



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 19, 2010

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 \$10,704,030 for the year ended June 30, 2009, a 3 percent decrease from 2008. The receipts included \$2,162,325 in property and other city tax, \$233,062 from tax increment financing, \$479,246 from local option sales tax, \$58,019 from hotel/motel tax, \$2,634,426 from charges for service, \$1,083,524 from operating grants, contributions and restricted interest, \$683,663 from capital grants, contributions and restricted interest, \$7,270 from unrestricted interest on investments, note proceeds of \$2,322,606, bequest proceeds of \$980,000 and other general receipts of \$59,889.

Disbursements for the year totaled \$8,122,303, an 18 percent decrease from the prior year, and included \$1,207,154 for public works, \$1,131,516 for public safety and \$1,475,101 for capital projects. Also, disbursements for business type activities totaled \$1,755,872. The significant decrease in disbursements is due to a decrease in capital project activity for the wastewater treatment plant.

A copy of the audit 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/index.html>.

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CITY OF SHENANDOAH

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

JUNE 30, 2009

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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
Marvin Adcock	Council Member	Jan 2010
Don Gibson	Council Member	Jan 2010
Robert Burchett	Council Member	Jan 2012
James Davey	Council Member	Jan 2012
Byron Harris	Administrator	Jan 2011
Marcia McKay	Clerk/Treasurer	Jan 2011
Robert Norris	Attorney	Jan 2011

City of Shenandoah



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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, 2009, 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.

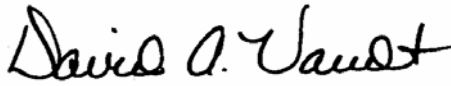
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2009, 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.

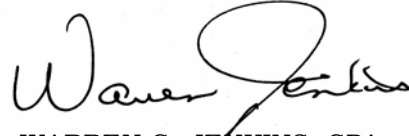
In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2009 on our consideration of the City of Shenandoah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 32 through 34 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'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 six years ended June 30, 2008 (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 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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

November 5, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 2.6%, or approximately \$243,000, from fiscal year 2008 to fiscal year 2009. Note proceeds decreased approximately \$712,000 and operating grants, contributions and restricted interest receipts increased approximately \$462,000.
- Governmental activities disbursements decreased 24.2%, or approximately \$2,033,000, from fiscal year 2008 to fiscal year 2009. Capital projects disbursements decreased approximately \$2,211,000.
- The City's total cash basis net assets increased 107%, or approximately \$2,582,000, from June 30, 2008 to June 30, 2009.

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 and the City's debt. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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 wastewater 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 Road Use Tax, Employee Benefits and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. 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.

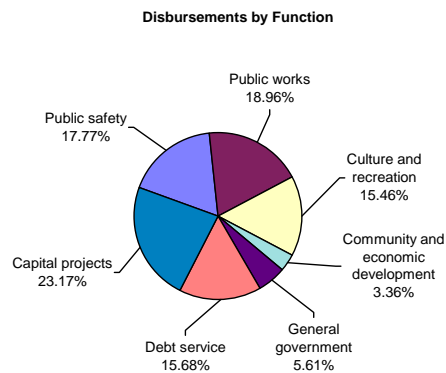
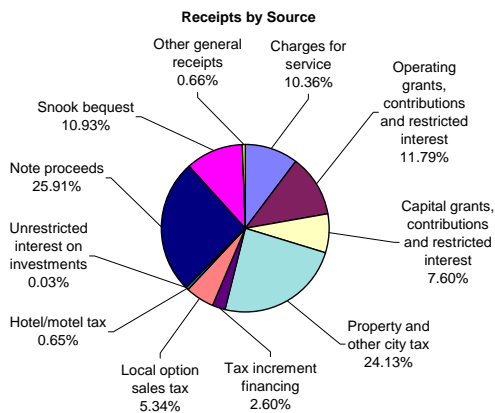
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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 increased from a year ago, from approximately \$2.0 million to approximately \$4.66 million. 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,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 929	697
Operating grants, contributions and restricted interest	1,057	1,519
Capital grants, contributions and restricted interest	681	1,078
General receipts:		
Property and other city tax	2,163	1,909
Tax increment financing	233	311
Local option sales tax	479	513
Hotel/motel tax	58	29
Unrestricted interest on investments	3	12
Note proceeds	2,323	3,035
Snook bequest	980	-
Other general receipts	59	105
	<u>8,965</u>	<u>9,208</u>
Disbursements:		
Public safety	1,131	1,043
Public works	1,207	1,051
Health and social services	-	1
Culture and recreation	984	1,010
Community and economic development	214	232
General government	357	301
Debt service	998	1,075
Capital projects	1,475	3,686
Total disbursements	<u>6,366</u>	<u>8,399</u>
Change in cash basis net assets before transfers	2,599	809
Transfers, net	65	81
Change in cash basis net assets	<u>2,664</u>	<u>890</u>
Cash basis net assets beginning of year	<u>2,000</u>	<u>1,110</u>
Cash basis net assets end of year	<u>\$ 4,664</u>	<u>2,000</u>



The total business type activities cash balance decreased from approximately \$409,000 a year ago to approximately \$327,000. 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,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,086	1,152
Sewer	619	662
Operating grants, contributions and restricted interest:		
Water	12	-
Sewer	14	-
Capital grants, contributions and restricted interest:		
Sewer	2	1
General receipts:		
Unrestricted interest on investments	4	5
Note proceeds	-	6
Miscellaneous	-	18
Total receipts	<u>1,737</u>	<u>1,844</u>
Disbursements:		
Water	1,055	980
Sewer	700	476
Total disbursements	<u>1,755</u>	<u>1,456</u>
Change in cash basis net assets before transfers	(17)	388
Transfers, net	(65)	(81)
Change in cash basis net assets	<u>(82)</u>	<u>307</u>
Cash basis net assets beginning of year	409	102
Cash basis net assets end of year	<u>\$ 327</u>	<u>409</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Shenandoah completed the fiscal year, its governmental funds reported a combined fund balance of \$4,664,176, an increase of approximately \$2,664,000 over last year's total of approximately \$2,000,000. 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 year 2008 was \$9,876 and at the end of fiscal year 2009 was \$40,237. The City's overall disbursements in the General Fund increased from \$2,134,452 in fiscal year 2008 to \$2,362,949 in fiscal 2009, an increase of \$228,497, or 10.71%. The fund balance increased due to receipt of more property tax in the General Fund. Disbursements for insurance, payroll and fuels increased significantly. The Armory was previously reported in the General Fund, but is now reported as a separate fund, the Special Revenue, Memorial Building Fund. Fiscal year 2009 was the first year for the receipt of tax levied for the Armory Building. Tax receipts of \$90,604 and \$4,569 of rental income were received in fiscal year 2009. Disbursements in fiscal year 2009 were \$33,948, with \$61,225 transferred to a Capital Projects Fund before the end of the fiscal year.

