



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

January 10, 2011

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 \$10,490,697 for the year ended June 30, 2010, a 2 percent decrease from the prior year. The receipts included \$2,082,077 in property and other city tax, \$235,993 from tax increment financing, \$465,744 from local option sales tax, \$34,278 from hotel/motel tax, \$2,538,664 from charges for service, \$1,231,511 from operating grants, contributions and restricted interest, \$435,080 from capital grants, contributions and restricted interest, \$2,599 from unrestricted interest on investments, note proceeds of \$3,418,523 and other general receipts of \$46,228.

Disbursements for the year totaled \$11,195,808, a 38 percent increase over the prior year, and included \$1,234,191 for public works, \$1,084,848 for public safety and \$2,472,320 for capital projects. Also, disbursements for business type activities totaled \$1,801,342. The significant increase in disbursements is due to the refunding of general obligation capital loan notes.

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/1020-0681-B00F.pdf>.

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CITY OF SHENANDOAH

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

JUNE 30, 2010

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City of Shenandoah

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
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
(After January 2010)		
Richard Hunt	Mayor	Jan 2014
Rod Nester	Mayor Pro tem	Jan 2014
Robert Burchett	Council Member	Jan 2012
James Davey	Council Member	Jan 2012
Marvin Adcock	Council Member	Jan 2014
Don Gibson	Council Member	Jan 2014
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, 2010, 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.

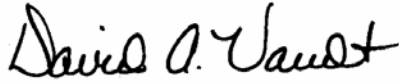
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2010, 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.

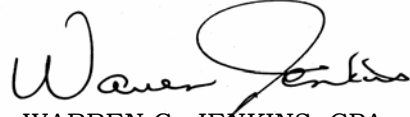
In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2010 on our consideration of the City of Shenandoah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 17, 2010

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 2%, or approximately \$194,000, from fiscal year 2009 to fiscal year 2010. Note proceeds increased approximately \$1,096,000 and capital grants, contributions and restricted interest receipts decreased approximately \$249,000.
- Governmental activities disbursements increased 47.6%, or approximately \$3,028,000, from fiscal year 2009 to fiscal year 2010. Debt service function disbursements increased approximately \$2,179,000, primarily as a result of the City refunding \$2,100,000 of general obligation capital loan notes and general obligation capital loan anticipation project notes. Capital projects disbursements increased approximately \$997,000.
- The City's total cash basis net assets decreased 14%, or approximately \$704,000, from June 30, 2009 to June 30, 2010.

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.

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.

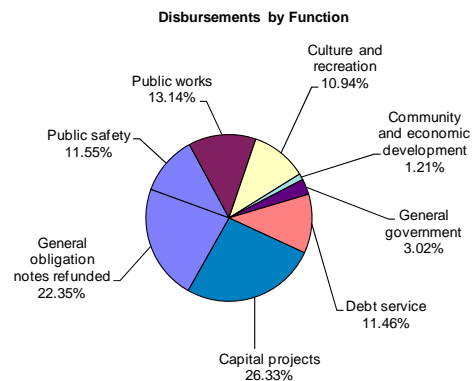
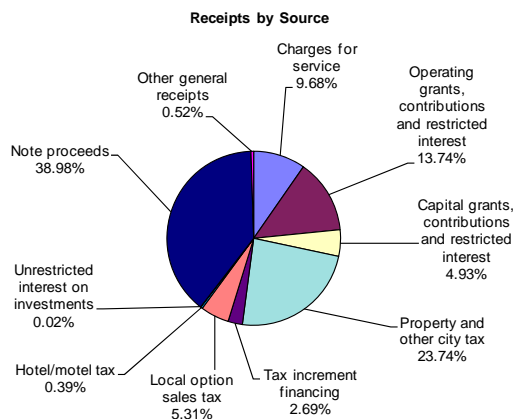
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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 decreased from a year ago, from approximately \$4.66 million to approximately \$4.09 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,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 849	929
Operating grants, contributions and restricted interest	1,205	1,057
Capital grants, contributions and restricted interest	432	681
General receipts:		
Property and other city tax	2,082	2,163
Tax increment financing	236	233
Local option sales tax	466	479
Hotel/motel tax	34	58
Unrestricted interest on investments	2	3
Note proceeds	3,419	2,323
Snook bequest	-	980
Other general receipts	46	59
Total receipts	8,771	8,965
Disbursements:		
Public safety	1,085	1,131
Public works	1,234	1,207
Culture and recreation	1,028	984
Community and economic development	114	214
General government	284	357
Debt service	1,077	998
Capital projects	2,472	1,475
General obligation notes refunded	2,100	-
Total disbursements	9,394	6,366
Change in cash basis net assets before transfers	(623)	2,599
Transfers, net	47	65
Change in cash basis net assets	(576)	2,664
Cash basis net assets beginning of year	4,664	2,000
Cash basis net assets end of year	\$ 4,088	4,664



