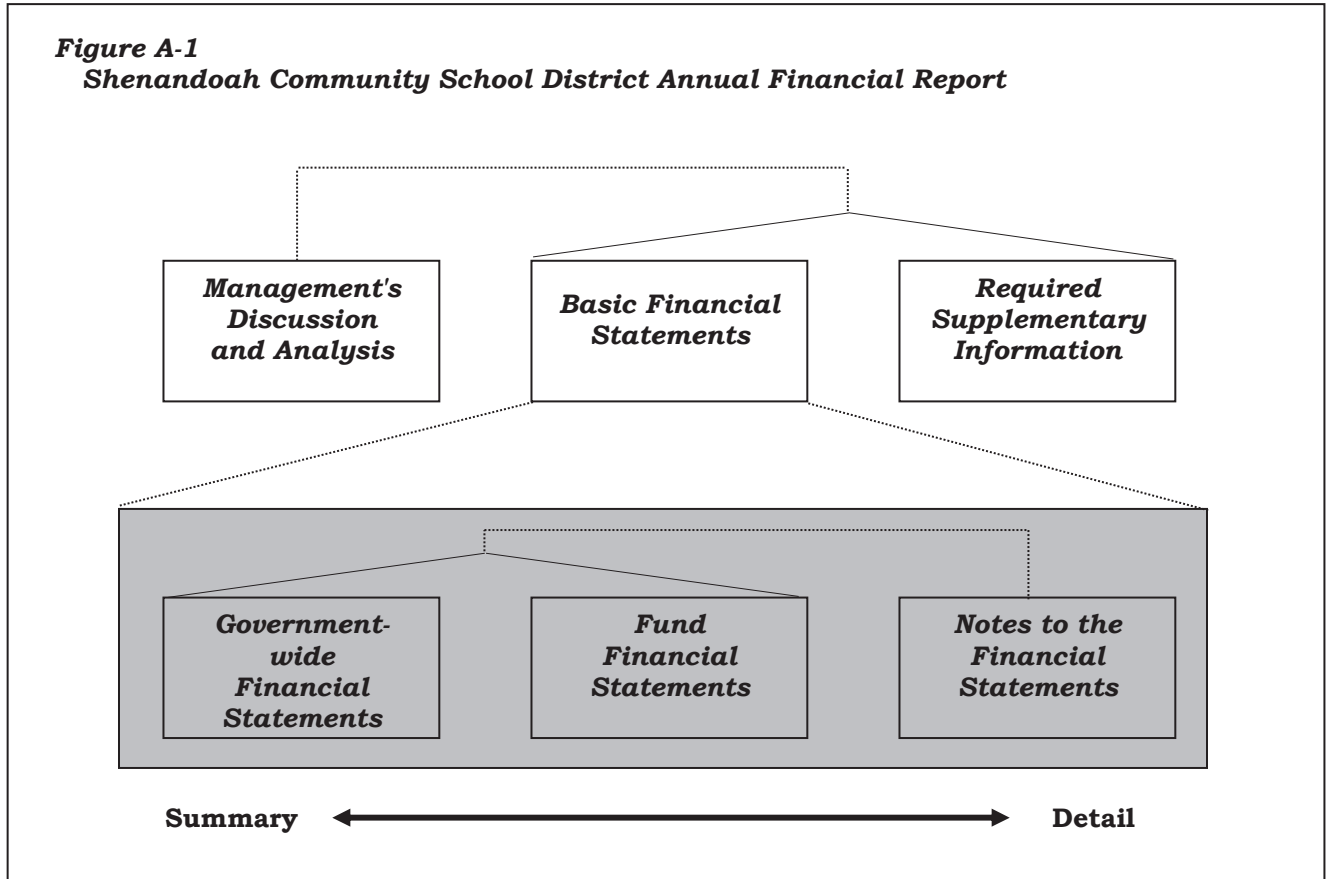




Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund 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 service	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 revenues, expenditures, 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 resources 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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance 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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. 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.

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The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds 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.

The District has three kinds of funds:

- 1) *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. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *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 financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds through which the District administers and accounts for certain revenue collected for District employee purchases.

The District is responsible for ensuring that the assets reported in the fiduciary 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.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2019 compared to June 30, 2018.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2019	2018	2019	2018	2019	2018	2018-19
Current and other assets	\$ 13,834,821	13,319,016	74,239	28,751	13,909,060	13,347,767	4.21%
Capital assets	13,614,425	13,491,259	46,743	59,224	13,661,168	13,550,483	0.82%
Total assets	<u>27,449,246</u>	<u>26,810,275</u>	<u>120,982</u>	<u>87,975</u>	<u>27,570,228</u>	<u>26,898,250</u>	<u>2.50%</u>
Deferred outflows of resources	2,217,784	2,302,305	70,319	69,674	2,288,103	2,371,979	-3.54%
Long-term liabilities	11,394,778	12,101,986	231,810	214,493	11,626,588	12,316,479	-5.60%
Other liabilities	2,032,688	1,739,848	18,804	17,700	2,051,492	1,757,548	16.72%
Total liabilities	<u>13,427,466</u>	<u>13,841,834</u>	<u>250,614</u>	<u>232,193</u>	<u>13,678,080</u>	<u>14,074,027</u>	<u>-2.81%</u>
Deferred inflows of resources	5,668,684	5,472,821	11,258	5,843	5,679,942	5,478,664	3.67%
Net position:							
Net investment in capital assets	9,894,425	8,806,259	46,743	59,224	9,941,168	8,865,483	12.13%
Restricted	3,105,423	3,502,173	-	-	3,105,423	3,502,173	-11.33%
Unrestricted	(2,428,968)	(2,510,507)	(117,314)	(139,611)	(2,546,282)	(2,650,118)	3.92%
Total net position	<u>\$ 10,570,880</u>	<u>9,797,925</u>	<u>(70,571)</u>	<u>(80,387)</u>	<u>10,500,309</u>	<u>9,717,538</u>	<u>8.06%</u>

The District's total net position increased by 8.06%, or \$782,771, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$396,750, or 11.33% from the prior year. The decrease in restricted net position was primarily a result of decreases in the amounts restricted for debt service and management levy purposes compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$103,836 or 3.92%. This increase was due primarily to the increase in the District's unassigned General Fund balance compared to the prior year.