The Special Revenue, Road Use Tax Fund cash balance at the end of fiscal year 2009 increased \$34,052 from the prior year end to \$73,529. Disbursements decreased \$33,032, or 7%. The decrease was not significant.

The Special Revenue, Employee Benefits Fund receipts decreased \$192,496 and disbursements decreased \$9,164 from the respective prior year amounts. Tax collections decreased \$165,555.

The Special Revenue, Local Option Sales Tax Fund receipts decreased to \$480,665 in fiscal year 2009 from \$523,269 in fiscal year 2008. Disbursements decreased \$16,299, or 10.91%, from the prior year as a result of less community and economic development projects.

By a referendum, the local option sales 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 year 2009 receipts:

Property tax relief	\$ 283,740
Community betterment	100,926
Community planning	47,290
Economic development	<u>47,290</u>
Total	<u>\$ 479,246</u>

Most of the funds are transferred to supplement the General Fund. Also, the portion for community planning is used to help finance the City metal recycling program. 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 was established in fiscal year 2003 for the construction of a new theater and in 2004 for Iowa Western Community College improvements. The cash balance increased from \$394,640 at the end of fiscal year 2008 to \$399,853 at the end of fiscal year 2009. 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 prior year.

The Special Revenue, Library Foundation Fund is a component unit of the City. The cash balance increased \$19,775 over the prior to a current balance of \$313,062.

The Debt Service Fund cash balance of \$15,637 is a decrease of \$3,028 from the prior year balance of \$18,665. The City made transfers sufficient to cover all the debt payments.

The Capital Projects Fund cash balance of \$1,796,517 is a significant increase over the prior year balance of \$346,276. The City received \$1,705,350 of note proceeds just prior to the year end for street improvements, miscellaneous equipment, improvements to City Hall and other projects. Only \$30,979 of this money was spent prior to the end of the year.

The Permanent, Snook Trust Fund accounts for a \$980,000 bequest received in 2009 to establish an endowment. The income on the Trust is to be distributed in equal shares to five charities as discussed in Note 1.

The Permanent, Cemetery Perpetual Care Fund cash balance of \$157,733 did not change significantly from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

Water Fund operating receipts decreased \$65,442 in fiscal year 2009 from fiscal year 2008. Disbursements increased \$76,571 in fiscal year 2009. The drop in revenue was due to commercial users cut backs in employment and projection and the use of 44% less water than the previous year. The increase in disbursements was due to an aging water plant, upgrading of the water distribution system and rehabilitation of existing water wells. Transfers to the sinking fund were increased over the previous year for future and existing projects.

Sewer Fund operating receipts decreased \$33,636 in fiscal year 2009 from fiscal year 2008 and disbursements increased \$224,738 in fiscal year 2009. Sewer usage was down for the same reason as water usage, due to decreased commercial use. The majority of the increase in disbursements was due to the end of the wastewater treatment project going over budget and sinking funds were used to cover the deficit.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on June 23, 2009 and resulted in an increase in receipts and other financing sources of \$3,256,660 and an increase in disbursements of \$1,691,037. Budgeted receipts increased \$890,619 and other financing sources increased \$2,366,041. Budgeted disbursements increased due to capital projects for the airport, street improvement projects, library improvement projects, CDBG housing projects and 2009 general obligation notes. The receipts increased significantly due to the receipt of the Snook Trust funds and the 2009 general obligation notes, CDBG housing, FEMA and fitness dues.

The City’s receipts were \$39,712 less than budgeted. This was primarily due to lower water and sewer receipts.

With the budget amendment, total disbursements were \$608,696 less than the amended budget.

The City exceeded the amount budgeted in the public safety function for the year ended June 30, 2009.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$8,643,000 in bonds and other long-term debt outstanding, compared to approximately \$7,153,000 last year. The chart below segregates the City’s debt into its component parts.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2009	2008
General obligation notes	\$ 2,480	2,915
Swimming pool revenue notes	88	117
Sewer revenue capital loan notes	2,496	1,983
Urban renewal revenue notes	1,410	1,535
Special assessment bonds/notes	196	261
Capital lease purchase agreements	253	342
Capital loan anticipation project notes	1,720	-
Total	<u>\$ 8,643</u>	<u>7,153</u>

Debt payments in fiscal year 2009 reduced outstanding debt approximately \$847,027 and debt issuances increased outstanding debt approximately \$2,337,000.

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 \$4,200,000, urban renewal revenue notes of \$1,410,000 and capital lease purchase agreements of \$253,470, a total of \$5,863,470, is significantly below the City's constitutional debt limit of approximately \$9,890,000.

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 2010 budget, tax rates and fees charged for various City activities.

These factors were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are approximately \$6.8 million, a decrease of 43% from the final 2009 budget. The City expects to receive more state grants and other funding in fiscal year 2010. However, budgeted local option sales tax and interest on investments are expected to decrease. In addition, both receipts and disbursements are expected to decrease due to the completion of the wastewater treatment improvement project and other capital projects. Budgeted disbursements are expected to decrease approximately \$2.0 million.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$60,000 by the close of fiscal year 2010.

