



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

November 5, 2007

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Shenandoah, Iowa.

The City's receipts totaled \$6,623,550 for the year ended June 30, 2007, a 19 percent increase over 2006. The receipts included \$2,116,509 in property and other city tax, \$515,808 from local option sales tax, \$2,021,033 from charges for service, \$898,951 from operating grants, contributions and restricted interest, \$806,963 from capital grants, contributions and restricted interest, \$8,187 from unrestricted interest on investments, \$149,799 from other general receipts and \$106,300 from the sale of notes. The significant increase in receipts is due primarily to the sale of notes and reimbursement for a capital project from private sources during the year ended June 30, 2007.

Disbursements for the year totaled \$6,640,147, a 19 percent increase over the prior year, and included \$1,069,262 for public safety, \$1,035,985 for debt service and \$980,436 for capital projects. Also, disbursements for business type activities totaled \$1,333,339. The significant increase in disbursements is due to capital project activity during the year ended June 30, 2007.

A copy of the report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**CITY OF SHENANDOAH**

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

**JUNE 30, 2007**

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**City of Shenandoah**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Hunt	Mayor	Jan 2010
Jeff Hiser	Mayor Pro tem	Jan 2010
E. J. Teachout	Council Member	Jan 2008
Robert Burchett	Council Member	Jan 2008
Don Gibson	Council Member	Jan 2010
Marvin Adcock	Council Member	Jan 2010
Byron Harris	Administrator	Jun 2008
Marcia McKay	Clerk/Treasurer	Jun 2008
Robert Norris	Attorney	Jun 2008

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

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 the City of Shenandoah, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Shenandoah's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

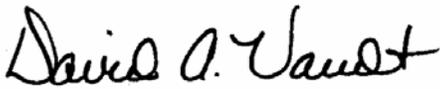
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Shenandoah as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

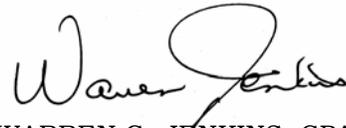
In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2007 on our consideration of the City of Shenandoah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Shenandoah's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 23, 2007

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Shenandoah 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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 19%, or approximately \$849,000, from fiscal 2006 to fiscal 2007. Note proceeds increased approximately \$106,000 and capital grants, contributions and restricted interest receipts increased approximately \$574,000.
- Governmental activities disbursements increased 21%, or approximately \$907,000, in fiscal 2007 from fiscal 2006. Capital projects increased approximately \$900,000.
- The City's total cash basis net assets decreased 1%, or approximately \$16,600, from June 30, 2006 to June 30, 2007.

### **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 City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

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 City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system and the waste water treatment and sanitary sewer system. These activities are financed primarily by user fees.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Employee Benefits, Local Option Sales Tax and Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

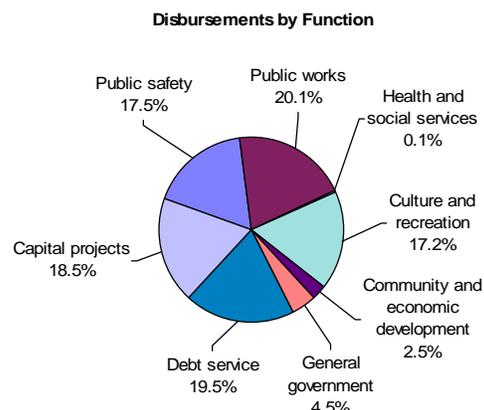
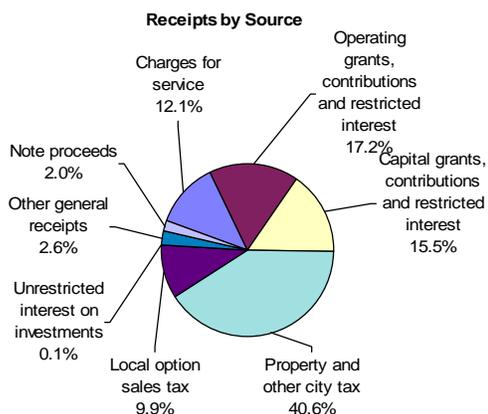
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from approximately \$1,148 thousand to \$1,110 thousand. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 632	610
Operating grants, contributions and restricted interest	899	901
Capital grants, contributions and restricted interest	807	233
General receipts:		
Property and other city tax	2,116	1,999
Local option sales tax	516	520
Unrestricted interest on investments	5	6
Note proceeds	106	-
Other general receipts	136	99
<b>Total receipts</b>	<b>5,217</b>	<b>4,368</b>
<b>Disbursements:</b>		
Public safety	928	1,001
Public works	1,069	989
Health and social services	7	3
Culture and recreation	912	846
Community and economic development	133	192
General government	241	274
Debt service	1,036	1,014
Capital projects	981	81
<b>Total disbursements</b>	<b>5,307</b>	<b>4,400</b>
Change in cash basis net assets before transfers	(90)	(32)
Transfers, net	52	-
<b>Change in cash basis net assets</b>	<b>(38)</b>	<b>(32)</b>
Cash basis net assets beginning of year	1,148	1,180
<b>Cash basis net assets end of year</b>	<b>\$ 1,110</b>	<b>1,148</b>



Total business type activities cash balance increased from a year ago, increasing from approximately \$81 thousand to \$102 thousand. The analysis that follows focuses on the changes in cash basis net assets of business type activities.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 975	784
Sewer	414	401
General receipts:		
Unrestricted interest on investments	3	2
Miscellaneous	14	-
Total receipts	<u>1,406</u>	<u>1,187</u>
Disbursements:		
Water	995	771
Sewer	338	397
Total disbursements	<u>1,333</u>	<u>1,168</u>
Change in cash basis net assets before transfers	73	19
Transfers, net	52	-
Change in cash basis net assets	<u>21</u>	<u>19</u>
Cash basis net assets beginning of year	81	62
Cash basis net assets end of year	<u>\$ 102</u>	<u>81</u>

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Shenandoah completed the fiscal year, its governmental funds reported a combined fund balance of \$1,110,285, a decrease of \$37,876 below last year's restated total of \$1,148,161. The following are the major reasons for the changes in fund balances of the major funds from the prior year and the changes in total receipts and disbursements.

The General Fund cash balance at the end of fiscal 2006 was \$51,427 and at the end of fiscal 2007 was \$28,852. The City's overall disbursements in the General Fund increased from \$1,968,741 in fiscal 2006 to \$1,987,161 in fiscal 2007, an increase of \$18,420, or 1%. The increase was not significant.