Figure A-4 shows the changes in net position for the year ended June 30, 2019 compared to the year ended June 30, 2018.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2019	2018	2019	2018	2019	2018	2018-19
Revenues:							
Program revenues:							
Charges for service	\$ 896,958	731,221	206,876	260,800	1,103,834	992,021	11.27%
Operating grants, contributions and restricted interest	1,285,789	1,219,539	548,446	491,496	1,834,235	1,711,035	7.20%
Capital grants, contributions and restricted interest	-	52,149	-	4,536	-	56,685	-100.00%
General revenues:							
Property tax	5,126,486	5,286,442	-	-	5,126,486	5,286,442	-3.03%
Income surtax	649,240	384,208	-	-	649,240	384,208	68.98%
Statewide sales, services and use tax	1,110,084	1,002,903	-	-	1,110,084	1,002,903	10.69%
Unrestricted state grants	6,708,120	6,383,815	-	-	6,708,120	6,383,815	5.08%
Unrestricted investment earnings	76,081	41,994	537	384	76,618	42,378	80.80%
Other	116,840	117,786	4,862	14,093	121,702	131,879	-7.72%
Total revenues	<u>15,969,598</u>	<u>15,220,057</u>	<u>760,721</u>	<u>771,309</u>	<u>16,730,319</u>	<u>15,991,366</u>	<u>4.62%</u>
Program expenses:							
Instruction	9,438,375	9,052,741	-	-	9,438,375	9,052,741	4.26%
Support services	4,813,875	4,983,150	745	425	4,814,620	4,983,575	-3.39%
Non-instructional programs	408	11,560	721,893	724,740	722,301	736,300	-1.90%
Other expenses	972,252	964,857	-	-	972,252	964,857	0.77%
Total expenses	<u>15,224,910</u>	<u>15,012,308</u>	<u>722,638</u>	<u>725,165</u>	<u>15,947,548</u>	<u>15,737,473</u>	<u>1.33%</u>
Excess of revenues over expenses	744,688	207,749	38,083	46,144	782,771	253,893	208.31%
Transfers	28,267	19,016	(28,267)	(19,016)	-	-	0.00%
Change in net position	772,955	226,765	9,816	27,128	782,771	253,893	208.31%
Net position beginning of year	9,797,925	9,571,160	(80,387)	(107,515)	9,717,538	9,463,645	2.68%
Net position end of year	<u>\$ 10,570,880</u>	<u>9,797,925</u>	<u>(70,571)</u>	<u>(80,387)</u>	<u>10,500,309</u>	<u>9,717,538</u>	<u>8.06%</u>

In fiscal year 2019, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 85.12% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.29% of the revenue from business type activities.

The District's total revenues were approximately \$16.73 million, of which approximately \$15.97 million was for governmental activities and approximately \$0.76 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.62% increase in revenues and a 1.33% increase in expenses. Operating grants increased \$123,200, charges for service increased \$111,813, income surtax increased \$265,032 compared to the prior year. The increase in expenses was primarily due to an increase in the instruction functional area compared to the prior year.

## Governmental Activities

Governmental activities revenues were \$15,969,598 and expenditures were \$15,224,910 for the year ended June 30, 2019.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2019 compared to those expenses for the year ended June 30, 2018.

	Total Cost of Services			Net Cost of Services		
	2019	2018	Change 2018-19	2019	2018	Change 2018-19
Instruction	\$ 9,438,375	9,052,741	4.26%	7,736,894	7,524,630	2.82%
Support services	4,813,875	4,983,150	-3.40%	4,803,028	4,976,119	-3.48%
Non-instructional programs	408	11,560	-96.47%	408	11,560	-96.47%
Other expenses	972,252	964,857	0.77%	501,833	497,090	0.95%
Total	<u>\$ 15,224,910</u>	<u>15,012,308</u>	<u>1.42%</u>	<u>13,042,163</u>	<u>13,009,399</u>	<u>0.25%</u>

For the year ended June 30, 2019:

- The cost financed by users of the District's programs was \$896,958.
- Federal and state governments along with donations from local sources subsidized certain programs with grants and contributions totaling \$1,285,789.
- The net cost of governmental activities was financed with \$5,126,486 in property tax, \$649,240 in income surtax, \$1,110,084 in statewide sales, services and use tax, \$6,708,120 in unrestricted state grants, \$76,081 in interest income and \$116,840 other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$760,721 and expenses were \$722,638 for the year ended June 30, 2019. 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 other general revenues.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Shenandoah Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,880,483, below last year's ending combined fund balances of \$5,925,450. The decrease is primarily a result of decreases in the Capital Projects Fund and the Student Activity Fund balances compared to the prior year.

## Governmental Fund Highlights

- The General Fund balance increased from \$2,718,629 at June 30, 2018 to \$2,729,755 at June 30, 2019. Total revenues decreased due to decreases in local source revenues received. Total expenditures decreased in part due to the decrease in instructional costs incurred.
- The Capital Projects Fund balance decreased from \$2,564,255 at June 30, 2018 to \$2,135,692 at June 30, 2019. The decrease was due primarily due to increased capital outlay expenditures.

- The District's Management Levy Fund balance increased from \$291,565 at June 30, 2018 to \$681,576 at June 30, 2019. The increase in fund balance was due primarily to increases in local tax source and state source revenues.

### Proprietary Fund Highlights

The School Nutrition Fund net position increased from deficit \$80,387 at June 30, 2018 to deficit \$70,571 at June 30, 2019, representing an increase of 12.21%. This increase is primarily due to a decrease in expenses incurred compared to the previous year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Shenandoah Community School District amended its budget one time to reflect additional expenditures in the support services functional areas.

The District's revenues were \$403,601 more than budgeted revenues, a variance of 2.51%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due 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 actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the other expenditures programs functional area exceeded the amounts budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2019, the District had invested \$13,661,168, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 0.82% from last year. More detailed information about the District's capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$612,320.

The original cost of the District's capital assets was approximately \$29.70 million. Governmental activities accounted for approximately \$28.76 million with the remainder of approximately \$0.31 million accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$147,000 at June 30, 2019, compared to \$0 at June 30, 2018. This increase resulted costs incurred during the year for high school and elementary alarm systems.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2019	2018	2019	2018	2019	2018	2018-19
Land	\$ 175,000	175,000	-	-	175,000	175,000	0.00%
Construction in progress	147,000	-	-	-	147,000	-	100.00%
Buildings	11,991,901	12,265,764	-	-	11,991,901	12,265,764	-2.23%
Land improvements	572,928	352,518	-	-	572,928	352,518	62.52%
Machinery and equipment	727,596	697,977	46,743	59,224	774,339	757,201	2.26%
Total	\$ 13,614,425	13,491,259	46,743	59,224	13,661,168	13,550,483	0.82%

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## Long-Term Debt

At June 30, 2019, the District had \$3,720,000 in long-term debt outstanding. This represents a decrease of 20.60% from last year. (See figure A-7) More detailed information about the Districts long-term liabilities is available in Note 4 to the Financial Statements.

The District had outstanding revenue bond indebtedness at June 30, 2019 of \$3,720,000 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2019	2018	2018-19
General obligation bonds	\$ -	635,000	-100.00%
Revenue bonds	3,720,000	4,050,000	-8.15%
Total	<u>\$ 3,720,000</u>	<u>4,685,000</u>	<u>-20.60%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- It is a concern to the District, as well as every other District in the state, that costs will continue to increase as settlements were in excess of "new money" and Supplement State Aid, this will have an adverse effect on the District's future General Fund budget and related fund balance.
- The District will be on Budget Guarantee for FY 2020. This will provide one year for the District to reevaluate its programs and staffing levels.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sherri Ruzek, School Business Official, Shenandoah Community School District, 304 W. Nishna Road, Shenandoah, Iowa, 51601.