The total business type activities cash balance decreased from approximately \$327 thousand a year ago to approximately \$199 thousand. The analysis that follows focuses on the changes in cash basis net assets of business type activities.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,105	1,086
Sewer	584	619
Operating grants, contributions and restricted interest:		
Water	18	12
Sewer	9	14
Capital grants, contributions and restricted interest:		
Sewer	3	2
General receipts:		
Unrestricted interest on investments	1	4
Total receipts	<u>1,720</u>	<u>1,737</u>
Disbursements:		
Water	1,115	1,055
Sewer	686	700
Total disbursements	<u>1,801</u>	<u>1,755</u>
Change in cash basis net assets before transfers	(81)	(17)
Transfers, net	(47)	(65)
Change in cash basis net assets	(128)	(82)
Cash basis net assets beginning of year	<u>327</u>	<u>409</u>
Cash basis net assets end of year	<u>\$ 199</u>	<u>327</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Shenandoah completed the fiscal year, its governmental funds reported a combined fund balance of \$4,087,979, a decrease of approximately \$576,200 from last year's total of \$4,664,176. 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 was \$40,237 at the end of fiscal year 2009 and \$90,933 at the end of fiscal year 2010. The City's overall disbursements in the General Fund decreased from \$2,362,949 in fiscal year 2009 to \$2,257,250 in fiscal year 2010, a decrease of \$105,699, or 4.5%. Disbursements for public safety and public works also decreased in fiscal year 2010. 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 \$92,327 and \$2,925 of rental income were received in fiscal year 2010. Disbursements in fiscal year 2010 were \$74,785, with \$11,792 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 2010 increased \$46,830 from the prior year end to \$120,359. Disbursements increased \$17,305, or 4%. The increase was not significant.

The Special Revenue, Employee Benefits Fund receipts increased \$43,893 and disbursements increased \$16,408 from the respective prior year amounts. Tax collections increased \$41,318.

The Special Revenue, Local Option Sales Tax Fund receipts decreased to \$472,662 in fiscal year 2010 from \$480,665 in fiscal year 2009. Disbursements decreased \$43,843, or 33%, from the prior year as a result of less community and economic development projects.

By a referendum, the local option sales tax is allocated 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 2010 receipts:

Property tax relief	\$ 279,448
Community betterment	93,148
Community planning	46,574
Economic development	46,574
	<u> </u>
Total	<u>\$ 465,744</u>

Most of the funds are transferred to supplement the General Fund. The portion for community planning is used to help finance the City’s 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 was used in 2004 for Iowa Western Community College improvements. The cash balance decreased from \$399,853 at the end of fiscal year 2009 to \$216,418 at the end of fiscal year 2010. 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 \$98,253 over the prior year to a current balance of 411,315.

The Debt Service Fund cash balance of \$2,891 at year end is a decrease of \$12,746 from the prior year balance of \$15,637. The City made transfers from other funds sufficient to cover all debt payments.

The Capital Projects Fund cash balance of \$893,520 is a significant decrease from the prior year balance of \$1,796,517. The City received \$1,243,452 of note proceeds for the hotel demolition project and the hotel construction project. \$1,229,673 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 and an additional \$175,000 bequest received in 2010. 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 \$159,552 did not change significantly from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

Water Fund operating receipts increased \$24,658 in fiscal year 2010 over fiscal year 2009. Disbursements increased \$59,267 in fiscal year 2010 over fiscal year 2009. The increase in revenue was due to an increase in plumbing infrastructure supply sales due to new construction of infrastructure in the downtown area. 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 \$39,565 in fiscal year 2010 from fiscal year 2009 due to a continuing trend of less usage. Operating disbursements increased \$49,174 in fiscal year 2010 over fiscal year 2009, primarily due to pool expenses and payroll. For several months in fiscal year 2009, there was only one employee and during fiscal year 2010 there were two employees for the entire year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on May 26, 2010 and resulted in increases in receipts of \$577,119, other financing sources of \$3,468,523 and disbursements of \$5,002,362. Budgeted disbursements increased as a result of road use tax expenses due to snowstorms, FEMA issues were underbudgeted, called debt issues were paid with TIF, 2003 street project notes were paid off with 2009B note proceeds and additional capital projects were not budgeted for as they did not exist at budget time. The receipts increased significantly due to the receipt of the 2009B note proceeds.

The second amendment was approved on June 22, 2010 and resulted in an increase in disbursements of \$920,000. Budgeted disbursements increased due to capital projects and debt service.

The City’s receipts were \$446,352 less than budgeted. This was primarily due to lower water and sewer receipts.

With the budget amendments, total disbursements were \$3,609,430 less than the amended budget.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$9,109,000 in bonds and other long-term debt outstanding, compared to approximately \$8,643,000 last year. The chart below segregates the City’s debt into its component parts.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2010	2009
General obligation notes	\$ 5,090	2,480
Swimming pool revenue notes	59	88
Sewer revenue capital loan notes	2,389	2,496
Urban renewal revenue notes	1,280	1,410
Special assessment bonds/notes	131	196
Capital lease purchase agreements	160	253
Capital loan anticipation project notes	-	1,720
Total	<u>\$ 9,109</u>	<u>8,643</u>

Debt payments in fiscal year 2010 reduced outstanding debt approximately \$2,995,000 and debt issuances increased outstanding debt approximately \$3,460,000.

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 \$5,090,000, urban renewal revenue notes of \$1,280,000 and capital lease purchase agreements of \$159,868, a total of \$6,529,868, is significantly below the City's constitutional debt limit of approximately \$9,965,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

These factors were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are approximately \$9 million dollars, a decrease of 22% from the final fiscal year 2010 budget. The City expects to receive more state and federal funds in fiscal year 2011 for Airport Projects and a Neighborhood Stabilization Program as well as other projects. Budgeted local option sales tax is expected to increase slightly, but interest rates will most likely remain low on investments. Receipts are expected to decrease and disbursements will be slightly more than receipts due to the completion of capital projects for which note proceeds were received in fiscal year 2009. Budgeted disbursements are expected to decrease approximately \$3.0 million, or just over 25%.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$172,000, or 4.5%, by the close of fiscal year 2011.