The Special Revenue, Road Use Tax Fund cash balance at the end of fiscal 2007 decreased \$18,949 from the prior year end to \$23,522. Disbursements increased \$43,207, primarily due to an increase in street department wages and related health insurance costs.

The Special Revenue, Employee Benefits Fund receipts increased \$73,366 and disbursements increased \$77,543 over the respective prior year amounts. Tax collections increased by \$63,395.

The Special Revenue, Local Option Sales Tax Fund receipts decreased to \$521,924 in fiscal 2007 from \$524,539 in fiscal 2006, which was caused by a decrease in sales tax collections from the prior year. Disbursements increased \$10,713 from the prior year for various community and economic development projects.

By a referendum, the local option tax was put into four categories: 60% for property tax relief, 20% for community betterment, 10% for community planning and 10% for economic development. The following is a breakdown of fiscal 2006 receipts:

Property tax relief	\$ 309,485
Community betterment	103,161
Community planning	51,581
Economic development	51,581
	<hr/>
Total	\$ 515,808
	<hr/> <hr/>

Most of the funds are transferred to supplement the General Fund. The portion for community betterment is used to pay principal and interest on bonds sold to help finance the construction of a new swimming pool. Also, the portion for community planning is used to help finance the City Metal Recycling Program. All of the portion received for economic development goes to the Shenandoah Chamber and Industry Association. All monies transferred from the Special Revenue, Local Option Sales Tax Fund to other City funds are used for, or are a form of, property tax relief.

The Special Revenue, Tax Increment Financing Fund (TIF) was established in fiscal year 2003 for the construction of a new theater and in 2004 for Iowa Western Community College improvements. TIF collections of \$296,773 were used for principal and interest payments. The cash balance increased from \$252,085 at the end of fiscal 2006 to \$350,732 at the end of fiscal 2007. The note resolution requires a sinking fund reserve of \$195,500.

The Special Revenue, Simons Trust - Library Fund was established several years ago when a former resident bequeathed approximately \$250,000 to the City Library. The Library Board of Trustees has been working with architects on plans to construct a major addition adjacent to our library. The cash balance did not change significantly from the previous year.

The Special Revenue, Library Foundation Fund is a component unit of the City. The cash balance increased \$12,304 from fiscal 2006 to a current balance of \$216,670.

The Debt Service Fund cash balance of \$10,223 increased from the prior year balance of \$(16,917). The City made transfers sufficient to cover all the debt payments.

The Capital Projects Fund cash balance of (\$192,265) decreased significantly from the prior year balance of (\$40,808). The City started a wastewater treatment plant project in 2007 and disbursed \$250,622 more than collected from private sources.

The Permanent, Cemetery Perpetual Care Fund cash balance of \$150,259 did not change significantly from the prior year.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

Water Fund receipts increased in fiscal 2007 by \$202,012 over fiscal 2006. Disbursements also increased \$224,545 in fiscal 2007. Water rates were increased in April 2006 and again in June 2007. Disbursements increased due to increased material costs, such as hydrants, valves, meters and chemicals, and the purchase of a water truck. Also, water revenue bonds were paid in advance.

Sewer Fund receipts increased from fiscal 2006 by \$17,849 and disbursements decreased \$58,922 in 2007. Sewer rates were increased in June 2007. Disbursements decreased due to a reduction in payroll and insurance.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on June 12, 2007 and resulted in an increase in receipts and other financing sources of \$848,700 and an increase in disbursements of \$848,700. The increase in budgeted receipts includes \$97,167 in TIF receipts and \$751,533 in other financing sources. Budgeted disbursements increased due to an increase in employee insurance costs, fuel and other materials.

The City's receipts were \$762,292 more than budgeted. This was primarily due to the City receiving more miscellaneous receipts than anticipated, even after the amendment. The majority of the miscellaneous receipts were a reimbursement of costs for a wastewater treatment project received from a private company.

Even with the budget amendment, total disbursements were \$376,264 more than the amended budget.

The City exceeded the amounts budgeted in the public safety, public works, community and economic development, debt service, capital projects and business type activities functions for the year ended June 30, 2007. The most significant overages were in the debt service and capital projects functions. In the debt service function, certain debt principal was paid in advance. In the capital projects function, additional work was done, billed and paid before June 30, 2007.

## DEBT ADMINISTRATION

At June 30, 2007, the City had approximately \$4,953,000 in bonds and other long-term debt outstanding, compared to approximately \$5,469,000 last year. The chart below segregates the City's debt into its component parts.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2007	2006
General obligation bonds/notes	\$ 2,350	2,665
Water revenue bonds	-	50
Local option sales and services tax revenue bonds	50	100
Swimming pool revenue notes	146	176
Urban renewal revenue notes	1,655	1,770
Special assessment bonds/notes	326	386
Capital lease purchase agreement	426	322
Total	\$ 4,953	5,469

Debt payments in fiscal 2007 reduced outstanding debt by approximately \$813,000 and debt issuances increased outstanding debt by approximately \$298,000.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,481,326 is significantly below the City's constitutional debt limit of \$8,769,500.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Shenandoah's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees charged for various City activities.

These factors were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget are \$5.7 million, a decrease of 8.2% from the final 2007 budget. The City expects to receive more state grants and other funding in fiscal 2008. Budgeted disbursements are expected to decrease approximately \$512,000. The decrease is due to a reduction in debt service and capital project disbursements.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$530,000 by the close of fiscal 2008.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Byron Harris, City Administrator, by mail at 500 W. Clarinda Avenue, Shenandoah, Iowa 51601-0338 or by phone at (712) 246-4411.