SHENANDOAH COMMUNITY SCHOOL DISTRICT



BASIC FINANCIAL STATEMENTS

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 7,478,338	30,168	7,508,506
Receivables:			
Property tax:			
Delinquent	70,755	-	70,755
Succeeding year	5,294,374	-	5,294,374
Income surtax	627,276	-	627,276
Accounts	27,942	333	28,275
Internal balances	(1,199)	1,199	-
Due from other governments	337,335	21,817	359,152
Inventories	-	20,722	20,722
Capital assets not being depreciated:			
Land and construction in progress	322,000	-	322,000
Capital assets, net of accumulated depreciation			
Buildings and land improvements and machinery and equipment	13,292,425	46,743	13,339,168
<b>Total assets</b>	<b>27,449,246</b>	<b>120,982</b>	<b>27,570,228</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	2,054,675	62,113	2,116,788
OPEB related deferred outflows	163,109	8,206	171,315
<b>Total Deferred Outflows of Resources</b>	<b>2,217,784</b>	<b>70,319</b>	<b>2,288,103</b>
<b>Liabilities</b>			
Accounts payable	899,017	3,207	902,224
Salaries and benefits payable	1,133,671	6,860	1,140,531
Unearned revenue	-	8,737	8,737
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	335,000	-	335,000
Termination benefits payable	119,045	-	119,045
Compensated absences	208,671	4,070	212,741
Portion due after one year:			
Revenue bonds	3,385,000	-	3,385,000
Termination benefits payable	191,886	-	191,886
Net pension liability	6,536,091	196,594	6,732,685
Total OPEB liability	619,085	31,146	650,231
<b>Total liabilities</b>	<b>13,427,466</b>	<b>250,614</b>	<b>13,678,080</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	5,294,374	-	5,294,374
Pension related deferred inflows	374,310	11,258	385,568
<b>Total deferred inflows of resources</b>	<b>5,668,684</b>	<b>11,258</b>	<b>5,679,942</b>
<b>Net Position</b>			
Net investment in capital assets	9,894,425	46,743	9,941,168
Restricted for:			
Categorical funding	265,626	-	265,626
Debt service	238,753	-	238,753
Management levy purposes	370,645	-	370,645
Student activities	94,707	-	94,707
School infrastructure	2,059,754	-	2,059,754
Physical plant and equipment	75,938	-	75,938
Unrestricted	(2,428,968)	(117,314)	(2,546,282)
<b>Total net position</b>	<b>\$ 10,570,880</b>	<b>(70,571)</b>	<b>10,500,309</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 5,392,007	464,019	158,706	(4,769,282)	-	(4,769,282)
Special	1,582,554	209,156	112,283	(1,261,115)	-	(1,261,115)
Other	2,463,814	223,632	533,685	(1,706,497)	-	(1,706,497)
	<u>9,438,375</u>	<u>896,807</u>	<u>804,674</u>	<u>(7,736,894)</u>	<u>-</u>	<u>(7,736,894)</u>
Support services:						
Student	519,780	-	-	(519,780)	-	(519,780)
Instructional staff	1,048,945	-	7,577	(1,041,368)	-	(1,041,368)
Administration	1,323,216	-	-	(1,323,216)	-	(1,323,216)
Operation and maintenance of plant	1,287,427	-	-	(1,287,427)	-	(1,287,427)
Transportation	634,507	151	3,119	(631,237)	-	(631,237)
	<u>4,813,875</u>	<u>151</u>	<u>10,696</u>	<u>(4,803,028)</u>	<u>-</u>	<u>(4,803,028)</u>
Non-instructional programs:						
Food service operations	408	-	-	(408)	-	(408)
Long-term debt interest	100,343	-	-	(100,343)	-	(100,343)
Other expenditures:						
AEA flowthrough	470,419	-	470,419	-	-	-
Depreciation (unallocated)*	401,490	-	-	(401,490)	-	(401,490)
	<u>871,909</u>	<u>-</u>	<u>470,419</u>	<u>(401,490)</u>	<u>-</u>	<u>(401,490)</u>
Total governmental activities	<u>15,224,910</u>	<u>896,958</u>	<u>1,285,789</u>	<u>(13,042,163)</u>	<u>-</u>	<u>(13,042,163)</u>
Business type activities:						
Support services:						
Instructional staff	510	-	-	-	(510)	(510)
Administration	235	-	-	-	(235)	(235)
	<u>745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(745)</u>	<u>(745)</u>
Non-instructional programs:						
Food service operations	721,893	206,876	548,446	-	33,429	33,429
Total business type activities	<u>722,638</u>	<u>206,876</u>	<u>548,446</u>	<u>-</u>	<u>32,684</u>	<u>32,684</u>
Total	<u>\$ 15,947,548</u>	<u>1,103,834</u>	<u>1,834,235</u>	<u>(13,042,163)</u>	<u>32,684</u>	<u>(13,009,479)</u>
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 4,321,072	-	4,321,072
Debt service				627,363	-	627,363
Capital outlay				178,051	-	178,051
Income surtax				649,240	-	649,240
Statewide sales, services and use tax				1,110,084	-	1,110,084
Unrestricted state grants				6,708,120	-	6,708,120
Unrestricted investment earnings				76,081	537	76,618
Other				116,840	4,862	121,702
Transfers				28,267	(28,267)	-
Total general revenues and transfers				<u>13,815,118</u>	<u>(22,868)</u>	<u>13,792,250</u>
Change in net position				772,955	9,816	782,771
Net position beginning of year				9,797,925	(80,387)	9,717,538
Net position end of year				<u>\$ 10,570,880</u>	<u>(70,571)</u>	<u>10,500,309</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General	Capital Projects	Management Levy	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 3,837,350	2,275,213	671,782	693,993	7,478,338
Receivables:					
Property tax:					
Delinquent	50,001	2,423	9,794	8,537	70,755
Succeeding year	3,934,737	409,638	949,999	-	5,294,374
Income surtax	209,092	418,184	-	-	627,276
Accounts	20,668	-	-	7,274	27,942
Due from other governments	249,195	88,140	-	-	337,335
<b>Total assets</b>	<b>\$ 8,301,043</b>	<b>3,193,598</b>	<b>1,631,575</b>	<b>709,804</b>	<b>13,836,020</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Due to other funds	\$ 1,199	-	-	-	1,199
Accounts payable	292,589	230,084	-	376,344	899,017
Salaries and benefits payable	1,133,671	-	-	-	1,133,671
Total liabilities	1,427,459	230,084	-	376,344	2,033,887
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,934,737	409,638	949,999	-	5,294,374
Income surtax	209,092	418,184	-	-	627,276
Total deferred inflows of resources	4,143,829	827,822	949,999	-	5,921,650
Fund balances:					
Restricted for:					
Categorical funding	265,626	-	-	-	265,626
Debt service	-	-	-	238,753	238,753
Management levy purposes	-	-	681,576	-	681,576
Student activities	-	-	-	94,707	94,707
School infrastructure	-	2,059,754	-	-	2,059,754
Physical plant and equipment	-	75,938	-	-	75,938
Assigned	119,388	-	-	-	119,388
Unassigned	2,344,741	-	-	-	2,344,741
Total fund balances	2,729,755	2,135,692	681,576	333,460	5,880,483
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,301,043</b>	<b>3,193,598</b>	<b>1,631,575</b>	<b>709,804</b>	<b>13,836,020</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, 2019

<b>Total fund balances of governmental funds (page 20)</b>	\$	5,880,483
 <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 reported as assets in the governmental funds.		13,614,425
Accounts receivable income surtax is not available to finance expenditures of the current year and, therefore, is recognized as deferred inflows of resources in the governmental funds.		627,276
Pension and OPEB 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	\$ 2,217,784	
Deferred inflows of resources	<u>(374,310)</u>	1,843,474
Long-term liabilities, including revenue bonds, termination benefits, compensated absences payable, net pension liability, and total OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(11,394,778)</u>
 <b>Net position of governmental activities (page 18)</b>	 \$	 <u><u>10,570,880</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