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, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,084,848	14,753	71,607	-
Public works	1,234,191	535,969	536,834	-
Health and social services	119	60	-	-
Culture and recreation	1,027,767	285,148	384,926	43,429
Community and economic development	113,578	-	28,500	-
General government	284,343	13,259	164,076	-
Debt service	1,077,300	-	18,692	74,750
Capital projects	2,472,320	-	-	314,079
Total governmental activities	7,294,466	849,189	1,204,635	432,258
Business type activities:				
Water	1,114,714	1,105,181	17,483	-
Sewer	686,628	584,294	9,393	2,822
Total business type activities	1,801,342	1,689,475	26,876	2,822
Total	\$ 9,095,808	2,538,664	1,231,511	435,080
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Unrestricted interest on investments				
Note proceeds, net of \$41,477 discount				
General obligation notes refunded				
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
(998,488)	-	(998,488)
(161,388)	-	(161,388)
(59)	-	(59)
(314,264)	-	(314,264)
(85,078)	-	(85,078)
(107,008)	-	(107,008)
(983,858)	-	(983,858)
(2,158,241)	-	(2,158,241)
(4,808,384)	-	(4,808,384)
-	7,950	7,950
-	(90,119)	(90,119)
-	(82,169)	(82,169)
(4,808,384)	(82,169)	(4,890,553)
1,803,788	-	1,803,788
278,289	-	278,289
235,993	-	235,993
465,744	-	465,744
34,278	-	34,278
1,779	820	2,599
3,418,523	-	3,418,523
(2,100,000)	-	(2,100,000)
46,228	-	46,228
47,565	(47,565)	-
4,232,187	(46,745)	4,185,442
(576,197)	(128,914)	(705,111)
4,664,176	327,423	4,991,599
\$ 4,087,979	198,509	4,286,488
\$ 1,326,347	-	1,326,347
120,359	-	120,359
400,618	-	400,618
20,918	-	20,918
151,134	-	151,134
411,315	-	411,315
198,391	106,600	304,991
893,520	-	893,520
474,444	-	474,444
90,933	91,909	182,842
\$ 4,087,979	198,509	4,286,488

City of Shenandoah

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

As of and for the year ended June 30, 2010

	Special Revenue				
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax	Tax Increment Financing
Receipts:					
Property tax	\$ 1,049,662	-	554,891	-	-
Tax increment financing	-	-	-	-	235,993
Other city tax	81,139	-	22,698	465,744	-
Licenses and permits	15,621	-	-	-	-
Use of money and property	25,154	-	-	867	7,299
Intergovernmental	17,214	490,233	-	-	-
Charges for service	642,742	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	97,414	-	46,160	6,051	-
Total receipts	1,928,946	490,233	623,749	472,662	243,292
Disbursements:					
Operating:					
Public safety	742,339	-	294,251	-	-
Public works	618,075	443,403	120,972	-	-
Health and social services	119	-	-	-	-
Culture and recreation	640,716	-	147,151	-	16,869
Community and economic development	-	-	-	89,214	-
General government	256,001	-	11,644	-	-
Debt service	-	-	-	-	209,698
Capital projects	-	-	-	-	-
Total disbursements	2,257,250	443,403	574,018	89,214	226,567
Excess (deficiency) of receipts over (under) disbursements	(328,304)	46,830	49,731	383,448	16,725
Other financing sources (uses):					
Note proceeds, net of \$41,477 discount	-	-	-	-	-
Payment to refunding bond agent	-	-	-	-	-
Operating transfers in	379,000	-	-	-	-
Operating transfers out	-	-	-	(346,825)	(200,160)
Total other financing sources (uses)	379,000	-	-	(346,825)	(200,160)
Net change in cash balances	50,696	46,830	49,731	36,623	(183,435)
Cash balances beginning of year	40,237	73,529	350,887	4,605	399,853
Cash balances end of year	\$ 90,933	120,359	400,618	41,228	216,418
Cash Basis Fund Balances					
Reserved for debt service	\$ -	-	-	-	195,500
Unreserved:					
General fund	90,933	-	-	-	-
Special revenue funds	-	120,359	400,618	41,228	20,918
Capital projects fund	-	-	-	-	-
Permanent funds	-	-	-	-	-
Total cash basis fund balances	\$ 90,933	120,359	400,618	41,228	216,418

See notes to financial statements.

Simons		Permanent					Nonmajor	Total
Trust - Library	Library Foundation	Debt Service	Capital Projects	Snook Trust	Cemetery Perpetual Care			
-	-	278,289	-	-	-	118,277	2,001,119	
-	-	-	-	-	-	-	235,993	
-	-	10,664	-	-	-	39,104	619,349	
-	-	-	-	-	-	-	15,621	
212	7,555	812	38,296	11,121	-	19,416	110,732	
-	-	-	254,783	-	-	49,491	811,721	
-	-	-	-	-	1,819	84,163	728,724	
-	-	74,750	-	-	-	-	74,750	
-	132,642	17,881	21,000	175,051	-	257,973	754,172	
212	140,197	382,396	314,079	186,172	1,819	568,424	5,352,181	
-	-	-	-	-	-	48,258	1,084,848	
-	-	-	-	-	-	51,741	1,234,191	
-	-	-	-	-	-	-	119	
-	41,944	-	-	-	-	181,087	1,027,767	
-	-	-	-	-	-	24,364	113,578	
-	-	-	-	-	-	16,698	284,343	
-	-	797,853	-	-	-	69,749	1,077,300	
-	-	-	2,472,320	-	-	-	2,472,320	
-	41,944	797,853	2,472,320	-	-	391,897	7,294,466	
212	98,253	(415,457)	(2,158,241)	186,172	1,819	176,527	(1,942,285)	
-	-	2,175,071	1,243,452	-	-	-	3,418,523	
-	-	(2,100,000)	-	-	-	-	(2,100,000)	
-	-	327,640	11,792	-	-	29,749	748,181	
-	-	-	-	-	-	(153,631)	(700,616)	
-	-	402,711	1,255,244	-	-	(123,882)	1,366,088	
212	98,253	(12,746)	(902,997)	186,172	1,819	52,645	(576,197)	
150,922	313,062	15,637	1,796,517	980,623	157,733	380,571	4,664,176	
151,134	411,315	2,891	893,520	1,166,795	159,552	433,216	4,087,979	
-	-	2,891	-	-	-	-	198,391	
-	-	-	-	-	-	-	90,933	
151,134	411,315	-	-	-	-	433,216	1,578,788	
-	-	-	893,520	-	-	-	893,520	
-	-	-	-	1,166,795	159,552	-	1,326,347	
151,134	411,315	2,891	893,520	1,166,795	159,552	433,216	4,087,979	