**City of Shenandoah**

## **Basic Financial Statements**

City of Shenandoah

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2007

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 927,647	23,008	37,119	-
Public works	1,069,262	433,517	509,300	-
Health and social services	6,789	2,169	31	-
Culture and recreation	912,149	158,507	131,810	40,812
Community and economic development	133,723	-	54,840	-
General government	240,817	14,606	145,808	-
Debt service	1,035,985	-	20,043	77,838
Capital projects	980,436	-	-	688,313
Total governmental activities	5,306,808	631,807	898,951	806,963
Business type activities:				
Water	995,205	974,952	-	-
Sewer	338,134	414,274	-	-
Total business type activities	1,333,339	1,389,226	-	-
Total	\$ 6,640,147	2,021,033	898,951	806,963
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Employee benefits				
Local option sales tax				
Tax increment financing				
Simons Trust - Library				
Library Foundation				
Debt service				
Cemetery perpetual care				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(867,520)	-	(867,520)
(126,445)	-	(126,445)
(4,589)	-	(4,589)
(581,020)	-	(581,020)
(78,883)	-	(78,883)
(80,403)	-	(80,403)
(938,104)	-	(938,104)
(292,123)	-	(292,123)
(2,969,087)	-	(2,969,087)
-	(20,253)	(20,253)
-	76,140	76,140
-	55,887	55,887
(2,969,087)	55,887	(2,913,200)
1,423,520	-	1,423,520
296,773	-	296,773
396,216	-	396,216
515,808	-	515,808
5,333	2,854	8,187
106,300	-	106,300
11,601	-	11,601
123,791	14,407	138,198
51,869	(51,869)	-
2,931,211	(34,608)	2,896,603
(37,876)	21,279	(16,597)
1,148,161	81,029	1,229,190
\$ 1,110,285	102,308	1,212,593
\$ 23,522	-	23,522
123,063	-	123,063
5,984	-	5,984
155,232	-	155,232
143,460	-	143,460
216,670	-	216,670
255,723	12,752	268,475
150,259	-	150,259
199,785	-	199,785
(163,413)	89,556	(73,857)
\$ 1,110,285	102,308	1,212,593

City of Shenandoah

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2007

	Special			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
<b>Receipts:</b>				
Property tax	\$ 761,135	-	555,001	-
Tax increment financing	-	-	-	-
Other city tax	75,248	-	26,938	515,808
Licenses and permits	17,023	-	-	-
Use of money and property	43,221	-	-	4,962
Intergovernmental	17,657	462,231	-	-
Charges for service	553,862	-	-	-
Special assessments	-	-	-	-
Miscellaneous	109,877	-	53,139	1,154
Total receipts	<u>1,578,023</u>	<u>462,231</u>	<u>635,078</u>	<u>521,924</u>
<b>Disbursements:</b>				
Operating:				
Public safety	648,629	-	259,131	-
Public works	465,442	481,180	122,640	-
Health and social services	913	-	-	-
Culture and recreation	677,844	-	186,581	-
Community and economic development	-	-	-	124,103
General government	194,333	-	33,184	-
Debt service	-	-	-	55,225
Capital projects	-	-	-	-
Total disbursements	<u>1,987,161</u>	<u>481,180</u>	<u>601,536</u>	<u>179,328</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(409,138)</u>	<u>(18,949)</u>	<u>33,542</u>	<u>342,596</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	8,251	-	-	-
Note proceeds, net of \$3,700 discount and fee	-	-	-	-
Operating transfers in	378,312	-	-	-
Operating transfers out	-	-	-	(372,167)
Total other financing sources (uses)	<u>386,563</u>	<u>-</u>	<u>-</u>	<u>(372,167)</u>
Net change in cash balances	(22,575)	(18,949)	33,542	(29,571)
Cash balances beginning of year	51,427	42,471	89,521	85,555
Cash balances end of year	<u>\$ 28,852</u>	<u>23,522</u>	<u>123,063</u>	<u>55,984</u>
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	-	50,000
Unreserved:				
General fund	28,852	-	-	-
Special revenue funds	-	23,522	123,063	5,984
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ 28,852</u>	<u>23,522</u>	<u>123,063</u>	<u>55,984</u>

See notes to financial statements.

Revenue				Permanent				Total
Tax	Simons		Debt Service	Capital Projects	Cemetery	Nonmajor		
Increment Financing	Trust - Library	Library Foundation			Perpetual Care			
-	-	-	396,215	-	-	25,338	1,737,689	
296,773	-	-	-	-	-	-	296,773	
-	-	-	17,465	-	-	1,214	636,673	
-	-	-	-	-	-	-	17,023	
11,489	6,253	10,634	5,724	3,802	-	41,526	127,611	
-	-	-	-	23,420	-	-	503,308	
-	-	-	-	-	3,338	-	557,200	
-	-	-	77,837	-	-	-	77,837	
-	-	28,282	14,320	684,188	-	254,088	1,145,048	
308,262	6,253	38,916	511,561	711,410	3,338	322,166	5,099,162	
-	-	-	-	-	-	19,887	927,647	
-	-	-	-	-	-	-	1,069,262	
-	-	-	-	-	-	5,876	6,789	
-	-	26,612	-	-	-	21,112	912,149	
-	-	-	-	-	-	9,620	133,723	
-	-	-	-	-	-	13,300	240,817	
209,615	-	-	694,788	-	-	76,357	1,035,985	
-	-	-	-	980,436	-	-	980,436	
209,615	-	26,612	694,788	980,436	-	146,152	5,306,808	
98,647	6,253	12,304	(183,227)	(269,026)	3,338	176,014	(207,646)	
-	-	-	-	3,350	-	-	11,601	
-	-	-	-	106,300	-	-	106,300	
-	-	-	210,367	7,919	-	36,357	632,955	
-	-	-	-	-	-	(208,919)	(581,086)	
-	-	-	210,367	117,569	-	(172,562)	169,770	
98,647	6,253	12,304	27,140	(151,457)	3,338	3,452	(37,876)	
252,085	137,207	204,366	(16,917)	(40,808)	146,921	196,333	1,148,161	
350,732	143,460	216,670	10,223	(192,265)	150,259	199,785	1,110,285	
195,500	-	-	10,223	-	-	-	255,723	
-	-	-	-	-	-	-	28,852	
155,232	143,460	216,670	-	-	-	199,785	867,716	
-	-	-	-	(192,265)	-	-	(192,265)	
-	-	-	-	-	150,259	-	150,259	
350,732	143,460	216,670	10,223	(192,265)	150,259	199,785	1,110,285	

**Exhibit C**

## City of Shenandoah

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2007

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 948,938	414,068	1,363,006
Miscellaneous	35,888	4,739	40,627
Total operating receipts	984,826	418,807	1,403,633
Operating disbursements:			
Business type activities	941,432	336,215	1,277,647
Excess of operating receipts over operating disbursements	43,394	82,592	125,986
Non-operating receipts (disbursements):			
Interest on investments	2,854	-	2,854
Debt service	(53,773)	(1,919)	(55,692)
Total non-operating receipts (disbursements)	(50,919)	(1,919)	(52,838)
Excess (deficiency) of receipts over (under) disbursements	(7,525)	80,673	73,148
Operating transfers in	42,000	-	42,000
Operating transfers out	(51,869)	(42,000)	(93,869)
Total operating transfers	(9,869)	(42,000)	(51,869)
Net change in cash balances	(17,394)	38,673	21,279
Cash balances beginning of year	67,694	13,335	81,029
Cash balances end of year	\$ 50,300	52,008	102,308
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ 12,752	-	12,752
Unreserved	37,548	52,008	89,556
Total cash basis fund balances	\$ 50,300	52,008	102,308

See notes to financial statements.