	General	Capital Projects	Management Levy	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,824,103	385,419	704,337	627,363	5,541,222
Tuition	592,260	-	-	-	592,260
Other	303,844	29,699	7,300	259,255	600,098
Intermediate sources	7,000	-	-	-	7,000
State sources	7,345,888	1,118,544	33,547	29,810	8,527,789
Federal sources	466,725	-	-	-	466,725
Total revenues	<u>12,539,820</u>	<u>1,533,662</u>	<u>745,184</u>	<u>916,428</u>	<u>15,735,094</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,077,070	-	125,521	-	5,202,591
Special	1,489,554	-	-	-	1,489,554
Other	1,791,457	-	-	284,943	2,076,400
	<u>8,358,081</u>	<u>-</u>	<u>125,521</u>	<u>284,943</u>	<u>8,768,545</u>
Support services:					
Student	425,235	-	-	-	425,235
Instructional staff	670,872	318,685	-	-	989,557
Administration	1,178,167	63,436	24,464	-	1,266,067
Operation and maintenance of plant	1,047,264	48,899	151,021	-	1,247,184
Transportation	430,323	248,776	29,729	-	708,828
	<u>3,751,861</u>	<u>679,796</u>	<u>205,214</u>	<u>-</u>	<u>4,636,871</u>
Non-instructional programs:					
Food service operations	-	970	24,438	-	25,408
	<u>-</u>	<u>970</u>	<u>24,438</u>	<u>-</u>	<u>25,408</u>
Capital outlay	-	863,969	-	-	863,969
Long-term debt:					
Principal	-	-	-	965,000	965,000
Interest and fiscal charges	-	-	-	102,460	102,460
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067,460</u>	<u>1,067,460</u>
Other expenditures:					
AEA flowthrough	470,419	-	-	-	470,419
Total expenditures	<u>12,580,361</u>	<u>1,544,735</u>	<u>355,173</u>	<u>1,352,403</u>	<u>15,832,672</u>
Excess (Deficiency) of revenues over (under) expenditures	(40,541)	(11,073)	390,011	(435,975)	(97,578)
Other financing sources (uses):					
Proceeds from the sale of equipment	23,400	944	-	-	24,344
Transfer in	28,267	-	-	418,434	446,701
Transfer out	-	(418,434)	-	-	(418,434)
Total other financing sources (uses)	<u>51,667</u>	<u>(417,490)</u>	<u>-</u>	<u>418,434</u>	<u>52,611</u>
Change in fund balances	11,126	(428,563)	390,011	(17,541)	(44,967)
Fund balances beginning of year	<u>2,718,629</u>	<u>2,564,255</u>	<u>291,565</u>	<u>351,001</u>	<u>5,925,450</u>
Fund balances end of year	<u>\$ 2,729,755</u>	<u>2,135,692</u>	<u>681,576</u>	<u>333,460</u>	<u>5,880,483</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, 2019

**Change in fund balances - total governmental funds (page 22)** \$ (44,967)

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

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

Capital outlay	\$ 678,528	
Depreciation expense	(603,397)	
Loss on disposal	<u>48,035</u>	123,166

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 234,504

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in Statement of Net Position. 965,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,117

The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 734,261

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, as follows:

Termination benefits	(277,931)	
Compensated absences	41,416	
Pension expense	(947,594)	
Total OPEB liability and related expenses	<u>(57,017)</u>	<u>(1,241,126)</u>

**Change in net position of governmental activities (page 19)** \$ 772,955

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2019

		Business Type Activities: Enterprise Funds
		School Nutrition
<b>Assets</b>		
Current assets:		
Cash and pooled investments	\$	30,168
Accounts receivable		333
Due from other governments		21,817
Due from other funds		1,199
Inventories		20,722
<b>Total current assets</b>		<b>74,239</b>
Noncurrent assets:		
Capital assets, net of accumulated depreciation		46,743
<b>Total assets</b>		<b>120,982</b>
 <b>Deferred Outflows of Resources</b>		
Pension related deferred outflows		62,113
OPEB related deferred outflows		8,206
<b>Total Deferred Outflows of Resources</b>		<b>70,319</b>
 <b>Liabilities</b>		
Current liabilities:		
Accounts payable		3,207
Salaries and benefits payable		6,860
Unearned revenue		8,737
<b>Total current liabilities</b>		<b>18,804</b>
Noncurrent liabilities:		
Compensated absences		4,070
Net pension liability		196,594
Total OPEB liability		31,146
<b>Total noncurrent liabilities</b>		<b>231,810</b>
<b>Total liabilities</b>		<b>250,614</b>
 <b>Deferred Inflows of Resources</b>		
Pension related deferred inflows		11,258
 <b>Net Position</b>		
Net investment in capital assets		46,743
Unrestricted		(117,314)
<b>Total net position</b>	\$	<b>(70,571)</b>

SEE NOTES TO FINANCIAL STATEMENTS.



SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2019

	Business Type Activities: Enterprise Funds
	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 206,876
Miscellaneous	4,862
Total operating revenues	211,738
Operating expenses:	
Instructional staff:	
Services	510
Administration:	
Services	235
Total support services	745
Non-instructional programs:	
Food service operations:	
Salaries	238,853
Benefits	101,186
Services	1,253
Supplies	368,118
Depreciation	8,923
Other	2
	718,335
Total operating expenses	719,080
Operating income (loss)	(507,342)
Non-operating revenues:	
State sources	5,593
Federal sources	542,853
Interest income	537
Loss on asset disposal	(3,558)
Total non-operating revenues	545,425
Change in net position before other financing sources	38,083
Other financing uses:	
Transfer out	(28,267)
Change in net position	9,816
Net position beginning of year	(80,387)
Net position end of year	\$ (70,571)

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2019

		Business Type Activities:
		Enterprise Funds
		School
		Nutrition
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$	210,596
Cash received from miscellaneous		4,862
Cash payments to employees for services		(317,357)
Cash payments to suppliers for goods or services		(349,638)
Net cash used in operating activities		(451,537)
Cash flows from non-capital financing activities:		
Transfer to General Fund		(28,267)
Borrowings from General Fund		(1,199)
State grants received		3,835
Federal grants received		496,428
Net cash provided by non-capital financing activities		470,797
Cash flows from investing activities:		
Interest on investments		537
Net increase in cash and pooled investments		19,797
Cash and pooled investments beginning of year		10,371
Cash and pooled investments end of year	\$	30,168
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$	(507,342)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed		40,967
Depreciation		8,923
Increase in inventories		(18,453)
Decrease in accounts receivable		77
Decrease in due from other governments		1,100
Decrease in accounts payable		(2,034)
Increase in salaries and benefits payable		595
Increase in compensated absences		1,251
Increase in net pension liability		13,957
Increase in deferred outflows of resources		(645)
Increase in deferred inflows of resources		5,415
Increase in unearned revenue		2,543
Increase in OPEB liability		2,109
Net cash provided by (used in) operating activities	\$	(451,537)

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

During the year ended June 30, 2019, the District received \$40,967 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

	Private Purpose Trust Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 390,463	1,987
<b>Liabilities</b>		
Due to other groups	-	1,987
<b>Net Position</b>		
Held in trust for scholarships	\$ 390,463	-

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2019

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	<u>\$ 2,019</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>7,402</u>
Change in net position	(5,383)
Net position beginning of year	<u>395,846</u>
Net position end of year	<u><u>\$ 390,463</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**(1) Summary of Significant Accounting Policies**

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, Mills and Montgomery 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, Mills and Montgomery 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 the following 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.