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, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,131,516	21,690	192,759	42,827
Public works	1,207,154	598,924	474,625	-
Health and social services	100	69	-	-
Culture and recreation	982,908	296,701	123,562	44,304
Community and economic development	215,171	-	30,617	-
General government	356,454	11,650	177,890	-
Debt service	998,027	-	14,429	77,675
Capital projects	1,475,101	-	43,435	516,376
Total governmental activities	6,366,431	929,034	1,057,317	681,182
Business type activities:				
Water	1,055,447	1,085,983	12,023	-
Sewer	700,425	619,409	14,184	2,481
Total business type activities	1,755,872	1,705,392	26,207	2,481
Total	\$ 8,122,303	2,634,426	1,083,524	683,663

General Receipts:

Property and other city tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Local option sales tax
 Hotel/motel tax
 Unrestricted interest on investments
 Note proceeds, net of \$14,650 discount and fees
 Endowment funded with bequest proceeds
 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

Cash Basis Net Assets

Restricted:

Nonexpendable:

Permanent funds

Expendable:

Streets

Employee benefits

Tax increment financing

Simons Trust - Library

Library Foundation

Debt service

Capital projects

Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(874,240)	-	(874,240)
(133,605)	-	(133,605)
(31)	-	(31)
(518,341)	-	(518,341)
(184,554)	-	(184,554)
(166,914)	-	(166,914)
(905,923)	-	(905,923)
(915,290)	-	(915,290)
<u>(3,698,898)</u>	<u>-</u>	<u>(3,698,898)</u>

-	42,559	42,559
-	(64,351)	(64,351)
-	(21,792)	(21,792)
<u>(3,698,898)</u>	<u>(21,792)</u>	<u>(3,720,690)</u>

1,746,593	-	1,746,593
233,062	-	233,062
415,732	-	415,732
479,246	-	479,246
58,019	-	58,019
3,084	4,186	7,270
2,322,606	-	2,322,606
980,000	-	980,000
59,889	-	59,889
64,560	(64,560)	-
<u>6,362,791</u>	<u>(60,374)</u>	<u>6,302,417</u>
2,663,893	(82,166)	2,581,727
2,000,283	409,589	2,409,872
<u>\$ 4,664,176</u>	<u>327,423</u>	<u>4,991,599</u>

\$ 1,138,356	-	1,138,356
73,529	-	73,529
350,887	-	350,887
204,353	-	204,353
150,922	-	150,922
313,062	-	313,062
211,137	267,448	478,585
1,796,517	-	1,796,517
385,176	-	385,176
40,237	59,975	100,212
<u>\$ 4,664,176</u>	<u>327,423</u>	<u>4,991,599</u>

City of Shenandoah

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

As of and for the year ended June 30, 2009

	General	Road Use Tax	Employee Benefits	Special Local Option Sales Tax
Receipts:				
Property tax	\$ 1,046,381	-	515,326	-
Tax increment financing		-	-	-
Other city tax	42,803	-	20,945	479,246
Licenses and permits	52,901	-	-	-
Use of money and property	24,420	-	-	1,419
Intergovernmental	20,790	460,150	-	-
Charges for service	656,978	-	-	-
Special assessments	-	-	-	-
Miscellaneous	177,022	-	43,585	-
Total receipts	2,021,295	460,150	579,856	480,665
Disbursements:				
Operating:				
Public safety	762,252	-	275,488	-
Public works	642,428	426,098	117,772	-
Health and social services	100	-	-	-
Culture and recreation	696,012	-	144,207	-
Community and economic development	-	-	-	133,057
General government	262,157	-	20,143	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	2,362,949	426,098	557,610	133,057
Excess (deficiency) of receipts over (under) disbursements	(341,654)	34,052	22,246	347,608
Other financing sources (uses):				
Note proceeds, net of \$14,650 discount and fees	-	-	-	-
Operating transfers in	372,015	-	-	-
Operating transfers out	-	-	-	(364,805)
Total other financing sources (uses)	372,015	-	-	(364,805)
Net change in cash balances	30,361	34,052	22,246	(17,197)
Cash balances beginning of year	9,876	39,477	328,641	21,802
Cash balances end of year	\$ 40,237	73,529	350,887	4,605
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
General fund	40,237	-	-	-
Special revenue funds	-	73,529	350,887	4,605
Capital projects fund	-	-	-	-
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ 40,237	73,529	350,887	4,605

See notes to financial statements.

Revenue				Permanent					Nonmajor	Total
Tax Increment Financing	Simons Trust - Library	Library Foundation	Debt Service	Capital Projects	Snook Trust	Cemetery Perpetual Care				
-	-	-	400,267	-	-	-	-	119,939	2,081,913	
233,062	-	-	-	-	-	-	-	-	233,062	
-	-	-	15,465	-	-	-	-	59,218	617,677	
-	-	-	-	-	-	-	-	-	52,901	
10,278	1,873	-	1,069	18,135	623	-	-	26,858	84,675	
-	-	-	-	486,989	-	-	-	175,009	1,142,938	
-	-	-	-	-	-	5,374	-	86,385	748,737	
-	-	-	77,675	-	-	-	-	-	77,675	
-	-	48,051	13,360	54,687	980,000	-	-	286,875	1,603,580	
243,340	1,873	48,051	507,836	559,811	980,623	5,374	-	754,284	6,643,158	
-	-	-	-	-	-	-	-	93,776	1,131,516	
-	-	-	-	-	-	-	-	20,856	1,207,154	
-	-	-	-	-	-	-	-	-	100	
6,310	-	28,276	-	-	-	-	-	108,103	982,908	
-	-	-	-	-	-	-	-	82,114	215,171	
-	-	-	-	-	-	-	-	74,154	356,454	
210,160	-	-	716,314	-	-	-	-	71,553	998,027	
-	-	-	-	1,475,101	-	-	-	-	1,475,101	
216,470	-	28,276	716,314	1,475,101	-	-	-	450,556	6,366,431	
26,870	1,873	19,775	(208,478)	(915,290)	980,623	5,374	-	303,728	276,727	
-	-	-	-	2,322,606	-	-	-	-	2,322,606	
-	-	-	205,450	65,980	-	-	-	83,955	727,400	
(21,657)	-	-	-	(23,055)	-	-	-	(253,323)	(662,840)	
(21,657)	-	-	205,450	2,365,531	-	-	-	(169,368)	2,387,166	
5,213	1,873	19,775	(3,028)	1,450,241	980,623	5,374	-	134,360	2,663,893	
394,640	149,049	293,287	18,665	346,276	-	152,359	-	246,211	2,000,283	
399,853	150,922	313,062	15,637	1,796,517	980,623	157,733	-	380,571	4,664,176	
195,500	-	-	15,637	-	-	-	-	-	211,137	
-	-	-	-	-	-	-	-	-	40,237	
204,353	150,922	313,062	-	-	-	-	-	380,571	1,477,929	
-	-	-	-	1,796,517	-	-	-	-	1,796,517	
-	-	-	-	-	980,623	157,733	-	-	1,138,356	
399,853	150,922	313,062	15,637	1,796,517	980,623	157,733	-	380,571	4,664,176	