City of Shenandoah

Notes to Financial Statements

June 30, 2007

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

The City of Shenandoah is a political subdivision of the State of Iowa located in Page and Fremont Counties. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Shenandoah has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City'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 City 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 City.

These financial statements present the City of Shenandoah (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Shenandoah Public Library Foundation (Library Foundation) is legally separate from the City but is so intertwined with the City it is, in substance, part of the City. The Library Foundation was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Library Foundation collects donations which are used to purchase items not included in the City's budget. The financial transactions have been reported as a Special Revenue Fund of the City.

Jointly Governed Organizations

The City also participates in jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Page County Assessor's Conference Board, Page County Emergency Management Commission, Page County Joint E911 Service Board and the Page County Landfill Association.

### Related Organization

City Council Members are responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

### B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which 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 Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 disbursements, the fixed charges and the capital improvement costs not paid from other funds.

#### Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for employee pensions and other benefits.

The Local Option Sales Tax Fund is used to account for local option sales tax received and its uses.

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Simons Trust - Library Fund is used to account for the trust and uses of money collected.

The Library Foundation Fund is used to account for donations to the Shenandoah Public Library Foundation.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

The Permanent Fund is used to account for funds collected for the perpetual care of the cemetery.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

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

The City of Shenandoah maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are incurred, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public safety, public works, community and economic development, debt service, capital projects and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2007 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 City 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 City Council; 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.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$491,035 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

The Shenandoah Public Library Foundation's investments at June 30, 2007 consist of stock mutual funds with a fair value of \$47,925. Disclosure of concentration of credit risk and interest rate risk do not apply to these investments.

The City had five certificates of deposit from a depository outside the State of Iowa.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes, revenue bonds and notes and special assessment notes are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Local Option Sales and Services Tax Revenue Bonds		Swimming Pool Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest *
2008	\$ 95,000	4,760	345,000	106,466	50,000	2,625	29,292	3,735
2009	-	-	420,000	88,257	-	-	29,292	2,988
2010	-	-	450,000	69,098	-	-	29,292	2,241
2011	-	-	205,000	47,927	-	-	29,292	1,494
2012	-	-	210,000	38,906	-	-	29,292	747
2013-2017	-	-	625,000	73,446	-	-	-	-
2018-2019	-	-	-	-	-	-	-	-
Total	\$ 95,000	4,760	2,255,000	424,100	50,000	2,625	146,460	11,204

\* The interest rate is variable and could change once a year.

Year Ending June 30,	Urban Renewal Revenue Notes		Special Assessment Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 120,000	90,200	65,000	15,437	704,292	223,223
2009	125,000	85,160	65,000	12,675	639,292	189,080
2010	130,000	79,628	65,000	9,750	674,292	160,716
2011	140,000	73,513	65,000	6,663	439,292	129,596
2012	145,000	66,663	65,000	3,412	449,292	109,728
2013-2017	720,000	212,622	-	-	1,345,000	286,068
2018-2019	275,000	27,255	-	-	275,000	27,255
Total	\$ 1,655,000	635,040	325,000	47,937	4,526,460	1,125,666

### Local Option Sales and Services Tax Revenue Bonds

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the costs of constructing and equipping a municipal swimming pool and aquatic center. The bonds are payable solely from the proceeds of the local option sales tax received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa. The bonds are not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City.

The resolution providing for the issuance of the local option sales and services tax revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the local option sales tax received by the City and the bond holders hold a lien on the future revenues received.
- (b) Sufficient quarterly deposits shall be made to a separate revenue sinking account for the purpose of making the bond principal and interest payments when due.
- (c) Additional quarterly deposits of \$3,750 shall be made to a reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of correcting any deficiencies in the revenue sinking account.

### Swimming Pool Revenue Notes

The resolution providing for the issuance of the swimming pool revenue notes includes the following provisions:

- (a) The notes will be redeemed from the future earnings of the Municipal Swimming Pool and Aquatic Center (Center) and from Wilson Trust revenues and the note holders hold a lien on the future earnings of the funds. Wilson Trust revenues represent payments from the Trust under an agreement between the City and the Trust pursuant to Iowa Code Chapter 28E which, by the terms of the agreement, are restricted to the payment of the notes.
- (b) Future earnings of the Center will be distributed as follows:
  - (1) First to an operations and maintenance account for the payment of current expenses. The City accounts for this activity in a separate account of the General Fund.
  - (2) Next to an improvement account at the rate of \$200 each June, July and August, to a maximum of \$5,000, for the purpose of making the note principal and interest payments when the sinking account is insufficient and to pay the cost of extraordinary maintenance, repair and replacements not included in the annual budget, as well as rentals, enterprise property and capital improvements.
  - (3) Next to a separate sinking account for the purpose of making the note principal and interest payments when due.

### Urban Renewal Revenue Notes

The urban renewal revenue notes were issued for the purpose of paying costs of an urban renewal project, consisting of demolition, renovation and equipment for the Community Theatre Project. The notes are payable solely from the income and proceeds of the urban renewal project in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal revenue notes shall be expended only for purposes consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City. The resolution providing for the issuance of the notes includes the following provisions:

- (a) A separate sinking fund shall be established for the purpose of paying interest and principal coming due during the fiscal year. The City accounts for this activity within the Special Revenue, Tax Increment Financing Fund.
- (b) A separate reserve fund shall be established to maintain a required debt service reserve. The City is to deposit note proceeds of \$195,500 into this reserve fund. This fund is restricted for the purpose of paying principal and interest when funds in the sinking fund are inadequate. The City accounts for these proceeds in the Special Revenue, Tax Increment Financing Fund.