*Unrestricted net position* consists of net position not meeting the definition of the 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 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 revenues 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 expenditures, 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 Management Levy Fund is utilized to account for the tax revenues and the payment of property insurance and unemployment benefits.

The District's nonmajor proprietary fund is the School Nutrition Fund. The School 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 funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

### **C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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/Net Position**

The following accounting policies are followed in preparing the financial statements:

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 is 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 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 reported as a deferred inflow of resources 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, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2018.

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 acquired after July 1, 1980 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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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. Reportable 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
Buildings	20-50 years
Land improvements	15 years
Intangibles	2-3 years
Machinery and equipment	5-12 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applicable to a future year(s) which 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 and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District'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.

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.

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.

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, 2019. The compensated absences liability will be paid primarily by the General Fund and the School Nutrition Fund.

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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.



Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund while the portion attributable to the business type activities will be paid primarily by the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applicable to a future year(s) which 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 unrecognized items not yet charged to pension expense.

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 Board Secretary to assign General Fund balance amounts pursuant to the District's GASB 54 policy.

Unassigned - All amounts not included in the preceding classifications.

#### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2019, expenditures exceeded the amounts budgeted in the other expenditures functional area.

#### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2019 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, 2019, the District had no such investments to be reported.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 175,000	-	-	175,000
Construction in progress	-	147,000	-	147,000
Total capital assets not being depreciated	175,000	147,000	-	322,000
Capital assets being depreciated:				
Buildings	24,620,778	68,391	-	24,689,169
Land improvements	1,099,197	279,646	-	1,378,843
Machinery and equipment	2,483,422	330,491	446,395	2,367,518
Total capital assets being depreciated	28,203,397	678,528	446,395	28,435,530
Less accumulated depreciation for:				
Buildings	12,355,014	342,254	-	12,697,268
Land improvements	746,679	59,236	-	805,915
Machinery and equipment	1,785,445	201,907	347,430	1,639,922
Total accumulated depreciation	14,887,138	603,397	347,430	15,143,105
Total capital assets being depreciated, net	13,316,259	75,131	98,965	13,292,425
Governmental activities capital assets, net	\$ 13,491,259	222,131	98,965	13,614,425
<b>Business type activities:</b>				
Machinery and equipment	\$ 317,367	-	6,100	311,267
Less accumulated depreciation	258,143	8,923	2,542	264,524
Business type activities capital assets, net	\$ 59,224	(8,923)	3,558	46,743

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 16,962
Other		8,229
Support Services:		
Instructional staff		4,003
Operation and maintenance of plant		11,785
Transportation		160,928
		201,907
Unallocated depreciation		401,490
Total governmental activities depreciation expense		\$ 603,397
Business type activities:		
Food service operations		\$ 8,923

### (4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 4,050,000	-	330,000	3,720,000	335,000
General obligation bonds	635,000	-	635,000	-	-
Termination benefits	33,000	310,931	33,000	310,931	119,045
Compensated absences	250,087	208,671	250,087	208,671	208,671
Net pension liability	6,556,729	-	20,638	6,536,091	-
Total OPEB liability	577,170	41,915	-	619,085	-
Total	\$ 12,101,986	561,517	1,268,725	11,394,778	662,716
<b>Business type activities:</b>					
Compensated absences	2,819	4,070	2,819	4,070	4,070
Net pension liability	182,637	13,957	-	196,594	-
Total OPEB liability	29,037	2,109	-	31,146	-
Total	\$ 214,493	20,136	2,819	231,810	4,070

**Revenue Bonds**

Details of the District’s June 30, 2019 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Refunding bond issue dated June 13, 2016				
	Interest Rate	Principal	Interest	Total	
2020	2.22 %	\$ 335,000	82,584	417,584	
2021	2.22	345,000	75,147	420,147	
2022	2.22	350,000	67,488	417,488	
2023	2.22	360,000	59,718	419,718	
2024	2.22	365,000	51,726	416,726	
2025-2029	2.22	1,965,000	132,756	2,097,756	
Total		<u>\$ 3,720,000</u>	<u>469,419</u>	<u>4,189,419</u>	

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,680,000 of bonds issued in June 2016. The bonds were issued for the purpose of refinancing the September 2010 revenue bonds. 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 2029. 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 37% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,189,419. For the current year, \$330,000 of principal and \$89,910 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,110,084.

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

- (a) 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.

**Termination Benefits**

The District offered a voluntary early retirement plan for employees for fiscal year 2019. The plan was only offered to employees for one year. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-eight on or before June 30 in the calendar year in which early retirement commences. The application for early retirement was subject to approval by the Board of Education.

An employee granted early retirement received incentive payments equal to \$16,000 for licensed staff and \$10,000 for support staff. At June 30, 2019, the District has obligations to eight participants with a total liability of \$310,931. Actual early retirement expenditures for the year ended June 30, 2019 totaled \$33,000.

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 418,434
General Fund	Enterprise Fund:	
Total	School Nutrition	<u>28,267</u>
		<u>\$ 446,701</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bonded indebtedness.

The transfer from the Enterprise: School Nutrition Fund to the General Fund was to reimburse for indirect costs incurred during the year.

## **(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 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, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date 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% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% 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 - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2019 were \$756,658.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the District reported a liability of \$6,732,685 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the District's proportion was 0.106391%, which was an increase of 0.005219% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$987,958. At June 30, 2019, 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	\$ 36,914	152,170
Changes of assumptions	960,459	-
Net difference between projected and actual earnings on IPERS' investments	-	184,993
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	362,757	48,405
District contributions subsequent to the measurement date	756,658	-
<b>Total</b>	<b>\$ 2,116,788</b>	<b>385,568</b>

\$756,658 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 ending June 30, 2020. 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,	Amount
2020	\$ 527,111
2021	330,484
2022	46,898
2023	60,991
2024	9,078
<b>Total</b>	<b>\$ 974,562</b>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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:

<b>Asset Class</b>	<b>Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100%	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00%. 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, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' 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 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 11,426,720	6,732,685	2,795,088

**IPERS' Fiduciary Net Position** - Detailed information about IPERS' 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 IPERS** - At June 30, 2019, the District reported payables to IPERS of \$80,203 for legally required District contributions and \$53,440 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	<u>193</u>
Total	<u><u>198</u></u>

Total OPEB Liability - The District's total OPEB liability of \$650,231 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.58% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	8.00% initial rate decreasing variably to an ultimate rate of 5.00%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2018 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 606,207
Changes for the year:	
Service cost	48,803
Interest	22,953
Benefit payments	<u>(27,732)</u>
Net changes	<u>44,024</u>
Total OPEB liability end of year	<u><u>\$ 650,231</u></u>

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2018 to 3.58% in fiscal year 2019.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	\$ 704,021	650,231	600,811

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rates.

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 584,947	650,231	727,258

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2019, the District recognized OPEB expense of \$87,618. At June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 110,172
Changes in assumptions	61,143
Total	<u>\$ 171,315</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ 15,862
2021	15,862
2022	15,862
2023	15,862
2024	15,862
Thereafter	<u>92,005</u>
Total	<u>\$ 171,315</u>

## (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.



**(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 \$470,419 for the year ended June 30, 2019 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2019.