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, 2009

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 1,085,983	619,409	1,705,392
Miscellaneous	12,023	16,665	28,688
Total operating receipts	1,098,006	636,074	1,734,080
Operating disbursements:			
Business type activities	1,055,447	367,429	1,422,876
Excess of operating receipts over operating disbursements	42,559	268,645	311,204
Non-operating receipts (disbursements):			
Interest on investments	1,490	2,696	4,186
Debt service	-	(182,629)	(182,629)
Capital outlay	-	(150,367)	(150,367)
Total non-operating receipts (disbursements)	1,490	(330,300)	(328,810)
Excess (deficiency) of receipts over (under) disbursements	44,049	(61,655)	(17,606)
Other financing uses:			
Operating transfers out	(49,511)	(15,049)	(64,560)
Net change in cash balances	(5,462)	(76,704)	(82,166)
Cash balances beginning of year	173,032	236,557	409,589
Cash balances end of year	\$ 167,570	159,853	327,423
Cash Basis Fund Balances			
Reserved for debt service	\$ 124,965	142,483	267,448
Unreserved	42,605	17,370	59,975
Total cash basis fund balances	\$ 167,570	159,853	327,423

See notes to financial statements.

City of Shenandoah

Notes to Financial Statements

June 30, 2009

(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 three categories:

Restricted Net Assets:

Nonexpendable – Nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's permanent funds.

Expendable – 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: – Unrestricted net assets do not meet the definitions of the preceding categories. 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 tax increment financing collections and principal and interest on debt incurred for urban renewal projects.

The Simons Trust - Library Fund is used to account for the trust receipts and disbursements.

The Library Foundation Fund is used to account for donations received by 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.

Permanent:

The Cemetery Perpetual Care Fund is used to account for funds collected for the perpetual care of the cemetery.

The Snook Trust Fund is utilized to account for the funds received from a bequest. Net income from investments is to be divided in equal shares between five charities, the Public Library of Shenandoah, the Shenandoah Fire Department for the purchase of needed equipment, the Shenandoah Rescue Unit for the purchase of needed equipment, the Park System of Shenandoah and the Shenandoah Memorial Hospital with the direction 70% is to be used for the purchase of equipment and 30% is to be used for Elm Heights Home for Senior Citizens.

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 wastewater 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, 2009, disbursements exceeded the amount budgeted for the public safety function. In addition, disbursements exceeded the amounts budgeted in the public works, health and social services, culture and recreation, community and economic development, general government and capital projects functions prior to adoption of a budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 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 \$2,350,483 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The City's investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

The Shenandoah Public Library Foundation's investments at June 30, 2009 consist of stock mutual funds with a fair value of \$30,874. Disclosure of concentration of credit risk and interest rate risk do not apply to these investments.

(3) Notes Payable

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

Year Ending June 30,	General Obligation Notes		Swimming Pool Revenue Notes		Sewer Revenue Capital Loan Notes	
	Principal	Interest	Principal	Interest *	Principal	Interest
2010	\$ 2,185,000	117,835	29,292	1,696	107,000	74,880
2011	285,000	90,382	29,292	1,131	110,000	71,670
2012	290,000	77,901	29,292	565	113,000	68,370
2013	350,000	64,873	-	-	116,000	64,980
2014	325,000	49,345	-	-	120,000	61,500
2015-2019	765,000	57,664	-	-	656,000	146,580
2020-2024	-	-	-	-	759,000	85,627
2025-2027	-	-	-	-	515,000	18,130
Total	\$ 4,200,000	458,000	87,876	3,392	2,496,000	591,737

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

Year Ending June 30,	Urban Renewal		Special Assessment		Total	
	Revenue Notes		Notes		Principal	Interest
	Principal	Interest	Principal	Interest		
2010	\$ 130,000	79,628	65,000	9,750	2,516,292	283,789
2011	140,000	73,513	65,000	6,663	629,292	243,359
2012	145,000	66,663	65,000	3,412	642,292	216,911
2013	150,000	59,285	-	-	616,000	189,138
2014	160,000	51,360	-	-	605,000	162,205
2015-2019	685,000	129,232	-	-	2,106,000	333,476
2020-2024	-	-	-	-	759,000	85,627
2025-2027	-	-	-	-	515,000	18,130
Total	\$ 1,410,000	459,681	195,000	19,825	8,388,876	1,532,635

Swimming Pool Revenue Notes

The City has pledged future swimming pool customer receipts, net of specified operating disbursements, and future Wilson Trust earnings to repay \$720,000 of swimming pool revenue notes issued in August 1997. Proceeds from the notes provided financing for the construction of the Municipal Swimming Pool and Aquatic Center (Center). The notes are payable from swimming pool customer net receipts and future Wilson Trust earnings and are payable through 2012. Annual principal and interest payments on the notes are expected to require less than 36 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$91,268. For the current year, principal and interest paid and total customer net receipts and Wilson Trust earnings were \$31,553 and \$88,595, respectively.

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 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.

Sewer Revenue Capital Loan Notes – On July 10, 2007, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$2,700,000 of sewer revenue capital loan notes with interest at 3.0% per annum. The notes were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa to pay the cost of acquiring and constructing improvements and extensions to the City’s sewer system. The City will draw down funds from the Trustee upon request to reimburse the City for costs as they are incurred. At June 30, 2009, the City had drawn \$2,700,000, including a \$27,000 initiation fee, of the \$2,700,000 authorized.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,700,000 of sewer revenue capital loan notes issued in July 2007. The notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the notes are expected to require less than 66 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$3,087,737. For the current year, principal and interest paid and total customer net receipts were \$175,879 and \$268,645, respectively.

The resolution providing for the issuance of the sewer revenue capital loan notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making principal and interest payments when due.
- (c) After all other accounts have sufficient balances, the net revenues available after making the required principal and interest payments should be credited to a sewer surplus fund for operation of the utility.

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 account 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 account shall be established to maintain a required debt service reserve. The City is to deposit note proceeds of \$195,500 into this reserve account. This account is restricted for the purpose of paying principal and interest when funds in the sinking account are inadequate. The City accounts for these proceeds in the Special Revenue, Tax Increment Financing Fund.