### Capital Lease Purchase Agreements

In May 2002, the City entered into a capital lease purchase agreement to acquire a fire truck. In September 2006, the City entered into capital lease purchase agreements to purchase a backhoe and wheel loader. The following is a schedule of the future minimum lease payments, including interest at 5.56% (fire truck) and 5.25% (backhoe & wheel loader) per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2007:

Year Ending June 30,	Fire Truck	Backhoe	Wheel Loader	Total
2008	\$ 64,529	18,289	24,733	107,550
2009	64,529	18,289	24,733	107,550
2010	64,529	18,289	24,733	107,550
2011	64,529	18,289	24,733	107,550
2012	64,529	-	-	64,529
Total minimum lease payments	322,645	73,154	98,931	494,730
Less amount representing interest	(47,540)	(8,869)	(11,995)	(68,404)
Present value of net minimum lease payments	\$ 275,105	64,285	86,936	426,326

During the year ended June 30, 2007, \$64,528 was paid under the fire truck capital lease purchase agreement, \$18,288 was paid under the backhoe lease purchase agreement and \$24,733 was paid under the wheel loader lease purchase agreement.

#### **(4) Pension and Retirement Benefits**

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

Most plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$89,138, \$88,025 and \$88,652, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees separated from City employment are paid for unused vacation leave earned. However, sick leave days are lost upon resignation, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2007, primarily relating to the General Fund, was \$57,000. This liability has been computed based on rates of pay in effect at June 30, 2007.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency	\$ 21,953
	Local Option Sales Tax	280,310
	Wilson Trust - Library	60,000
	Wilson Trust - Other	6,333
	Railroad Trust	9,716
		<u>378,312</u>
Special Revenue:	Special Revenue:	
Pool Revenue Note Sinking	Wilson Trust - Other	<u>36,357</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	91,857
	Emergency	14,463
	Wilson Trust-Other	60,097
	Enterprise:	
	Water	43,950
		<u>210,367</u>
Capital Projects	Enterprise:	
	Water	<u>7,919</u>
Enterprise:	Enterprise:	
Water	Sewer	<u>42,000</u>
Total		<u>\$ 674,955</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(7) Hospital Facilities Refunding Revenue Bonds**

On November 1, 2002, the City issued \$2,560,000 of Hospital Facilities Refunding Revenue Bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds were used for the purpose of paying the cost of refunding the industrial development refunding revenue bonds of the hospital. The bonds, of which \$545,000 is outstanding at June 30, 2007, and related interest are payable solely from the future earnings of the hospital and do not constitute liabilities of the City.

On May 21, 2005, the City issued \$3,300,000 of Hospital Facilities Revenue Bonds for the purpose of paying for the Shenandoah Medical Center project. All of the bonds are outstanding at June 30, 2007.

**(8) Risk Management**

The City 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 City 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) Deficit Balances**

The Capital Projects Fund had a deficit balance of \$192,265 at June 30, 2007. The deficit balance will be eliminated once the pending lawsuit is resolved regarding the Shenandoah Lake Reservoir project.

**(10) Economic Development Revolving Loan Fund**

Conditions of the loans are determined by the Loan Review Committee on a case by case basis, with final approval by the City Council. Current loans are for a period of five to fifteen years, bear interest at rates ranging from 1% to 4% and are to be repaid in either monthly or quarterly installments. During the year ended June 30, 2007, \$27,692 of principal and \$3,800 of interest were received by the City. The outstanding loan principal balance at June 30, 2007 was \$157,688.

**Required Supplementary Information**

City of Shenandoah

Budgetary Comparison Schedule  
of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted
Receipts:			
Property tax	\$ 1,737,689	-	-
Tax increment financing	296,773	-	-
Other city tax	636,673	-	-
Licenses and permits	17,023	-	-
Use of money and property	127,611	2,854	10,634
Intergovernmental	503,308	-	-
Charges for service	557,200	1,363,006	-
Special assessments	77,837	-	-
Miscellaneous	1,145,048	40,627	28,282
Total receipts	<u>5,099,162</u>	<u>1,406,487</u>	<u>38,916</u>
Disbursements:			
Public safety	927,647	-	-
Public works	1,069,262	-	-
Health and social services	6,789	-	-
Culture and recreation	912,149	-	26,612
Community and economic development	133,723	-	-
General government	240,817	-	-
Debt service	1,035,985	55,692	-
Capital projects	980,436	-	-
Business type activities	-	1,277,647	-
Total disbursements	<u>5,306,808</u>	<u>1,333,339</u>	<u>26,612</u>
Excess (deficiency) of receipts over (under) disbursements	(207,646)	73,148	12,304
Other financing sources, net	169,770	(51,869)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(37,876)	21,279	12,304
Balances beginning of year	1,148,161	81,029	204,366
Balances end of year	<u>\$ 1,110,285</u>	<u>102,308</u>	<u>216,670</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
1,737,689	1,751,269	1,751,269	(13,580)
296,773	209,615	306,782	(10,009)
636,673	565,966	565,966	70,707
17,023	16,425	16,425	598
119,831	133,840	133,840	(14,009)
503,308	527,325	527,325	(24,017)
1,920,206	1,863,991	1,863,991	56,215
77,837	77,838	77,838	(1)
1,157,393	461,005	461,005	696,388
6,466,733	5,607,274	5,704,441	762,292
927,647	881,462	911,462	(16,185)
1,069,262	1,040,521	1,050,521	(18,741)
6,789	3,180	6,880	91
885,537	876,309	891,309	5,772
133,723	88,967	88,967	(44,756)
240,817	262,512	282,512	41,695
1,091,677	999,001	999,001	(92,676)
980,436	17,383	787,383	(193,053)
1,277,647	1,219,236	1,219,236	(58,411)
6,613,535	5,388,571	6,237,271	(376,264)
(146,802)	218,703	(532,830)	386,028
117,901	-	751,533	(633,632)
(28,901)	218,703	218,703	(247,604)
1,024,824	1,148,706	1,148,706	(123,882)
995,923	1,367,409	1,367,409	(371,486)

City of Shenandoah

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The 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 comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$848,700. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public safety, public works, community and economic development, debt service, capital projects and business type activities functions.