<u>Program</u>	<u>Amount</u>
Home School Assistance Program	\$ 7,307
Gifted and Talented Programs	45,863
Teacher Leadership State Aid	109,095
Teacher Salary Supplement	32,684
Beginning Administrator Mentoring & Induction	19
Successful Progression for Early Readers	4,835
Professional Development	65,823
Total	<u>\$ 265,626</u>

**(11) Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position is the following:

	<u>Net investment in Capital Assets</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	681,576	2,344,741
Capital assets, net of accumulated depreciation	13,614,425	-	-
Revenue bond indebtedness	(3,720,000)	-	-
Income surtax	-	-	627,276
Termination benefits	-	(310,931)	-
Compensated absences	-	-	(208,671)
Pension related deferred outflows	-	-	2,054,675
Pension related deferred inflows	-	-	(374,310)
Net pension liability	-	-	(6,536,091)
Total OPEB liability	-	-	(619,085)
OPEB related deferred outflows	-	-	163,109
Assigned Funds	-	-	119,388
Net position (Exhibit A)	<u>\$ 9,894,425</u>	<u>370,645</u>	<u>(2,428,968)</u>

**(12) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Shenandoah	Urban Renewal and Economic Development Projects	\$ 20,339

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2019, this reimbursement amounted to \$9,273.

**(13) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

**(14) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2019, expenditures in the other expenditures functional area exceeded the amounts budgeted.

**(15) Construction Commitment**

The District entered into outstanding contracts totaling \$190,132 for High School and Elementary building alarm installations. As of June 30, 2019, costs of \$147,000 had been incurred against the contract. The balance remaining will be paid as work on the projects progress.

**(16) Subsequent Event**

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of Shenandoah Community School District may be adversely impacted. The extent of the financial impact of COVID-19 will depend on further developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the Community School District's operations and finances.

REQUIRED SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2019

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 6,733,580	212,275	6,945,855	7,022,475	7,022,475	(76,620)
Intermediate sources	7,000	-	7,000	-	-	7,000
State sources	8,527,789	5,593	8,533,382	8,194,739	8,194,739	338,643
Federal sources	466,725	542,853	1,009,578	875,000	875,000	134,578
Total revenues	<u>15,735,094</u>	<u>760,721</u>	<u>16,495,815</u>	<u>16,092,214</u>	<u>16,092,214</u>	<u>403,601</u>
Expenditures/Expenses:						
Instruction	8,768,545	-	8,768,545	9,470,000	9,470,000	701,455
Support services	4,636,871	745	4,637,616	4,836,100	5,011,100	373,484
Non-instructional programs	25,408	721,893	747,301	765,000	765,000	17,699
Other expenditures	2,401,848	-	2,401,848	2,258,404	2,258,404	(143,444)
Total expenditures/expenses	<u>15,832,672</u>	<u>722,638</u>	<u>16,555,310</u>	<u>17,329,504</u>	<u>17,504,504</u>	<u>949,194</u>
Excess (Deficiency) of revenues over (under) expenditures/expenses	(97,578)	38,083	(59,495)	(1,237,290)	(1,412,290)	1,352,795
Other financing sources, net	<u>52,611</u>	<u>(28,267)</u>	<u>24,344</u>	<u>10,000</u>	<u>10,000</u>	<u>14,344</u>
Excess (Deficiency) of revenues and other financing sources over (under) expenditures/expenses	(44,967)	9,816	(35,151)	(1,227,290)	(1,402,290)	1,367,139
Balances beginning of year	<u>5,925,450</u>	<u>(80,387)</u>	<u>5,845,063</u>	<u>4,841,348</u>	<u>4,841,348</u>	<u>1,003,715</u>
Balances end of year	<u>\$ 5,880,483</u>	<u>(70,571)</u>	<u>5,809,912</u>	<u>3,614,058</u>	<u>3,439,058</u>	<u>2,370,854</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2019

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides 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 \$175,000.

During the year ended June 30, 2019, expenditures in the other expenditures functional area exceeded the amounts budgeted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 FOR THE LAST FIVE YEARS\*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.106391%	0.101173%	0.097226%	0.097086%	0.102328%
District's proportionate share of the net pension liability	\$ 6,732,685	6,739,366	6,118,714	4,796,520	4,058,224
District's covered payroll	\$ 7,996,282	7,547,376	6,978,625	6,651,274	6,695,890
District's proportionate share of the net pension liability as a percentage of its covered payroll	84.20%	89.29%	87.68%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TEN YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 756,658	714,068	673,981	623,191	593,959	597,943	554,671	517,100	420,681	426,253
Contributions in relation to the statutorily required contribution	\$ (756,658)	(714,068)	(673,981)	(623,191)	(593,959)	(597,943)	(554,671)	(517,100)	(420,681)	(426,253)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 8,015,445	7,996,282	7,547,380	6,978,623	6,651,277	6,695,890	6,397,589	6,407,683	6,052,964	6,409,820
Contributions as a percentage of covered payroll	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2018<sup>7</sup> valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) 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.



SHENANDOAH COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S  
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES  
FOR THE LAST TWO YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018
Service cost	\$ 48,803	47,267
Interest cost	22,953	21,270
Differences between expected and actual experiences	-	130,574
Changes in assumptions	-	72,465
Benefit payments	(27,732)	(18,422)
Net change in total OPEB liability	44,024	253,154
Total OPEB liability beginning of year	606,207	353,053
Total OPEB liability end of year	\$ 650,231	606,207
Covered-employee payroll	\$ 7,940,080	7,690,150
Total OPEB liability as a percentage of covered-employee payroll	8.19%	7.88%

**Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2019	3.58%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	2.50%



SHENANDOAH COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

	Special Revenue		
	Student Activity	Debt Service	Total Nonmajor
<b>Assets</b>			
Cash and pooled investments	\$ 88,322	605,671	693,993
Receivables:			
Property tax:			
Delinquent	-	8,537	8,537
Accounts	7,274	-	7,274
<b>Total assets</b>	\$ 95,596	614,208	709,804
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 889	375,455	376,344
Fund balances:			
Restricted for:			
Debt service	-	238,753	238,753
Student activities	94,707	-	94,707
Total fund balances	94,707	238,753	333,460
<b>Total liabilities, deferred inflows of resources and fund balances</b>	\$ 95,596	614,208	709,804

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, 2019

	<u>Special Revenue</u>		
	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total Nonmajor</u>
Revenues:			
Local sources:			
Local tax	\$ -	627,363	627,363
Other	253,200	6,055	259,255
State sources	-	29,810	29,810
Total revenues	<u>253,200</u>	<u>663,228</u>	<u>916,428</u>
Expenditures:			
Current:			
Instruction:			
Other	284,943	-	284,943
Long-term debt:			
Principal	-	965,000	965,000
Interest and fiscal charges	-	102,460	102,460
Total expenditures	<u>284,943</u>	<u>1,067,460</u>	<u>1,352,403</u>
Deficiency of revenues under expenditures	(31,743)	(404,232)	(435,975)
Other financing sources:			
Transfer in	-	418,434	418,434
Change in fund balances	(31,743)	14,202	(17,541)
Fund balances beginning of year	<u>126,450</u>	<u>224,551</u>	<u>351,001</u>
Fund balances end of year	<u>\$ 94,707</u>	<u>238,753</u>	<u>333,460</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND ACCOUNTS  
 JUNE 30, 2019