(4) 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 a wheel loader. The following is a schedule of the future minimum lease payments, including interest at 5.56% (fire truck) and 5.25% (backhoe and wheel loader) per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2009:

Year Ending June 30,	Fire Truck	Backhoe	Wheel Loader	Total
2010	\$ 64,529	18,289	24,733	107,551
2011	64,529	18,289	24,733	107,551
2012	64,529	-	-	64,529
Total minimum lease payments	193,587	36,578	49,466	279,631
Less amount representing interest	(19,686)	(2,753)	(3,722)	(26,161)
Present value of net minimum lease payments	\$ 173,901	33,825	45,744	253,470

During the year ended June 30, 2009, \$64,529 was paid under the fire truck capital lease purchase agreement, \$18,289 was paid under the backhoe lease purchase agreement and \$24,732 was paid under the wheel loader lease purchase agreement.

(5) 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 regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$103,710, \$96,202 and \$89,138, respectively, equal to the required contributions for each year.

(6) 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, 2009, primarily relating to the General Fund, was \$89,000. This liability has been computed based on rates of pay in effect at June 30, 2009.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 270,643
	Emergency	66,230
	Wilson Trust - Other	20,142
	Enterprise:	
	Sewer	15,000
		<u>372,015</u>
Special Revenue:	Special Revenue:	
RAPP Trust Other	Local Option Sales Tax	5,347
Pool Revenue Note Sinking	Wilson Trust - Other	31,553
Revolving Loan	Emergency	24,000
	Capital Projects	23,055
		<u>83,955</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	88,815
	Tax Increment Financing	21,657
	Emergency	13,273
	Wilson Trust - Other	36,900
	Enterprise:	
	Water	44,805
		<u>205,450</u>
Capital Projects	Special Revenue:	
	Memorial Building	61,225
	Enterprise:	
	Water	4,706
	Sewer	49
		<u>4,755</u>
Total		<u>\$ 666,175</u>

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

(8) Hospital Facilities Refunding Revenue Bonds

On May 21, 2005, the City issued \$3,300,000 of Hospital Facilities Revenue Bonds under the provisions of Chapter 419 of the Code for Iowa for the purpose of paying for the Shenandoah Medical Center project. The bonds, of which \$3,300,000 are outstanding at June 30, 2009, and the related interest are payable solely from future earnings of the Hospital and do not constitute liabilities of the City.

(9) 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.

(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, 2009, the City approved one loan totaling \$25,000 for economic development projects and collections of \$13,330 of principal and \$5,877 of interest were received. The outstanding loan principal balance at June 30, 2009 was \$138,164.

(11) Subsequent Events

In July 2009, the City sold four issues of general obligation notes totaling \$5,130,000. \$380,000 of the proceeds is to be used to refund general obligation notes dated September 1, 2003 and \$1,720,000 is to be used to redeem the 2009 general obligation capital loan anticipation project notes.

City of Shenandoah

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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted
Receipts:			
Property tax	\$ 2,081,913	-	-
Tax increment financing	233,062	-	-
Other city tax	617,677	-	-
Licenses and permits	52,901	-	-
Use of money and property	84,675	4,186	-
Intergovernmental	1,142,938	-	-
Charges for service	748,737	1,705,392	-
Special assessments	77,675	-	-
Miscellaneous	1,603,580	28,688	48,051
Total receipts	<u>6,643,158</u>	<u>1,738,266</u>	<u>48,051</u>
Disbursements:			
Public safety	1,131,516	-	-
Public works	1,207,154	-	-
Health and social services	100	-	-
Culture and recreation	982,908	-	28,276
Community and economic development	215,171	-	-
General government	356,454	-	-
Debt service	998,027	-	-
Capital projects	1,475,101	-	-
Business type activities	-	1,755,872	-
Total disbursements	<u>6,366,431</u>	<u>1,755,872</u>	<u>28,276</u>
Excess (deficiency) of receipts over (under) disbursements	276,727	(17,606)	19,775
Other financing sources, net	2,387,166	(64,560)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,663,893	(82,166)	19,775
Balances beginning of year	2,000,283	409,589	293,287
Balances end of year	<u>\$ 4,664,176</u>	<u>327,423</u>	<u>313,062</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
2,081,913	2,087,039	2,087,039	(5,126)
233,062	232,263	232,263	799
617,677	646,347	683,147	(65,470)
52,901	16,500	55,900	(2,999)
88,861	115,620	97,830	(8,969)
1,142,938	1,419,063	1,048,998	93,940
2,454,129	2,622,152	2,791,930	(337,801)
77,675	77,675	77,675	-
1,584,217	265,807	1,298,303	285,914
8,333,373	7,482,466	8,373,085	(39,712)
1,131,516	1,070,874	1,070,874	(60,642)
1,207,154	1,050,476	1,223,371	16,217
100	600	600	500
954,632	1,003,848	1,086,126	131,494
215,171	122,780	260,891	45,720
356,454	339,670	358,725	2,271
998,027	967,784	1,029,908	31,881
1,475,101	873,000	1,891,574	416,473
1,755,872	1,582,654	1,780,654	24,782
8,094,027	7,011,686	8,702,723	608,696
239,346	470,780	(329,638)	568,984
2,322,606	-	2,366,041	(43,435)
2,561,952	470,780	2,036,403	525,549
2,116,585	1,508,326	1,508,326	608,259
4,678,537	1,979,106	3,544,729	1,133,808

City of Shenandoah

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. 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 Funds 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 \$1,691,037. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the public safety function. In addition, disbursements exceeded the amounts budgeted in the public works, health and social services, culture and recreation, community and economic development, general government and capital projects functions prior to adoption of a budget amendment.

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, 2009

	Emergency	Hotel/ Motel	Gidley Park Trust	Esden Trust	Rapp Trust Library	Rapp Trust Other	Special Reed Estate Trust
Receipts:							
Property tax	\$ 29,335	-	-	-	-	-	-
Other city tax	1,199	58,019	-	-	-	-	-
Use of money and property	1,665	-	689	1,291	145	-	145
Intergovernmental	175,009	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-
Miscellaneous	-	-	11,325	-	-	53,250	-
Total receipts	207,208	58,019	12,014	1,291	145	53,250	145
Disbursements:							
Operating:							
Public safety	548	-	-	-	-	-	-
Public works	20,856	-	-	-	-	-	-
Culture and recreation	-	-	8,115	3,214	-	-	-
Community and economic development	-	28,487	-	-	-	-	-
General government	17,715	31,361	-	-	-	13,250	-
Debt service	-	-	-	-	-	40,000	-
Total disbursements	39,119	59,848	8,115	3,214	-	53,250	-
Excess (deficiency) of receipts over (under) disbursements	168,089	(1,829)	3,899	(1,923)	145	-	145
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	5,347	-
Operating transfers out	(103,503)	-	-	-	-	-	-
Total other financing sources (uses)	(103,503)	-	-	-	-	5,347	-
Net change in cash balances	64,586	(1,829)	3,899	(1,923)	145	5,347	145
Cash balances beginning of year	10,289	12,391	55,486	22,560	11,516	(5,347)	11,516
Cash balances end of year	\$ 74,875	10,562	59,385	20,637	11,661	-	11,661
Cash Basis Fund Balances							
Unreserved:							
Special revenue funds	\$ 74,875	10,562	59,385	20,637	11,661	-	11,661

See accompanying independent auditor's report.