City of Shenandoah

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

As of and for the year ended June 30, 2010

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 1,105,181	584,294	1,689,475
Miscellaneous	17,483	12,215	29,698
Total operating receipts	1,122,664	596,509	1,719,173
Operating disbursements:			
Business type activities	1,114,714	416,603	1,531,317
Excess of operating receipts over operating disbursements	7,950	179,906	187,856
Non-operating receipts (disbursements):			
Interest on investments	469	351	820
Debt service	-	(187,870)	(187,870)
Capital outlay	-	(82,155)	(82,155)
Total non-operating receipts (disbursements)	469	(269,674)	(269,205)
Excess (deficiency) of receipts over (under) disbursements	8,419	(89,768)	(81,349)
Other financing uses:			
Operating transfers out	(47,565)	-	(47,565)
Net change in cash balances	(39,146)	(89,768)	(128,914)
Cash balances beginning of year	167,570	159,853	327,423
Cash balances end of year	\$ 128,424	70,085	198,509
Cash Basis Fund Balances			
Reserved for debt service	\$ 43,791	62,809	106,600
Unreserved	84,633	7,276	91,909
Total cash basis fund balances	\$ 128,424	70,085	198,509

See notes to financial statements.

City of Shenandoah

Notes to Financial Statements

June 30, 2010

(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 the following categories/components:

Nonexpendable restricted 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 consist of net assets not meeting the definition 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 the repayment of tax increment financing indebtedness.

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 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 the following five organizations: 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 Cemetery Perpetual Care Fund is used to account for funds collected for the perpetual care of the cemetery.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and 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.

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, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service 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, 2010 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 \$1,090,160 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, 2010 consist of stock mutual funds with a fair value of \$34,402. 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
2011	\$ 545,000	187,510	29,292	1,131	110,000	71,670
2012	560,000	169,578	29,292	565	113,000	68,370
2013	620,000	149,275	-	-	116,000	64,980
2014	600,000	126,648	-	-	120,000	61,500
2015	630,000	104,960	-	-	124,000	57,900
2016-2020	2,015,000	227,269	-	-	675,000	231,600
2021-2025	120,000	7,380	-	-	784,000	123,960
2026-2027	-	-	-	-	347,000	15,690
Total	\$ 5,090,000	972,620	58,584	1,696	2,389,000	695,670

* 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
2011	\$ 140,000	73,513	65,000	6,663	889,292	340,487
2012	145,000	66,663	65,000	3,412	912,292	308,588
2013	150,000	59,285	-	-	886,000	273,540
2014	160,000	51,360	-	-	880,000	239,508
2015	165,000	42,632	-	-	919,000	205,492
2016-2020	520,000	86,600	-	-	3,210,000	545,469
2021-2025	-	-	-	-	904,000	131,340
2026-2027	-	-	-	-	347,000	15,690
Total	\$ 1,280,000	380,053	130,000	10,075	8,947,584	2,060,114

General Obligation Refunding Notes

On August 27, 2009, the City issued \$3,460,000 of general obligation capital loan notes, series 2009. Included in this issue were \$2,100,000 of refunding notes. The refunding notes were issued to currently refund the remaining outstanding balance of \$380,000 of the general obligation capital loan notes series 2003B and the \$1,720,000 anticipation project notes series 2009A.

The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$12,489.

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 31 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$60,280. For the current year, principal and interest paid and total customer net receipts and Wilson Trust earnings were \$29,749 and \$98,457, 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 – 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 44 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$3,084,670. For the current year, principal and interest paid and total customer net receipts were \$181,880 and \$416,603, 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 within 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, 2010:

Year Ending June 30,	Fire Truck	Backhoe	Wheel Loader	Total
2011	\$ 64,529	18,289	24,733	107,551
2012	64,529	-	-	64,529
Total minimum lease payments	129,058	18,289	24,733	172,080
Less amount representing interest	(10,017)	(933)	(1,262)	(12,212)
Present value of net minimum lease payments	\$ 119,041	17,356	23,471	159,868

During the year ended June 30, 2010, \$64,529 was paid under the fire truck capital lease purchase agreement, \$18,288 was paid under the backhoe lease purchase agreement and \$24,733 was paid under the wheel loader lease purchase agreement.

(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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$114,991, \$103,710 and \$96,202, respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/vision insurance benefits for employees and retirees and their spouses. There are 43 active members and 2 retired members in the plan. Participants must be age 65 or older at retirement.

The medical insurance coverage is provided through a fully-insured plan with BlueCross/Blue Shield while Avesis is the City's vision insurance provider. Retirees pay the same premium for the coverage as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$480 for employee coverage, \$909 for employee/child coverage, \$981 for employee/spouse coverage and \$1,470 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$468,225 and plan members eligible for benefits contributed \$68,801 to the plan.