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,185,669	89,544	2,275,213
Receivables:			
Property tax:			
Delinquent	-	2,423	2,423
Succeeding year	-	409,638	409,638
Income surtax	-	418,184	418,184
Due from other governments	88,140	-	88,140
<b>Total assets</b>	<b>\$ 2,273,809</b>	<b>919,789</b>	<b>3,193,598</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 214,055	16,029	230,084
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	409,638	409,638
Income surtax	-	418,184	418,184
Total deferred inflows of resources	-	827,822	827,822
Fund balances:			
Restricted for:			
School infrastructure	2,059,754	-	2,059,754
Physical plant and equipment	-	75,938	75,938
Total fund balances	2,059,754	75,938	2,135,692
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,273,809</b>	<b>919,789</b>	<b>3,193,598</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUND ACCOUNTS  
 YEAR ENDED JUNE 30, 2019

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	385,419	385,419
Other	23,393	6,306	29,699
State sources	1,110,084	8,460	1,118,544
Total revenues	<u>1,133,477</u>	<u>400,185</u>	<u>1,533,662</u>
Expenditures:			
Support services:			
Instructional staff	61,665	257,020	318,685
Administration	-	63,436	63,436
Operation and maintenance of plant	35,698	13,201	48,899
Transportation	212,130	36,646	248,776
Non-instructional programs			
Food service operations	-	970	970
Capital outlay	457,173	406,796	863,969
Total expenditures	<u>766,666</u>	<u>778,069</u>	<u>1,544,735</u>
Excess (Deficiency) of revenues over (under) expenditures	366,811	(377,884)	(11,073)
Other financing sources (uses):			
Proceeds from the sale of equipment	-	944	944
Transfer out	(418,434)	-	(418,434)
Total other financing sources (uses)	<u>(418,434)</u>	<u>944</u>	<u>(417,490)</u>
Change in fund balances	(51,623)	(376,940)	(428,563)
Fund balances beginning of year	<u>2,111,377</u>	<u>452,878</u>	<u>2,564,255</u>
Fund balances end of year	<u>\$ 2,059,754</u>	<u>75,938</u>	<u>2,135,692</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2019

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 10,350	7,884	6,590	11,644
HS General Athletics	26,497	102,890	127,284	2,103
Booster Reimbursement	3,850	-	3,850	-
MS Football	579	875	213	1,241
Softball	210	-	210	-
Girls Tennis	140	-	140	-
BPA	2,772	17,245	17,876	2,141
Annual	17,240	5,085	6,869	15,456
Math Club	2,841	-	400	2,441
Cheerleaders	1,951	3,685	4,538	1,098
Class of 2018	660	-	660	-
Class of 2019	390	-	269	121
Class of 2020	2,353	1,552	3,500	405
Class of 2021	1,372	620	194	1,798
Class of 2022	-	653	77	576
Concessions	1,597	28,019	28,053	1,563
FFA	10,128	26,677	27,708	9,097
FCCLA	1,262	2,237	2,116	1,383
Shen Girls Golf	45	-	-	45
Marching Mustangs	2,251	8,777	9,026	2,002
National Art Honor Society	1,668	573	630	1,611
National Honor Society	2,646	1,097	659	3,084
Shen Boys Bowling	3,560	3,361	5,415	1,506
Shen Boys Basketball	207	258	90	375
Shen Girls Basketball	713	-	269	444
Shen Boys Golf	119	-	5	114
Shen Boys Cross Country	94	620	495	219
Shen Boys Tennis	92	117	116	93
Shen Boys Track	248	-	-	248
Shen Football	1,620	655	1,238	1,037
Shen Girls Track	68	313	381	-
Shen Girls Tennis	119	140	30	229
Shen Girls Cross Country	60	2,838	2,874	24
Shen Singers	911	248	113	1,046
Shen Softball	1,161	2,662	2,550	1,273
Shen Volleyball	1,669	130	895	904
Shen Weight Club	268	-	268	-
Shen Wrestlers	589	802	689	702
SHS Speech Club	5,102	1,405	3,990	2,517
Student Council	1,448	5,743	5,050	2,141
Shen Baseball	107	150	257	-
DAOUST Homeroom	47	-	-	47
MS Annual	2,440	716	1,052	2,104
MS FCCLA	686	658	157	1,187
MS Marching Mustangs	2,799	6,723	4,077	5,445
MS Swing Choir	301	-	-	301
MS Student Council	6,087	2,930	1,162	7,855
Shen Girls Bowling	40	3,451	1,497	1,994
Lifeskills	1,555	-	-	1,555
May Mentoring Activity	811	11,411	11,411	811
Beecher NAHS	2,050	-	-	2,050
Shenandoah Interact Club	677	-	-	677
<b>Total</b>	<b>\$ 126,450</b>	<b>253,200</b>	<b>284,943</b>	<b>94,707</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND - SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2019

Account	Net Position Beginning of Year	Additions	Deductions	Net Position End of Year
FCA scholarship	\$ 230	1	-	231
Bateman scholarship	9,065	47	-	9,112
Dreyer scholarship	2,779	14	-	2,793
Pickard scholarship	2,123	11	-	2,134
Wilson scholarship	188,633	969	2,249	187,353
Keenan scholarship	13,835	70	500	13,405
Roscoe scholarship	1,367	7	76	1,298
Folden scholarship	1,713	8	251	1,470
Ingrim scholarship	151,136	773	2,000	149,909
Obrien scholarship	1,004	4	200	808
Penwell scholarship	18,514	93	499	18,108
Richards scholarship	502	1	500	3
Limbacher scholarship	502	1	502	1
Campbell scholarship	2,286	11	125	2,172
Pitner scholarship	2,060	9	500	1,569
Miscellaneous scholarships	97	-	-	97
Total	<u>\$ 395,846</u>	<u>2,019</u>	<u>7,402</u>	<u>390,463</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2019

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 1,887	4,904	4,804	1,987
<b>Liabilities</b>				
Due to other groups	\$ 1,887	4,904	4,804	1,987

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
Local sources:										
Local tax	\$ 5,541,222	5,547,193	5,601,166	4,787,405	4,771,335	4,755,599	5,375,009	4,928,448	4,951,533	4,320,042
Tuition	592,260	441,742	423,058	634,694	491,267	435,121	514,597	487,286	426,560	363,275
Other	600,098	610,645	593,628	508,693	474,023	429,317	446,933	405,877	492,155	424,652
Intermediate sources	7,000	-	-	-	-	-	-	4,866	36,000	-
State sources	8,527,789	8,072,771	8,212,368	6,958,366	6,810,398	6,655,677	5,633,244	6,142,911	5,362,751	4,585,995
Federal sources	466,725	424,249	465,410	395,748	409,319	355,613	465,132	890,925	725,418	1,058,763
Total	\$ 15,735,094	15,096,600	15,295,630	13,284,906	12,956,342	12,631,327	12,434,915	12,860,313	11,994,417	10,752,727
Expenditures:										
Instruction:										
Regular	\$ 5,202,591	5,244,094	5,067,684	5,016,678	4,582,118	4,475,551	4,544,076	4,461,168	4,158,775	4,239,647
Special	1,489,554	1,664,179	1,521,870	1,341,411	1,490,295	1,343,399	1,244,355	1,238,190	1,133,588	1,124,607
Other	2,076,400	2,061,302	1,748,692	1,634,849	1,485,458	1,461,967	1,473,969	1,438,654	1,408,582	1,498,240
Support services:										
Student	425,235	422,452	363,593	353,303	349,503	373,958	354,308	330,923	327,166	306,716
Instructional staff	989,557	1,091,860	1,029,451	589,467	630,338	534,229	856,873	551,006	543,436	371,436
Administration	1,266,067	1,221,696	1,247,469	1,305,979	1,124,263	1,060,295	1,022,541	1,051,097	956,809	962,789
Operation and maintenance of plant	1,247,184	1,104,172	1,003,107	965,057	954,861	925,370	876,727	884,488	813,004	810,920
Transportation	708,828	668,687	483,465	517,279	443,484	383,486	475,205	413,568	389,742	389,854
Non-instructional programs	25,408	36,560	-	2,309	27,070	-	-	-	18,281	-
Capital outlay	863,969	390,319	572,161	320,292	251,088	446,976	822,033	1,716,345	1,780,729	107,427
Long-term debt:										
Principal	965,000	945,000	920,000	1,361,925	843,323	4,343,324	608,324	560,000	1,540,000	985,000
Interest	102,460	121,814	76,791	141,827	252,061	361,021	361,697	542,163	218,371	238,752
Other expenditures:										
AEA flowthrough	470,419	467,767	462,930	404,838	399,820	392,820	381,094	385,074	413,540	395,530
Total	\$ 15,832,672	15,439,902	14,497,213	13,955,214	12,833,682	16,102,396	13,021,202	13,572,676	13,702,023	11,430,918