Revenue												
Pool	Vision	Wilson	Wilson	Kay M.	Revolving	Tree	Senior	Forgotten	Exercise	Volunteer	Memorial	Total
Revenue	Iowa	Trust -	Trust -	Anderson	Loan	Board	Center	Angels	Facility	Fire	Building	
Note	Trust	Library	Other	Foundation			Trust	Cemetery		Department		
Sinking								Trust				
-	-	-	-	-	-	-	-	-	-	-	90,604	119,939
-	-	-	-	-	-	-	-	-	-	-	-	59,218
-	53	218	-	-	21,607	225	725	-	-	95	-	26,858
-	-	-	-	-	-	-	-	-	-	-	-	175,009
-	-	-	-	-	-	-	-	-	86,385	-	-	86,385
-	-	44,304	100,423	5,000	4,639	1,100	-	500	6,108	55,657	4,569	286,875
-	53	44,522	100,423	5,000	26,246	1,325	725	500	92,493	55,752	95,173	754,284
-	-	-	-	-	47,055	-	-	-	-	46,173	-	93,776
-	-	-	-	-	-	-	-	-	-	-	-	20,856
-	-	-	-	-	-	-	125	-	62,701	-	33,948	108,103
-	2,999	-	-	5,000	40,313	5,315	-	-	-	-	-	82,114
-	-	-	11,828	-	-	-	-	-	-	-	-	74,154
31,553	-	-	-	-	-	-	-	-	-	-	-	71,553
31,553	2,999	-	11,828	5,000	87,368	5,315	125	-	62,701	46,173	33,948	450,556
(31,553)	(2,946)	44,522	88,595	-	(61,122)	(3,990)	600	500	29,792	9,579	61,225	303,728
31,553	-	-	-	-	47,055	-	-	-	-	-	-	83,955
-	-	-	(88,595)	-	-	-	-	-	-	-	(61,225)	(253,323)
31,553	-	-	(88,595)	-	47,055	-	-	-	-	-	(61,225)	(169,368)
-	(2,946)	44,522	-	-	(14,067)	(3,990)	600	500	29,792	9,579	-	134,360
-	2,946	18,910	-	-	83,883	5,421	1,776	2,800	(12,690)	24,754	-	246,211
-	-	63,432	-	-	69,816	1,431	2,376	3,300	17,102	34,333	-	380,571
-	-	63,432	-	-	69,816	1,431	2,376	3,300	17,102	34,333	-	380,571

City of Shenandoah
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
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	5.95	400,000
Essential corporate purpose	Jun 15, 2001	5.95	110,000
Essential corporate purpose	Sep 1, 2002	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
Essential corporate purpose	Jul 15, 2007	4.85-5.20	915,000
Essential corporate purpose	Dec 27, 2007	4.85-5.20	90,000
Total			
Swimming pool revenue notes	Aug 11, 1997	* 2.14-2.55%	\$ 720,000
Sewer revenue capital loan notes	Jul 10, 2007	3.00%	\$ 2,700,000
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	5.25	80,088
Wheel loader	Sep 13, 2006	5.25	108,308
Total			
General obligation capital loan anticipation project notes, series 2009A	Jun 1, 2009	1.35%	\$ 1,720,000

* 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
350,000	-	170,000	180,000	15,755	-	-
50,000	-	25,000	25,000	3,638	-	-
85,000	-	40,000	45,000	4,805	-	-
200,000	-	25,000	175,000	11,900	-	-
55,000	-	10,000	45,000	3,273	-	-
70,000	-	10,000	60,000	3,360	-	-
450,000	-	70,000	380,000	17,850	-	-
540,000	-	50,000	490,000	23,160	-	-
110,000	-	20,000	90,000	4,518	-	-
915,000	-	-	915,000	39,395	-	-
90,000	-	15,000	75,000	6,457	-	-
\$ 2,915,000	-	435,000	2,480,000	134,111	-	-
117,168	-	29,292	87,876	2,261	-	-
1,982,744	617,256	104,000	2,496,000	71,879	-	-
1,185,000	-	80,000	1,105,000	69,780	-	-
350,000	-	45,000	305,000	15,380	-	-
\$ 1,535,000	-	125,000	1,410,000	85,160	-	-
1,000	-	-	1,000	-	1,000	195
260,000	-	65,000	195,000	12,675	-	-
225,872	-	51,971	173,901	12,558	-	-
49,454	-	15,629	33,825	2,660	-	-
66,879	-	21,135	45,744	3,597	-	-
\$ 342,205	-	88,735	253,470	18,815	-	-
-	1,720,000	-	1,720,000	-	-	-

City of Shenandoah

Note Maturities

June 30, 2009

Year Ending June 30,	General Obligation Notes											
	Essential Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose		General Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose	
	Issued May 1, 1999		Issued Jul 1, 1999		Issued Jun 1, 2000		Issued Jul 1, 2000		Issued Jun 15, 2001		Issued Sep 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	4.55%	\$ 180,000	7.30%	\$ 25,000	5.70%	\$ 45,000	5.95%	\$ 25,000	5.95%	\$ 15,000	4.8%	\$ 15,000
2011	-	-	-	-	-	-	5.95	25,000	5.95	15,000	4.8	15,000
2012	-	-	-	-	-	-	5.95	25,000	5.95	15,000	4.8	15,000
2013	-	-	-	-	-	-	5.95	25,000	-	-	4.8	15,000
2014	-	-	-	-	-	-	5.95	25,000	-	-	-	-
2015	-	-	-	-	-	-	5.95	25,000	-	-	-	-
2016	-	-	-	-	-	-	-	25,000	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-
Total		<u>\$ 180,000</u>		<u>\$ 25,000</u>		<u>\$ 45,000</u>		<u>\$ 175,000</u>		<u>\$ 45,000</u>		<u>\$ 60,000</u>