(7) 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, 2010, primarily relating to the General Fund, was \$103,000. This liability has been computed based on rates of pay in effect at June 30, 2010.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 320,000
	Emergency	19,000
	Wilson Trust - Library	30,000
	Wilson Trust - Other	10,000
		<u>379,000</u>
Special Revenue:	Special Revenue:	
Pool Revenue Note Sinking	Wilson Trust - Other	<u>29,749</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	26,825
	Tax Increment Financing	200,160
	Emergency	17,677
	Wilson Trust - Other	35,413
	Enterprise:	
	Water	47,565
		<u>327,640</u>
Capital Projects	Special Revenue:	
	Memorial Building	<u>11,792</u>
Total		<u>\$ 748,181</u>

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

(9) 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 \$2,570,000 are outstanding at June 30, 2010, and the related interest are payable solely from future earnings of the Hospital and do not constitute liabilities of the City.

(10) 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.

(11) 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, 2010, the City had no new loans approved for economic development projects and collections of \$12,426 of principal and \$2,587 of interest were received. During the year, two loans were written off due to the bankruptcy of the companies involved. The outstanding loan principal balance at June 30, 2010 was \$104,227.

(12) Subsequent Events

In September 2010, the City issued \$1,650,000 of general obligation capital loan notes. The proceeds are to be used for the purpose of constructing an addition to the existing public library, including remodeling, furnishing, equipping, repairing and providing ADA compliance to the structure.

The City also entered into two construction contracts in July 2010. Lindale Construction LLC was contracted for a neighborhood stabilization project on Lowell Avenue for \$231,400. In addition, Godberson-Smith Construction Co. was contracted to perform paving and lighting improvements at the Shenandoah Regional Airport for \$304,874.

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, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted
Receipts:			
Property tax	\$ 2,001,119	-	-
Tax increment financing	235,993	-	-
Other city tax	619,349	-	-
Licenses and permits	15,621	-	-
Use of money and property	110,732	820	7,555
Intergovernmental	811,721	-	-
Charges for service	728,724	1,690,001	-
Special assessments	74,750	-	-
Miscellaneous	754,172	29,172	132,642
Total receipts	<u>5,352,181</u>	<u>1,719,993</u>	<u>140,197</u>
Disbursements:			
Public safety	1,084,848	-	-
Public works	1,234,191	-	-
Health and social services	119	-	-
Culture and recreation	1,027,767	-	41,944
Community and economic development	113,578	-	-
General government	284,343	-	-
Debt service	1,077,300	-	-
Capital projects	2,472,320	-	-
Business type activities	-	1,801,342	-
Total disbursements	<u>7,294,466</u>	<u>1,801,342</u>	<u>41,944</u>
Excess (deficiency) of receipts over (under) disbursements	(1,942,285)	(81,349)	98,253
Other financing sources (uses), net	1,366,088	(47,565)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(576,197)	(128,914)	98,253
Balances beginning of year	4,664,176	327,423	313,062
Balances end of year	<u>\$ 4,087,979</u>	<u>198,509</u>	<u>411,315</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
2,001,119	2,025,225	2,025,225	(24,106)
235,993	228,422	228,422	7,571
619,349	564,818	564,843	54,506
15,621	54,400	54,400	(38,779)
103,997	59,700	86,739	17,258
811,721	834,399	1,125,432	(313,711)
2,418,725	2,665,803	2,554,153	(135,428)
74,750	74,750	74,750	-
650,702	293,693	664,365	(13,663)
<u>6,931,977</u>	<u>6,801,210</u>	<u>7,378,329</u>	<u>(446,352)</u>
1,084,848	1,115,845	1,129,245	44,397
1,234,191	1,171,274	1,362,986	128,795
119	100	120	1
985,823	1,023,091	1,085,540	99,717
113,578	196,093	623,922	510,344
284,343	323,042	350,317	65,974
1,077,300	818,119	2,901,006	1,823,706
2,472,320	322,000	3,344,990	872,670
1,801,342	1,771,368	1,865,168	63,826
<u>9,053,864</u>	<u>6,740,932</u>	<u>12,663,294</u>	<u>3,609,430</u>
(2,121,887)	60,278	(5,284,965)	3,163,078
<u>1,318,523</u>	-	<u>3,468,523</u>	<u>(2,150,000)</u>
(803,364)	60,278	(1,816,442)	1,013,078
<u>4,678,537</u>	<u>2,348,043</u>	<u>2,348,043</u>	<u>2,330,494</u>
<u>3,875,173</u>	<u>2,408,321</u>	<u>531,601</u>	<u>3,343,572</u>

City of Shenandoah

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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, two budget amendments increased budgeted disbursements by \$5,922,362. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects functions prior to adoption of a budget amendment.