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019

GRANTOR/PROGRAM	PASS-THROUGH		
	CFDA NUMBER	ENTITY IDENTIFYING NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 19	\$ 109,154
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 19	374,242 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 19	41,830
			525,226
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 19	424
TEAM NUTRITION GRANT	10.574	FY 19	111
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 19	270,383
SPECIAL EDUCATION - GRANTS TO STATES - HIGH COST CLAIM	84.027	FY 19	15,114 **
SUPPORTING EFFECTIVE INSTRUCTION STATE GRANT (TITLE IIA)	84.367	FY 19	37,715
STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM	84.424	FY 19	23,355
RURAL EDUCATION	93.778	FY 19	20,254
GREEN HILLS AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 19	52,795 **
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 19	11,231
IOWA DEPARTMENT OF PUBLIC HEALTH:			
STATE ADMINISTRATIVE MATCHING GRANTS	10.561	FY 19	16,942
IOWA DEPARTMENT OF AGRICULTURE:			
SPECIALTY CROP BLOCK GRANT PROGRAM	10.170	FY 19	150
TOTAL			\$ 973,700

\* - Includes \$40,967 of non-cash awards

\*\* - Total for Special Education (84.027) is \$67,909.

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Shenandoah Community School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Shenandoah Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Shenandoah Community School District.

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** - Shenandoah Community School District uses a federally negotiated indirect cost rate as allowed under the Uniform Guidance.

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 standards and the standards applicable to financial audits contained in Government 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, 2019, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon May 5, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shenandoah Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Shenandoah Community School District's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control, which is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-19 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shenandoah Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2019 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 the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Shenandoah Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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.

May 5, 2020  
Newton, Iowa

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

**Independent Auditor's Report on Compliance**  
**for Each Major Federal Program and on Internal Control over Compliance**  
**Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited Shenandoah Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations and the terms and conditions of its federal awards 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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Shenandoah Community School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Shenandoah Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on 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 of compliance, we considered Shenandoah Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are 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 the Uniform Guidance, 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.

A deficiency in 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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questions Costs as item III-A-19, that we consider to be a material weakness.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

May 5, 2020  
Newton, Iowa



SHENANDOAH COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the 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 audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516(a).
- (g) Major programs were as follows:
  - Child Nutrition Cluster
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Shenandoah Community School District did not qualify as a low-risk auditee.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

II-A-19 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition - We noted one individual has control over one or more of the following areas for the District:

- 1) Cash - check signing, recording and reconciling cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Capital Assets - purchasing, recording and reconciling.
- 4) Wire transfers - processing and approving.
- 5) Payroll - recordkeeping, preparation, posting.
- 6) Financial reporting - preparing, reconciling and approving.

Cause - The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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 web-based so that other individuals, as well as the Executive Secretary and Accounts Payable Specialist, have access to district financial information. In regard to the Federal Programs, we will attempt to segregate these duties further.

Conclusion - Response accepted.

### **Part III: Findings and Questioned Costs for Federal Awards:**

#### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

#### **INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10.559: Summer Food Service Program for Children  
Pass-Through Entity Identifying Number: N/A  
Federal Award Year: 2019  
Prior Year Finding Number: 2018-001 (III-A-18)  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

III-A-19 Segregation of Duties - One important aspect of the internal control structure is the (2019-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one individual has control over portions of one or more of the following areas for the District relating to federal programs: cash, investments, payroll and financial reporting. See finding II-A-19.

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

IV-A-19 Certified Budget - Expenditures for the year ended June 30, 2019 exceeded the amended certified budget amounts in the other expenditures functional area.

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

Response - The expenditures will be monitored, and the budget amended appropriately and timely.

Conclusion - Response accepted.

IV-B-19 Questionable Disbursements - We noted the following:

**Sales Tax Paid** - We noted purchases made from District credit cards for the full purchase price, including sales tax. As the District is a tax-exempt entity, the payments of sales tax

would not appear to meet public purpose as defined in the Attorney General’s opinion dated April 25, 1979.

Recommendation - The District should review their procedures in place and make necessary adjustments to comply with the Attorney General’s opinion dated April 25, 1979.

Response - The district will attempt to not pay sales tax. Sales tax exemption forms will be made available to staff and local businesses will be sent tax exempt forms.

Conclusion - Response accepted.

**Supporting Documents for Credit Card Payments** - During our audit we noted instances of purchases on the District credit card that lacked an invoice or detailed receipt to be used as supporting documentation beyond the credit card statement.

Recommendation - Chapter 279.29 of the Code of Iowa requires the Board of Directors to audit and allow all bills prior to payment. That would be impossible without an invoice or some other form of supporting documentation. In addition, the District has a policy in place for credit card usage, which states in part that the users of the credit cards must submit detailed receipts for purchases made. The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - Staff will be reminded of the sales receipt policy. Detailed documentation will be required for all credit card purchases.

Conclusion – Response accepted.

IV-C-19 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-19 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Sarah Martin, Teacher Husband Owns Sweet Corn Business	Food	\$109

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transactions with the relative of the District employee do not appear to represent a conflict of interest.

IV-E-19 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 ensure the coverage is adequate for current operations.

IV-F-19 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-19 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-19 Supplementary Weighting - No variances in the supplementary weighting data certified to the Iowa Department of Education were noted.

- IV-I-19 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-19 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-19 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-19 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, 2019, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,111,377
Revenues:		
Sales tax revenues	\$ 1,110,084	
Other local revenues	<u>23,393</u>	<u>1,133,477</u>
Expenditures/transfers out:		
School infrastructure construction	97,127	
Equipment	465,246	
Other	204,293	
Transfers to other funds:		
Debt service fund	<u>418,434</u>	<u>1,185,100</u>
Ending balance		<u>\$ 2,059,754</u>

For the year ended June 30, 2019, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-19 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

**Inactive Accounts** - We noted the following accounts in the Student Activity Fund have not had activity the past three years: Shen Girls Golf, Daoust Homeroom and Shenandoah Interact Club.

Recommendation - The remaining balances in these accounts should be transferred to the General Fund where it can be expended for its intended purpose.

Response - The inactive accounts will be closed according to the recommendations from the sponsors and administration.

Conclusion - Response accepted.