Year Ending June 30,	Swimming Pool Revenue Notes		Sewer Revenue Capital Loan Notes		Urban Renewal Revenue Notes				Special Assessment Notes Street Improvement		
	Issued Aug 11, 1997		Issued July 10, 2007		Issued Mar 1, 2003		Issued Jul 15, 2004		Total	Issued Aug 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2010	2.55%	\$ 29,292	3.00%	\$ 107,000	5.05%	\$ 85,000	4.05%	\$ 45,000	130,000	4.75%	\$ 65,000
2011	2.55	29,292	3.00	110,000	5.25	90,000	4.25	50,000	140,000	5.00	65,000
2012	2.55	29,292	3.00	113,000	5.45	95,000	4.40	50,000	145,000	5.25	65,000
2013	-	-	3.00	116,000	5.65	100,000	4.55	50,000	150,000	-	-
2014	-	-	3.00	120,000	5.85	105,000	4.70	55,000	160,000	-	-
2015	-	-	3.00	124,000	6.00	110,000	4.80	55,000	165,000	-	-
2016	-	-	3.00	127,000	6.20	120,000	-	-	120,000	-	-
2017	-	-	3.00	131,000	6.35	125,000	-	-	125,000	-	-
2018	-	-	3.00	135,000	6.50	135,000	-	-	135,000	-	-
2019	-	-	3.00	139,000	-	-	-	-	-	-	-
2020	-	-	3.00	143,000	-	-	-	-	-	-	-
2021	-	-	3.00	146,000	-	-	-	-	-	-	-
2022	-	-	3.00	152,000	-	-	-	-	-	-	-
2023	-	-	3.00	157,000	-	-	-	-	-	-	-
2023	-	-	3.00	161,000	-	-	-	-	-	-	-
2025	-	-	3.00	166,000	-	-	-	-	-	-	-
2026	-	-	3.00	171,000	-	-	-	-	-	-	-
2027	-	-	3.00	178,000	-	-	-	-	-	-	-
Total		<u>\$ 87,876</u>		<u>\$2,496,000</u>		<u>\$ 965,000</u>		<u>\$ 305,000</u>	<u>1,270,000</u>		<u>\$ 195,000</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 Sep 1, 2003		Essential Corporate Purpose Issued Jul 15, 2004		Essential Corporate Purpose Issued Dec 15, 2006		Essential Corporate Purpose Issued Jul 15, 2007		Essential Corporate Purpose Issued Dec 27, 2007		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.70%	\$ 70,000	3.80%	\$ 55,000	4.05%	\$ 20,000		\$ -	4.90%	\$ 15,000	465,000
3.90	75,000	4.00	55,000	4.10	20,000	4.10%	60,000	5.00	20,000	285,000
4.10	75,000	4.15	55,000	4.15	25,000	4.15	60,000	5.10	20,000	290,000
4.25	80,000	4.30	60,000	4.20	25,000	4.20	125,000	5.20	20,000	350,000
4.35	80,000	4.45	60,000		-	4.30	160,000		-	325,000
	-	4.55	65,000		-	4.35	250,000		-	340,000
	-	4.65	70,000		-	4.40	260,000		-	355,000
	-	4.75	70,000		-		-		-	70,000
	<u>\$ 380,000</u>		<u>\$ 490,000</u>		<u>\$ 90,000</u>		<u>\$ 915,000</u>		<u>\$ 75,000</u>	<u>2,480,000</u>

Schedule 4

City of Shenandoah

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

For the Last Seven Years

	2009	2008	2007	2006	2005	2004	2003
Receipts:							
Property tax	\$ 2,081,913	1,827,595	1,737,689	1,693,590	1,706,276	1,673,768	1,704,048
Tax increment financing	233,062	310,639	296,773	230,021	163,168	120,739	-
Other city tax	617,677	661,772	636,673	634,961	568,095	539,173	545,968
Licenses and permits	52,901	15,112	17,023	32,010	11,434	57,889	12,526
Use of money and property	84,675	163,952	127,611	122,296	101,079	100,862	54,474
Intergovernmental	1,142,938	1,030,719	503,308	585,786	1,104,118	941,313	1,670,128
Charges for service	748,737	626,313	557,200	538,671	514,281	513,341	529,365
Special assessments	77,675	80,438	77,837	80,088	82,187	84,138	67,587
Miscellaneous	1,603,580	1,456,303	1,145,048	450,013	353,661	424,246	326,125
Total	\$ 6,643,158	6,172,843	5,099,162	4,367,436	4,604,299	4,455,469	4,910,221
Disbursements:							
Operating:							
Public safety	\$ 1,131,516	1,043,289	927,647	1,000,813	871,126	912,467	1,134,110
Public works	1,207,154	1,051,117	1,069,262	989,441	921,685	973,336	1,113,585
Health and social services	100	647	6,789	3,303	21,004	40,784	29,668
Culture and recreation	982,908	1,009,515	912,149	845,644	834,049	928,728	929,600
Community and economic development	215,171	232,403	133,723	191,545	496,577	98,963	39,801
General government	356,454	301,128	240,817	273,752	232,789	213,220	217,675
Debt service	998,027	1,074,654	1,035,985	1,013,990	934,264	910,661	772,934
Capital projects	1,475,101	3,686,201	980,436	81,216	1,158,590	1,949,805	2,130,394
Total	\$ 6,366,431	8,398,954	5,306,808	4,399,704	5,470,084	6,027,964	6,367,767

See accompanying independent auditor's report.

City of Shenandoah
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
United States Department of Agriculture:			
Community Facilities Grant	10.766	None	\$ 24,000
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0082-05	16,770
Airport Improvement Program	20.106	3-19-0082-06	59,529
Airport Improvement Program	20.106	3-19-0082-07	142,633
			<u>218,932</u>
Total direct			<u>242,932</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	07-HSG-024	251,133
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Seat Belt Use Incentive Grant	20.609	08-157-Task 154	4,000
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	145-72525-00 DR-1763	140,391
Total indirect			<u>395,524</u>
Total			<u>\$ 638,456</u>

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

See accompanying independent auditor's report.

City of Shenandoah



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 5, 2009. 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, including a deficiency we consider to be a material weakness.

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 and Questioned Costs 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 II-A-09 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 and Questioned Costs.