**Other Supplementary Information**

City of Shenandoah

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	Special						
	Emergency	Gidley Park Trust	Esden Trust	Holiday Dinners	Rapp Trust Library	Rapp Trust Other	Reed Estate Trust
<b>Receipts:</b>							
Property tax	\$ 25,338	-	-	-	-	-	-
Other city tax	1,214	-	-	-	-	-	-
Use of money and property	371	2,536	1,282	30	519	-	519
Miscellaneous	-	15,051	-	2,128	-	53,300	-
Total receipts	26,923	17,587	1,282	2,158	519	53,300	519
<b>Disbursements:</b>							
<b>Operating:</b>							
Public safety	196	-	-	-	-	-	-
Health and social services	-	-	-	5,876	-	-	-
Culture and recreation	-	8,114	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-
General government	-	-	-	-	-	13,300	-
Debt service	-	-	-	-	-	40,000	-
Total disbursements	196	8,114	-	5,876	-	53,300	-
Excess (deficiency) of receipts over (under) disbursements	26,727	9,473	1,282	(3,718)	519	-	519
<b>Other financing sources (uses):</b>							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	(36,416)	-	-	-	-	-	-
Total other financing sources (uses)	(36,416)	-	-	-	-	-	-
Net change in cash balances	(9,689)	9,473	1,282	(3,718)	519	-	519
Cash balances beginning of year	9,708	51,045	20,183	3,718	10,565	-	10,565
Cash balances end of year	\$ 19	60,518	21,465	-	11,084	-	11,084
<b>Cash Basis Fund Balances</b>							
<b>Unreserved:</b>							
Special revenue funds	\$ 19	60,518	21,465	-	11,084	-	11,084
Total	\$ 19	60,518	21,465	-	11,084	-	11,084

See accompanying independent auditor's report.

Revenue											
Pool	Vision	Wilson	Wilson	Kay M.	Revolving	Tree	Railroad	Senior	Forgotten	Volunteer	Total
Revenue Note Sinking	Iowa Trust	Trust - Library	Trust - Other	Anderson Foundation	Loan	Board	Trust	Center Trust	Angels Cemetery Trust	Fire Department	
-	-	-	-	-	-	-	-	-	-	-	25,338
-	-	-	-	-	-	-	-	-	-	-	1,214
-	77	1,673	-	13	33,558	81	75	711	-	81	41,526
-	-	40,812	92,508	5,000	1,320	3,366	9,641	-	2,800	28,162	254,088
-	77	42,485	92,508	5,013	34,878	3,447	9,716	711	2,800	28,243	322,166
-	-	-	-	-	-	-	-	-	-	19,691	19,887
-	-	-	-	-	-	-	-	-	-	-	5,876
-	-	3,500	-	5,394	-	4,104	-	-	-	-	21,112
-	-	-	-	-	9,620	-	-	-	-	-	9,620
-	-	-	-	-	-	-	-	-	-	-	13,300
36,357	-	-	-	-	-	-	-	-	-	-	76,357
36,357	-	3,500	-	5,394	9,620	4,104	-	-	-	19,691	146,152
(36,357)	77	38,985	92,508	(381)	25,258	(657)	9,716	711	2,800	8,552	176,014
36,357	-	-	-	-	-	-	-	-	-	-	36,357
-	-	(60,000)	(102,787)	-	-	-	(9,716)	-	-	-	(208,919)
36,357	-	(60,000)	(102,787)	-	-	-	(9,716)	-	-	-	(172,562)
-	77	(21,015)	(10,279)	(381)	25,258	(657)	-	711	2,800	8,552	3,452
-	2,736	27,169	10,279	381	32,406	4,176	-	-	-	13,402	196,333
-	2,813	6,154	-	-	57,664	3,519	-	711	2,800	21,954	199,785
-	2,813	6,154	-	-	57,664	3,519	-	711	2,800	21,954	199,785
-	2,813	6,154	-	-	57,664	3,519	-	711	2,800	21,954	199,785

City of Shenandoah  
Schedule of Indebtedness  
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Essential and general corporate purpose	Jun 1, 1997	4.75-5.05%	\$ 575,000
Essential corporate purpose	Oct 1, 1997	4.60-4.90	200,000
Total			
General obligation notes:			
Essential corporate purpose	May 1, 1999	4.10-4.55%	\$ 1,500,000
Essential corporate purpose	Jul 1, 1999	6.60-7.30	210,000
Essential corporate purpose	Jun 1, 2000	5.20-5.70	345,000
General corporate purpose	Jul 1, 2000 <sup>¶</sup>	5.95	400,000
Essential corporate purpose	Jun 15, 2001 <sup>¶</sup>	5.95	110,000
Essential corporate purpose	Sep 1, 2002 <sup>¶</sup>	4.80	115,000
Essential corporate purpose	Sep 1, 2003	2.10-4.35	700,000
Essential corporate purpose	Jul 15, 2004	3.60-4.75	540,000
Essential corporate purpose	Dec 15, 2006	4.00-4.20	110,000
Total			
Water revenue bonds	Feb 1, 1998	4.50%	\$ 200,000
Local option sales and services tax revenue bonds	Jun 1, 1997	4.90-5.25%	\$ 450,000
Swimming pool revenue notes	Aug 11, 1997	* 2.14-2.55%	\$ 720,000
Urban renewal revenue notes	Mar 1, 2003	3.00-6.60%	\$ 1,485,000
Urban renewal revenue notes	Jul 15, 2004	2.90-4.80	470,000
Total			
Special assessment bonds:			
Street improvement	Dec 1, 1980	9.50-9-75%	\$ 43,000
Special assessment notes:			
Street improvement	Aug 1, 2002	3.25-5.25%	\$ 624,000
Capital lease purchase agreements:			
Fire truck	May 17, 2002	5.56%	\$ 485,000
Backhoe	Sep 13, 2006 <sup>¶</sup>	5.25	80,088
Wheel Loader	Sep 13, 2006 <sup>¶</sup>	5.25	108,308
Total			

\* The interest rate is variable and could change once a year.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Bonds Due and Unpaid	Interest Due and Unpaid
135,000	-	65,000	70,000	6,785	-	-
50,000	-	25,000	25,000	2,438	-	-
<b>\$ 185,000</b>	-	<b>90,000</b>	<b>95,000</b>	<b>9,223</b>	-	-
690,000	-	170,000	520,000	30,630	-	-
95,000	-	20,000	75,000	6,868	-	-
160,000	-	35,000	125,000	8,950	-	-
250,000	-	25,000	225,000	14,875	-	-
75,000	-	10,000	65,000	4,463	-	-
90,000	-	10,000	80,000	4,320	-	-
580,000	-	65,000	515,000	21,685	-	-
540,000	-	-	540,000	23,160	-	-
-	110,000	-	110,000	-	-	-
<b>\$ 2,480,000</b>	<b>110,000</b>	<b>335,000</b>	<b>2,255,000</b>	<b>114,950</b>	-	-
50,000	-	50,000	-	2,766	-	-
100,000	-	50,000	50,000	5,225	-	-
175,752	-	29,292	146,460	7,065	-	-
1,340,000	-	75,000	1,265,000	76,455	-	-
430,000	-	40,000	390,000	18,160	-	-
<b>\$ 1,770,000</b>	-	<b>115,000</b>	<b>1,655,000</b>	<b>94,615</b>	-	-
1,000	-	-	1,000	-	1,000	195
385,000	-	60,000	325,000	17,838	-	-
321,745	-	46,640	275,105	17,888	-	-
-	80,088	15,803	64,285	2,485	-	-
-	108,308	21,372	86,936	3,361	-	-
<b>\$ 321,745</b>	<b>188,396</b>	<b>83,815</b>	<b>426,326</b>	<b>23,734</b>	-	-