Other Supplementary Information

City of Shenandoah

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

As of and for the year ended June 30, 2010

	Emergency	Hotel/ Motel	Gidley Park Trust	Esden Trust	Rapp Trust Library	Rapp Trust Other	Special Reed Estate Trust
Receipts:							
Property tax	\$ 29,569	-	-	-	-	-	-
Other city tax	1,207	34,278	-	-	-	-	-
Use of money and property	771	140	89	909	16	-	16
Intergovernmental	25,268	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-
Miscellaneous	-	-	11,021	-	-	40,000	-
Total receipts	<u>56,815</u>	<u>34,418</u>	<u>11,110</u>	<u>909</u>	<u>16</u>	<u>40,000</u>	<u>16</u>
Disbursements:							
Operating:							
Public safety	3,300	-	-	-	-	-	-
Public works	51,741	-	-	-	-	-	-
Culture and recreation	-	-	11,955	658	-	-	-
Community and economic development	-	18,544	-	-	-	-	-
General government	987	15,711	-	-	-	-	-
Debt service	-	-	-	-	-	40,000	-
Total disbursements	<u>56,028</u>	<u>34,255</u>	<u>11,955</u>	<u>658</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>787</u>	<u>163</u>	<u>(845)</u>	<u>251</u>	<u>16</u>	<u>-</u>	<u>16</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	(36,677)	-	-	-	-	-	-
Total other financing sources (uses)	<u>(36,677)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(35,890)	163	(845)	251	16	-	16
Cash balances beginning of year	74,875	10,562	59,385	20,637	11,661	-	11,661
Cash balances end of year	<u>\$ 38,985</u>	<u>10,725</u>	<u>58,540</u>	<u>20,888</u>	<u>11,677</u>	<u>-</u>	<u>11,677</u>
Cash Basis Fund Balances							
Unreserved:							
Special revenue funds	<u>\$ 38,985</u>	<u>10,725</u>	<u>58,540</u>	<u>20,888</u>	<u>11,677</u>	<u>-</u>	<u>11,677</u>

See accompanying independent auditor's report.

Revenue													
Pool Revenue Note Sinking	Wilson Trust - Library	Wilson Trust - Other	Revolving Loan	Tree Board	Senior Center Trust	Forgotten Angels Cemetery Trust	Exercise Facility	Volunteer Fire Department	Veteran Museum	I JOBS	Memorial Building	Total	
-	-	-	-	-	-	-	-	-	-	-	88,708	118,277	
-	-	-	-	-	-	-	-	-	-	-	3,619	39,104	
-	99	18	16,471	18	693	7	136	33	-	-	-	19,416	
-	-	-	-	-	-	-	-	-	-	24,223	-	49,491	
-	-	-	-	-	-	-	84,163	-	-	-	-	84,163	
-	43,429	98,439	-	50	-	-	18,539	41,633	1,937	-	2,925	257,973	
-	43,528	98,457	16,471	68	693	7	102,838	41,666	1,937	24,223	95,252	568,424	
-	-	-	-	-	-	-	-	44,958	-	-	-	48,258	
-	-	-	-	-	-	-	-	-	-	-	-	51,741	
-	-	-	-	-	-	-	93,421	-	268	-	74,785	181,087	
-	-	-	5,820	-	-	-	-	-	-	-	-	24,364	
-	-	-	-	-	-	-	-	-	-	-	-	16,698	
29,749	-	-	-	-	-	-	-	-	-	-	-	69,749	
29,749	-	-	5,820	-	-	-	93,421	44,958	268	-	74,785	391,897	
(29,749)	43,528	98,457	10,651	68	693	7	9,417	(3,292)	1,669	24,223	20,467	176,527	
29,749	-	-	-	-	-	-	-	-	-	-	-	29,749	
-	(30,000)	(75,162)	-	-	-	-	-	-	-	-	(11,792)	(153,631)	
29,749	(30,000)	(75,162)	-	-	-	-	-	-	-	-	(11,792)	(123,882)	
-	13,528	23,295	10,651	68	693	7	9,417	(3,292)	1,669	24,223	8,675	52,645	
-	63,432	-	69,816	1,431	2,376	3,300	17,102	34,333	-	-	-	380,571	
-	76,960	23,295	80,467	1,499	3,069	3,307	26,519	31,041	1,669	24,223	8,675	433,216	
-	76,960	23,295	80,467	1,499	3,069	3,307	26,519	31,041	1,669	24,223	8,675	433,216	

City of Shenandoah
Schedule of Indebtedness
Year ended June 30, 2010

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
Corporate purpose and refunding	Aug 27, 2009	2.50-4.10	3,460,000
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
180,000	-	180,000	-	1,365	-	-
25,000	-	25,000	-	1,825	-	-
45,000	-	45,000	-	2,565	-	-
175,000	-	25,000	150,000	10,413	-	-
45,000	-	15,000	30,000	2,678	-	-
60,000	-	15,000	45,000	2,880	-	-
380,000	-	380,000	-	3,696	-	-
490,000	-	55,000	435,000	21,360	-	-
90,000	-	20,000	70,000	3,718	-	-
915,000	-	-	915,000	39,395	-	-
75,000	-	15,000	60,000	3,795	-	-
-	3,460,000	75,000	3,385,000	85,155	-	-
\$ 2,480,000	3,460,000	850,000	5,090,000	178,845	-	-
87,876	-	29,292	58,584	457	-	-
2,496,000	-	107,000	2,389,000	74,880	-	-
1,105,000	-	85,000	1,020,000	65,980	-	-
305,000	-	45,000	260,000	13,648	-	-
\$ 1,410,000	-	130,000	1,280,000	79,628	-	-
1,000	-	-	1,000	-	1,000	195
195,000	-	65,000	130,000	9,750	-	-
173,901	-	54,860	119,041	9,669	-	-
33,825	-	16,469	17,356	1,819	-	-
45,744	-	22,273	23,471	2,460	-	-
\$ 253,470	-	93,602	159,868	13,948	-	-
1,720,000	-	1,720,000	-	5,547	-	-