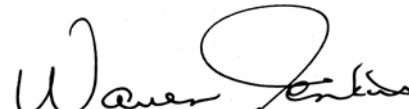
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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 and Questioned Costs. 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, including federal awarding agencies and pass through entities. 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

November 5, 2009

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

City of Shenandoah



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Shenandoah, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Shenandoah's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Shenandoah's management. Our responsibility is to express an opinion on the City of Shenandoah's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Shenandoah's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Shenandoah's compliance with those requirements.

In our opinion, the City of Shenandoah complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Shenandoah is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the City's internal control over compliance.

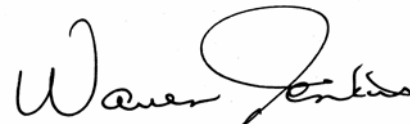
A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 5, 2009

City of Shenandoah

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements which 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.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each of the major programs.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA 20.106 – Airport Improvement Program and CFDA 14.228-Community Development Block Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Shenandoah did not qualify as a low-risk auditee.

City of Shenandoah

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-09 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. The final payroll register is not reconciled to the approved payroll.

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. The final payroll register should be reconciled to the approved payroll.

Response – The City will have each person issuing checks have a co-worker sign off on every check. As for payroll, the City will check with the software support staff to find the correct report which will reflect the necessary information for reconciliation of the payroll register with the approved payroll. General ledger journal entries are now signed off by both the City Clerk and the City Administrator. This was implemented during fiscal year 2009.

Conclusion – Response accepted.

II-B-09 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 – Currently, the Shenandoah Fire Department gives the City a monthly report of receipts, disbursements and ending balances. These reports are copied and included in Council packets and also kept in a file at City Hall. Fire Department activity will be included on the monthly bank reconciliation the Mayor and Council receive.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Shenandoah
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

City of Shenandoah

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the public safety function. In addition, disbursements exceeded the amounts budgeted in the public works, health and social services, culture and recreation, community and economic development, general government and capital projects functions prior to adoption of a budget amendment. 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 – There were extenuating circumstances, time and financial constraints, which made it difficult for the City Clerk to keep track of budget balances. Software support staff has been consulted regarding a report format to make it easier to track these funds by function and allow the City Clerk to more easily monitor the balances in order to file the budget amendment more timely.

Conclusion – Response accepted.

IV-B-09 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.

IV-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-09 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Darrel Saner, Assistant Police Chief, owner of Shenweld	Welding and maintenance	\$ 3,416

In accordance with Chapter 362.5(10) of the Code of Iowa, the welding and maintenance transactions with Shenweld may represent conflicts of interest because the total cumulative amount was greater than \$1,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – Legal counsel has been contacted, but there is no hard copy of the opinion for our records. We will obtain the opinion as soon as possible in reference to the welding shop.

Conclusion – Response accepted.

City of Shenandoah

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- IV-E-09 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.
- IV-F-09 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-09 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 which complies with the provisions of Chapter 12B.10B of the Code of Iowa.
Response – We will adopt a policy as soon as possible.
Conclusion – Response accepted.
- IV-H-09 Revenue Notes – No instances of noncompliance with the resolutions providing for the issuance of the swimming pool revenue notes, sewer revenue capital loan notes and urban renewal revenue notes were noted.
- IV-I-09 City Administrator Vehicle – The City purchased a vehicle to be used by the City Administrator. The Administrator uses the vehicle to commute to and from work.
Recommendation – As required by the IRS Taxable Fringe Benefit Guide, unless the City requires the Administrator to commute in a city vehicle, the fair market value of the personal use portion of the vehicle is a taxable fringe benefit to the employee. The IRS provides a commuting rule of \$1.50 each way if the employer requires the employee to commute in the vehicle for a valid non-compensatory business reason. However, the City Council has not done this.
Response – The City feels that the City Administrator is on call at all times to respond to any City emergency that could arise. The necessary action will be taken to correct this situation.
Conclusion – Response acknowledged. Unless the City Council requires the Administrator to commute in the vehicle for a valid noncompensatory business reason, the fair market value of the personal use portion of the vehicle is a taxable fringe benefit to the Administrator as required by the IRS.
- IV-J-09 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 – The City is currently identifying amounts for property tax relief, community betterment and community planning which are going into the General Fund to cover expenses paid from the General Fund impacting these areas. A more detailed description will be provided in the future.
Conclusion – Response accepted.

City of Shenandoah
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

IV-J-09 Other Information Required by the Revenue Note Resolution

Insurance – The following insurance policies were in force at June 30, 2009:

Insurer	Description	Amount	Expiration Date
Employers Mutual Casualty Company	Property coverage: Buildings	\$ 23,143,715	Apr 1, 2010
Employers Mutual Casualty Company	Comprehensive general liability: Each occurrence Aggregate	1,000,000 2,000,000	Apr 1, 2010
Employers Mutual Casualty Company	Inland Marine: Contractors' equipment Electronic data processing equipment Property floater	591,861 147,546 58,490	Apr 1, 2010
Employers Mutual Casualty Company	Automobile coverage: Liability Uninsured motorists	1,000,000 40,000	Apr 1, 2010
Employers Mutual Casualty Company	Linebacker - each loss and Each loss Aggregate	1,000,000 1,000,000	Apr 1, 2010
Employers Mutual Casualty Company	Workers' compensation	500,000	Apr 1, 2010
Employers Mutual Casualty Company	Commercial umbrella Retained Each occurrence Aggregate	10,000 5,000,000 5,000,000	Apr 1, 2010
Employers Mutual Casualty Company	Employee dishonesty Blanket bond Alteration	100,000 10,000	Apr 1, 2010
Employers Mutual Casualty Company	Commercial crime: inside premises outside premises	10,000 10,000	Apr 1, 2010

City of Shenandoah
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

Statistical Information:

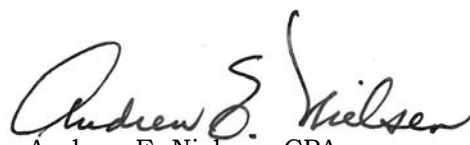
Description	Amount
Swimming pool customers served in 2009 season	13,227
Swimming pool rates in effect at June 30, 2008	
Daily admission	\$ 5
Single season pass	60
Family plan	150

City of Shenandoah

Staff

This audit was performed by:

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Gelu Sherpa, Staff Auditor
Alison P. Baker, Assistant Auditor
Stephanie A. Sissel, Assistant Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State