City of Shenandoah  
 Bond and Note Maturities  
 June 30, 2007

Year Ending June 30,	General Obligation Bonds					General Obligation Notes	
	Essential and General Corporate Purpose		Essential Corporate Purpose		Total	Essential Corporate Purpose	
	Issued Jun 1, 1997		Issued Oct 1, 1997			Issued May 1, 1999	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008	5.05%	\$ 70,000	4.90%	\$ 25,000	95,000	4.40%	\$ 170,000
2009		-		-	-	4.45	170,000
2010		-		-	-	4.55	180,000
2011		-		-	-		-
2012		-		-	-		-
2013		-		-	-		-
2014		-		-	-		-
2015		-		-	-		-
2016		-		-	-		-
2017		-		-	-		-
Total		<u>\$ 70,000</u>		<u>\$ 25,000</u>	<u>95,000</u>		<u>\$ 520,000</u>

Year Ending June 30,	Local Option Sales and Services Tax Revenue Bonds		Swimming Pool Revenue Notes		Urban Renewal	
	Issued Jun 1, 1997		Issued Aug 11, 1997		Issued Mar 1, 2003	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
	2008	5.25%	\$ 50,000	* 2.55%	\$ 29,292	4.50%
2009		-	2.55	29,292	4.75	80,000
2010		-	2.55	29,292	5.05	85,000
2011		-	2.55	29,292	5.25	90,000
2012		-	2.55	29,292	5.45	95,000
2013		-		-	5.65	100,000
2014		-		-	5.85	105,000
2015		-		-	6.00	110,000
2016		-		-	6.20	120,000
2017		-		-	6.35	125,000
2018		-		-	6.50	135,000
2019		-		-	6.60	140,000
Total		<u>\$ 50,000</u>		<u>\$ 146,460</u>		<u>\$ 1,265,000</u>

\* The interest rate is variable and could change once a year.

See accompanying independent auditor's report.

General Obligation Notes							
Essential Corporate Purpose Issued Jul 1, 1999		Essential Corporate Purpose Issued Jun 1, 2000		General Corporate Purpose Issued Jul 1, 2000		Essential Corporate Purpose Issued Jun 15, 2001	
Interest Rates		Interest Rates		Interest Rates		Interest Rates	
Amount		Amount		Amount		Amount	
25,000	7.20%	40,000	5.55%	25,000	5.95%	10,000	5.95%
25,000	7.25	40,000	5.60	25,000	5.95	10,000	5.95
25,000	7.30	45,000	5.70	25,000	5.95	15,000	5.95
-		-		25,000	5.95	15,000	5.95
-		-		25,000	5.95	15,000	5.95
-		-		25,000	5.95	-	
-		-		25,000	5.95	-	
-		-		25,000	5.95	-	
-		-		25,000	5.95	-	
-		-		-		-	
<u>\$ 75,000</u>		<u>\$ 125,000</u>		<u>\$ 225,000</u>		<u>\$ 65,000</u>	

Revenue Notes Issued Jul 15, 2004			Special Assessment Notes Street Improvement Issued Aug 1, 2002	
Interest Rates			Interest Rates	
Amount		Total	Amount	
40,000	3.60%	120,000	65,000	4.25%
45,000	3.85	125,000	65,000	4.50
45,000	4.05	130,000	65,000	4.75
50,000	4.25	140,000	65,000	5.00
50,000	4.40	145,000	65,000	5.25
50,000	4.55	150,000	-	
55,000	4.70	160,000	-	
55,000	4.80	165,000	-	
-		120,000	-	
-		125,000	-	
-		135,000	-	
-		140,000	-	
<u>\$ 390,000</u>		<u>1,655,000</u>	<u>\$ 325,000</u>	

**Schedule 3**

City of Shenandoah  
Bond and Note Maturities  
June 30, 2007

General Obligation Notes									
Year Ending June 30,	Essential Corporate Purpose Issued Sep 1, 2002		Essential Corporate Purpose Issued Sep 1, 2003		Essential Corporate Purpose Issued Jul 15, 2004		Essential Corporate Purpose Issued Dec 15, 2006		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008	4.80%	\$ 10,000	3.10%	\$ 65,000		\$ -	0.00%	\$ -	\$ 345,000
2009	4.80	10,000	3.40	70,000	3.60%	50,000	4.00	20,000	420,000
2010	4.80	15,000	3.70	70,000	3.80	55,000	4.05	20,000	450,000
2011	4.80	15,000	3.90	75,000	4.00	55,000	4.10	20,000	205,000
2012	4.80	15,000	4.10	75,000	4.15	55,000	4.15	25,000	210,000
2013	4.80	15,000	4.25	80,000	4.30	60,000	4.20	25,000	205,000
2014	-	-	4.35	80,000	4.45	60,000	-	-	165,000
2015	-	-	-	-	4.55	65,000	-	-	90,000
2016	-	-	-	-	4.65	70,000	-	-	95,000
2017	-	-	-	-	4.75	70,000	-	-	70,000
<b>Total</b>		<u>\$ 80,000</u>		<u>\$ 515,000</u>		<u>\$ 540,000</u>		<u>\$ 110,000</u>	<u>\$ 2,255,000</u>

## City of Shenandoah

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Five Years

	2007	2006	2005	2004	2003
<b>Receipts:</b>					
Property tax	\$ 1,737,689	1,693,590	1,706,276	1,673,768	1,704,048
Tax increment financing	296,773	230,021	163,168	120,739	-
Other city tax	636,673	634,961	568,095	539,173	545,968
Licenses and permits	17,023	32,010	11,434	57,889	12,526
Use of money and property	127,611	122,296	101,079	100,862	54,474
Intergovernmental	503,308	585,786	1,104,118	941,313	1,670,128
Charges for service	557,200	538,671	514,281	513,341	529,365
Special assessments	77,837	80,088	82,187	84,138	67,587
Miscellaneous	1,145,048	450,013	353,661	424,246	326,125
<b>Total</b>	<b>\$ 5,099,162</b>	<b>4,367,436</b>	<b>4,604,299</b>	<b>4,455,469</b>	<b>4,910,221</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	\$ 927,647	1,000,813	871,126	912,467	1,134,110
Public works	1,069,262	989,441	921,685	973,336	1,113,585
Health and social services	6,789	3,303	21,004	40,784	29,668
Culture and recreation	912,149	845,644	834,049	928,728	929,600
Community and economic development	133,723	191,545	496,577	98,963	39,801
General government	240,817	273,752	232,789	213,220	217,675
Debt service	1,035,985	1,013,990	934,264	910,661	772,934
Capital projects	980,436	81,216	1,158,590	1,949,805	2,130,394
<b>Total</b>	<b>\$ 5,306,808</b>	<b>4,399,704</b>	<b>5,470,084</b>	<b>6,027,964</b>	<b>6,367,767</b>

See accompanying independent auditor's report.