City of Shenandoah

Note Maturities

June 30, 2010

Year Ending June 30,	General Obligation Notes									
	General Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose	
	Issued Jul 1, 2000		Issued Jun 15, 2001		Issued Sep 1, 2002		Issued Jul 15, 2004		Issued Dec 15, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	5.95%	\$ 25,000	5.95%	\$ 15,000	4.80%	\$ 15,000	4.00%	\$ 55,000	4.10%	\$ 20,000
2012	5.95	25,000	5.95	15,000	4.80	15,000	4.15	55,000	4.15	25,000
2013	5.95	25,000	-	-	4.80	15,000	4.30	60,000	4.20	25,000
2014	5.95	25,000	-	-	-	-	4.45	60,000	-	-
2015	5.95	25,000	-	-	-	-	4.55	65,000	-	-
2016	5.95	25,000	-	-	-	-	4.65	70,000	-	-
2017	-	-	-	-	-	-	4.75	70,000	-	-
2018	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-
Total		<u>\$ 150,000</u>		<u>\$ 30,000</u>		<u>\$ 45,000</u>		<u>\$ 435,000</u>		<u>\$ 70,000</u>

Year Ending June 30,	Swimming Pool Revenue Notes		Sewer Revenue Capital Loan Notes		Urban Renewal Revenue Notes				Total
	Issued Aug 11, 1997		Issued July 10, 2007		Issued Mar 1, 2003		Issued Jul 15, 2004		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2011	2.55%	\$ 29,292	3.00%	\$ 110,000	5.25%	\$ 90,000	4.25%	\$ 50,000	140,000
2012	2.55	29,292	3.00	113,000	5.45	95,000	4.40	50,000	145,000
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	6.60	140,000	-	-	140,000
2020	-	-	3.00	143,000	-	-	-	-	-
2021	-	-	3.00	148,000	-	-	-	-	-
2022	-	-	3.00	152,000	-	-	-	-	-
2023	-	-	3.00	157,000	-	-	-	-	-
2024	-	-	3.00	161,000	-	-	-	-	-
2025	-	-	3.00	166,000	-	-	-	-	-
2026	-	-	3.00	171,000	-	-	-	-	-
2027	-	-	3.00	176,000	-	-	-	-	-
Total		<u>\$ 58,584</u>		<u>\$2,389,000</u>		<u>\$ 1,020,000</u>		<u>\$ 260,000</u>	<u>1,280,000</u>

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

See accompanying independent auditor's report.

Essential Corporate Purpose Issued Jul 15, 2007		Essential Corporate Purpose Issued Dec 27, 2007		Essential Corporate Purpose Issued Aug 27, 2009		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
5.00%	\$ 60,000	5.00%	\$ 20,000	2.50%	\$ 335,000	545,000
5.10	60,000	5.40	20,000	3.00	345,000	560,000
5.20	125,000	5.20	20,000	3.00	350,000	620,000
5.20	160,000	-	-	3.00	355,000	600,000
5.20	250,000	-	-	3.00	290,000	630,000
5.20	260,000	-	-	3.15	295,000	650,000
-	-	-	-	3.35	305,000	375,000
-	-	-	-	3.55	320,000	320,000
-	-	-	-	3.75	325,000	325,000
-	-	-	-	3.90	345,000	345,000
-	-	-	-	4.10	60,000	60,000
-	-	-	-	4.10	60,000	60,000
	<u>\$ 915,000</u>		<u>\$ 60,000</u>		<u>\$3,385,000</u>	<u>5,090,000</u>

Special Assessment Notes

Street Improvement

Issued Aug 1, 2002

Interest Rates	Amount
5.00%	\$ 65,000
5.25	65,000
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
	<u>\$ 130,000</u>

City of Shenandoah

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

For the Last Eight Years

	2010	2009	2008	2007	2006
Receipts:					
Property tax	\$ 2,001,119	2,081,913	1,827,595	1,737,689	1,693,590
Tax increment financing	235,993	233,062	310,639	296,773	230,021
Other city tax	619,349	617,677	661,772	636,673	634,961
Licenses and permits	15,621	52,901	15,112	17,023	32,010
Use of money and property	110,732	84,675	163,952	127,611	122,296
Intergovernmental	811,721	1,142,938	1,030,719	503,308	585,786
Charges for service	728,724	748,737	626,313	557,200	538,671
Special assessments	74,750	77,675	80,438	77,837	80,088
Miscellaneous	754,172	1,603,580	1,456,303	1,145,048	450,013
Total	\$ 5,352,181	6,643,158	6,172,843	5,099,162	4,367,436
Disbursements:					
Operating:					
Public safety	\$ 1,084,848	1,131,516	1,043,289	927,647	1,000,813
Public works	1,234,191	1,207,154	1,051,117	1,069,262	989,441
Health and social services	119	100	647	6,789	3,303
Culture and recreation	1,027,767	982,908	1,009,515	912,149	845,644
Community and economic development	113,578	215,171	232,403	133,723	191,545
General government	284,343	356,454	301,128	240,817	273,752
Debt service	1,077,300	998,027	1,074,654	1,035,985	1,013,990
Capital projects	2,472,320	1,475,101	3,686,201	980,436	81,216
Total	\$ 7,294,466	6,366,431	8,398,954	5,306,808	4,399,704

See accompanying independent auditor's report.

2005	2004	2003
1,706,276	1,673,768	1,704,048
163,168	120,739	-
568,095	539,173	545,968
11,434	57,889	12,526
101,079	100,862	54,474
1,104,118	941,313	1,670,128
514,281	513,341	529,365
82,187	84,138	67,587
353,661	424,246	326,125
<u>4,604,299</u>	<u>4,455,469</u>	<u>4,910,221</u>
871,126	912,467	1,134,110
921,685	973,336	1,113,585
21,004	40,784	29,668
834,049	928,728	929,600
496,577	98,963	39,801
232,789	213,220	217,675
934,264	910,661	772,934
<u>1,158,590</u>	<u>1,949,805</u>	<u>2,130,394</u>
<u>5,470,084</u>	<u>6,027,964</u>	<u>6,367,767</u>

City of Shenandoah

**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**

City of Shenandoah



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 17, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Shenandoah's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as items (A) and (D) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

Compliance and Other Matters

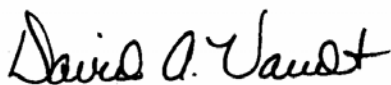
As part of obtaining reasonable assurance about whether the City of Shenandoah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

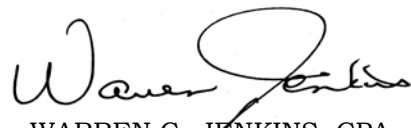
The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Shenandoah during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 17, 2010

City of Shenandoah

City of Shenandoah
Schedule of Findings
Year ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are not incompatible. For the separately maintained records of the Library Foundation, the cash receipts listing, bank deposits, the posting of cash receipts to the cash receipts journal, disbursement preparation and check signing are all performed by the same person. Also, the bank account is not reconciled by a person who does not sign checks and no evidence of review of the bank reconciliation is noted.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Library Foundation should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The Library will utilize resources available to obtain the maximum internal control. Checks over \$500 will be co-signed by either the Foundation’s Treasurer or President. The limited number of Library staff and the volunteer nature of the Foundation officers are mitigating circumstances.

Conclusion – Response accepted.

- (B) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City’s computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Although the City has adopted a written disaster recovery plan, certain items were not included in the plan. Specifically the plan does not address the following:

- Identification of critical applications.
- Identification of staff responsibilities.
- Inventory of all hardware, components and software applications.
- Identification of business locations which could be used to process critical applications and computer equipment needed for temporary processing.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer based systems.

Response – The City will update its written disaster recovery plan.

Conclusion – Response accepted.

- (C) Separately Maintained Records – The Shenandoah Library Foundation maintains separate accounting records pertaining to its operation. The financial transactions and resulting balances are not included in the City’s accounting records.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2010

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, Library Foundation accounts should be included in the City’s accounting records and reported to the Council.

Response – The Library Foundation meets annually and will report its annual spreadsheet to the City Council.

Conclusion – Response accepted.

- (D) Financial Reporting – During the audit, we identified material amounts of principal and interest payments which were incorrectly recorded in the wrong accounts in the City’s financial statements. Adjustments were subsequently made by the City to properly correct these amounts within the financial statements.

Recommendation – The City should implement procedures to ensure all debt payments are identified and properly included within the correct account in the City’s financial statements.

Response – A mistake was made in coding the principal and interest amounts when making the final payment on the streetscape project. The mistake was corrected in September 2009, but unfortunately also occurred again in July 2010. In the future, close examination of those accounts will be made prior to the year end.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service 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 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.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2010

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

Name, Title, and Business Connection	Transaction Description	Amount
Darrel Saner, Assistant Police Chief, owner of Shenweld	Welding and maintenance	\$ 2,165

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.

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

Recommendation – The City should adopt a written investment policy 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.

- (8) 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.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2010

- (9) 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.

- (10) Revolving Loan - The City has implemented a loan process within the City to help new businesses become established in town with access to lower interest rate loans. The City enters into a loan agreement with the business, which includes a debt repayment schedule. However, the City is not following up on the repayment schedule and in fiscal year 2010 the City did not pursue a missed balloon payment on a revolving loan.

Recommendation - The City should continue to track the debt repayments according to the schedule and should actively pursue non-compliance of repayment by the recipient of the loan.

Response - The City will review the status of all loans and where it is necessary perhaps issue new contracts.

Conclusion – Response accepted.

City of Shenandoah
Schedule of Findings
Year ended June 30, 2010

(11) Other Information Required by the Revenue Note Resolution

Insurance – The following insurance policies were in force at June 30, 2010:

Insurer	Description	Amount	Expiration Date
Employers Mutual Casualty Company	Property coverage: Buildings	\$ 23,971,192	Apr 1, 2011
Employers Mutual Casualty Company	Comprehensive general liability: Each occurrence Aggregate	1,000,000 2,000,000	Apr 1, 2011
Employers Mutual Casualty Company	Inland marine: Contractors' equipment Electronic data processing equipment Property floater	722,761 147,546 58,490	Apr 1, 2011
Employers Mutual Casualty Company	Automobile coverage: Liability Uninsured motorists	1,000,000 40,000	Apr 1, 2011
Employers Mutual Casualty Company	Linebacker: Each loss Aggregate	1,000,000 1,000,000	Apr 1, 2011
Employers Mutual Casualty Company	Workers' compensation	500,000	Apr 1, 2011
Employers Mutual Casualty Company	Commercial umbrella: Retained Each occurrence Aggregate	10,000 5,000,000 5,000,000	Apr 1, 2011
Employers Mutual Casualty Company	Employee dishonesty: Blanket bond Alteration	100,000 10,000	Apr 1, 2011
Employers Mutual Casualty Company	Commercial crime: Inside premises Outside premises	10,000 10,000	Apr 1, 2011

City of Shenandoah
Schedule of Findings
Year ended June 30, 2010

Statistical Information:

Description	Amount
Swimming pool customers served in 2010 season	16,005
Swimming pool rates in effect at June 30, 2009:	
Daily admission	\$ 5
Single season pass	60
Family plan	150

City of Shenandoah

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Melissa M. Wellhausen, CPA, Senior Auditor
Jennifer M. Kopp, Assistant Auditor
Stephanie A. Sissel, Assistant Auditor
Nicole R. Williams, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State