**City of Shenandoah**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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

To the Honorable Mayor and  
Members of the City Council:

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 the City of Shenandoah, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 23, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Shenandoah's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Shenandoah's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Shenandoah's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Shenandoah's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Shenandoah's financial statements that is more than inconsequential will not be prevented or detected by the City of Shenandoah's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Shenandoah's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item A is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Shenandoah'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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Shenandoah and other parties to whom the City of Shenandoah may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Shenandoah 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 23, 2007

City of Shenandoah  
Schedule of Findings  
Year ended June 30, 2007

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Monthly bank reconciliations are prepared by one person with no independent review evidenced. Also, checks are signed by the computer system and are not all reviewed for propriety.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. Bank reconciliations and printouts for checks issued should be initialed and dated to document review by an independent person.

Response – We will initial and date reviews to document review of reconciliations and checks issued.

Conclusion – Response accepted.

- (B) Separately Maintained Records – The Shenandoah Volunteer Fire Department maintains separate accounting records pertaining to its operation. The financial transactions and resulting balances are not included in the City's accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis.

Response – We will get monthly financial reports from the fire department and include with City financial reports.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Shenandoah  
 Schedule of Findings  
 Year ended June 30, 2007

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public safety, public works, community and economic development, debt service, capital projects and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget in the future, if applicable.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Darrel Saner, Assistant Police Chief, owner of Shenweld	Welding and maintenance	\$ 1,399
Shelly Anderson, wife of Police Officer, owner of Signs & Shines	Signs and lettering	695

In accordance with Chapter 362.5(10) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

City of Shenandoah  
Schedule of Findings  
Year ended June 30, 2007

Response – We will adopt a policy as soon as possible.

Conclusion – Response accepted.

- (8) Revenue Bonds and Notes – No instances of noncompliance with the resolutions providing for the issuance of the water revenue bonds, local option sales and services tax revenue bonds, swimming pool revenue notes and urban renewal revenue notes were noted.
- (9) Financial Condition – The Capital Projects Fund had a deficit balance of \$192,265 at June 30, 2007.

Recommendation – The City should evaluate the reasons for the deficit and investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response – The Capital Projects Funds are eventually funded with the sale of notes and/or grant funds.

Conclusion – Response accepted.

- (10) Local Option Sales Tax – The ballot for the local option sales tax authorizes the City to collect the tax and to allocate 60% for property tax relief, 20% for community betterment, 10% for community planning and 10% for economic development. The City transfers from the Special Revenue, Local Option Sales Tax Fund to other funds for reimbursement of disbursements. However, the City does not document the purpose of these transfers for compliance with the local option sales tax ballot.

Recommendation – The City should establish procedures to document the purpose of local option sales tax transfers to other funds to demonstrate compliance with ballot requirements.

Response – Most transfers from the Local Option Sales Tax Fund are authorized by approval of the City Budget. We will include the purposes as part of the transfer information on the monthly abstract of claims.

Conclusion – Response accepted.

- (11) Notice of Public Hearing for Public Improvements – The City did not publish a notice of public hearing and bid letting on the Wastewater Treatment Plant, Division 1 and 3 project as required by Chapters 26.3 through 26.12 and Chapter 362.3 of the Code of Iowa.

Recommendation – Before entering into any contract for public improvements where the cost is \$100,000 or more, the Council should set a date for a public hearing and give notice at least four but not more than twenty days prior to the hearing as provided in Chapters 26.12 and 362.3 of the Code of Iowa and advertise for sealed bids and publish notice more than 20 days but not more than 45 days before the date for filing bids as provided in Chapter 26.3 of the Code of Iowa.

City of Shenandoah  
Schedule of Findings  
Year ended June 30, 2007

Response – We provided the publisher with the proper notices but the newspaper did not print them. We will make sure this is published for future projects.

Conclusion – Response accepted.

(12) Other Information Required by the Revenue Bond and Note Resolutions

Insurance – The following insurance policies were in force at June 30, 2007:

Insurer	Description	Amount	Expiration Date
Employers Mutual Casualty Company	Property coverage: Buildings	\$ 22,859,745	Apr 1, 2008
Employers Mutual Casualty Company	Comprehensive general liability: Each occurrence Aggregate	1,000,000 2,000,000	Apr 1, 2008
Employers Mutual Casualty Company	Inland Marine: Contractors' equipment Electronic data processing equipment Property floater	543,861 147,546 58,490	Apr 1, 2008
Employers Mutual Casualty Company	Automobile coverage: Liability Uninsured motorists	1,000,000 40,000	Apr 1, 2008
Employers Mutual Casualty Company	Linebacker - each loss and Each loss Aggregate	1,000,000 1,000,000	Apr 1, 2008
Employers Mutual Casualty Company	Workers' compensation	500,000	Apr 1, 2008
Employers Mutual Casualty Company	Commercial umbrella Retained Each occurrence Aggregate	10,000 5,000,000 5,000,000	Apr 1, 2008
Employers Mutual Casualty Company	Employee dishonesty Blanket bond Alteration	100,000 10,000	Apr 1, 2008
Employers Mutual Casualty Company	Commercial crime: inside premises outside premises	10,000 10,000	Apr 1, 2008

City of Shenandoah

Schedule of Findings

Year ended June 30, 2007

Statistical Information:

Description	Amount
Swimming pool customers served in 2007 season	16,295
Swimming pool rates in effect at June 30, 2007	
Daily admission	\$ 5
Single season pass	50
Family plan	125

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City of Shenandoah

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Paul F. Kearney, CGFM, Senior Auditor  
Melissa M. Wellhausen, CPA, Staff Auditor  
Lori L. Dinville, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State