



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

FOR RELEASE

December 17, 2019

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on City of Shenandoah, Iowa.

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$9,285,009 for the year ended June 30, 2019, a 10.9% decrease from the prior year. Disbursements for the year ended June 30, 2019 totaled \$9,277,024, a 6.2% decrease from the prior year. The significant decrease in receipts is due primarily to a reduction in note proceeds issued in the prior fiscal year of \$1,498,883.

**AUDIT FINDINGS:**

Sand reported thirteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 50 through 55 of this report. The findings address issues such as a lack of segregation of duties, disbursements exceeding budgeted amounts, questionable disbursements and incorrect certifications of TIF debt. Sand provided the City with recommendations to address each of the findings.

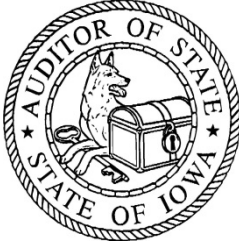
The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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**CITY OF SHENANDOAH**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2019**

**City of Shenandoah**



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Rob Sand  
Auditor of State

November 27, 2019

Officials of the City of Shenandoah  
Shenandoah, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Shenandoah for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Shenandoah throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand".

Rob Sand  
Auditor of State

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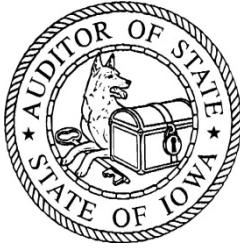
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**City of Shenandoah**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Hunt	Mayor	Jan 2022
Robert Burchett	Council Member	Jan 2020
Aaron Green	Council Member	Jan 2020
Rita Gibson	Council Member	Jan 2022
Toni Graham	Council Member	Jan 2022
Kim Swank	Council Member	Jan 2022
James Davey	Administrator	(Retired Aug 2018)
AJ Lyman (Appointed Aug 2018)	Administrator	Jan 2020
Karla Gray	City Clerk/Treasurer	Jan 2020
Mahlon Sorensen	Attorney	Jan 2021

**City of Shenandoah**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Shenandoah, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Shenandoah as of June 30, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

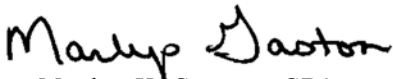
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Shenandoah's basic financial statements. The financial statements for the two years ended June 30, 2014 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2018 and the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 31 through 38, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2019 on our consideration of the City of Shenandoah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Shenandoah's internal control over financial reporting and compliance.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

November 27, 2019

**City of Shenandoah**

## **Basic Financial Statements**

City of Shenandoah

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,640,558	115,991	124,290	11,443
Public works	1,528,982	606,438	665,306	-
Health and social services	1,289	-	-	-
Culture and recreation	1,047,563	232,182	74,559	10,299
Community and economic development	133,282	6,194	68,117	2,738
General government	328,969	15,203	219,815	15,054
Debt service	909,049	-	-	-
Capital projects	94,561	-	-	-
Total governmental activities	5,684,253	976,008	1,152,087	39,534
Business type activities:				
Water	2,961,593	2,685,097	-	-
Sewer	631,178	823,802	4,168	-
Total business type activities	3,592,771	3,508,899	4,168	-
Total primary government	\$ 9,277,024	4,484,907	1,156,255	39,534
<b>Component Unit:</b>				
Library Foundation	\$ 33,829	-	44,507	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Cable franchise fee				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Snook Trust				
Cemetery perpetual care				
Esden Trust				
Expendable:				
Fire				
Streets				
Employee benefits				
Library				
Debt service				
Parks				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Library Foundation
(1,388,834)	-	(1,388,834)	
(257,238)	-	(257,238)	
(1,289)	-	(1,289)	
(730,523)	-	(730,523)	
(56,233)	-	(56,233)	
(78,897)	-	(78,897)	
(909,049)	-	(909,049)	
(94,561)	-	(94,561)	
<u>(3,516,624)</u>	<u>-</u>	<u>(3,516,624)</u>	
-	(276,496)	(276,496)	
-	196,792	196,792	
-	(79,704)	(79,704)	
<u>(3,516,624)</u>	<u>(79,704)</u>	<u>(3,596,328)</u>	
			<u>10,678</u>
1,846,986	-	1,846,986	-
656,757	-	656,757	-
267,231	-	267,231	-
505,725	-	505,725	-
62,224	-	62,224	-
51,166	-	51,166	-
103,930	-	103,930	-
77,768	16,719	94,487	-
-	5,000	5,000	-
10,807	-	10,807	-
55,764	(55,764)	-	-
<u>3,638,358</u>	<u>(34,045)</u>	<u>3,604,313</u>	-
121,734	(113,749)	7,985	10,678
<u>3,841,668</u>	<u>1,911,291</u>	<u>5,752,959</u>	<u>414,821</u>
<u>\$ 3,963,402</u>	<u>1,797,542</u>	<u>5,760,944</u>	<u>425,499</u>
\$ 1,150,341	-	1,150,341	-
179,685	-	179,685	-
20,636	-	20,636	-
169,201	-	169,201	-
732,386	-	732,386	-
38,407	-	38,407	-
244,067	-	244,067	425,499
116,962	92,281	209,243	-
57,081	-	57,081	-
700,772	-	700,772	-
553,864	1,705,261	2,259,125	-
<u>\$ 3,963,402</u>	<u>1,797,542</u>	<u>5,760,944</u>	<u>425,499</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, 2019

	Special Revenue				
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment Financing
Receipts:					
Property tax	\$ 1,270,965	-	521,015	-	-
Tax increment financing	-	-	-	-	267,231
Other city tax	101,241	-	15,989	505,725	-
Licenses and permits	61,551	-	-	-	-
Use of money and property	24,261	-	-	-	743
Intergovernmental	122,853	665,306	22,518	-	-
Charges for service	748,119	-	-	-	-
Miscellaneous	335,821	-	29,305	-	-
Total receipts	2,664,811	665,306	588,827	505,725	267,974
Disbursements:					
Operating:					
Public safety	1,223,552	-	383,734	-	-
Public works	645,534	696,799	134,740	-	-
Health and social services	-	-	-	-	-
Culture and recreation	840,458	-	168,001	-	-
Community and economic development	61,378	-	-	70,965	-
General government	326,921	-	2,048	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	3,097,843	696,799	688,523	70,965	-
Excess (deficiency) of receipts over (under) disbursements	(433,032)	(31,493)	(99,696)	434,760	267,974
Other financing sources (uses):					
Sale of capital assets	1,607	-	-	-	-
Transfers in	449,595	-	-	-	-
Transfers out	(10,000)	-	-	(332,500)	(207,616)
Total other financing sources (uses)	441,202	-	-	(332,500)	(207,616)
Change in cash balances	8,170	(31,493)	(99,696)	102,260	60,358
Cash balances beginning of year	629,249	763,879	138,103	30,242	23,627
Cash balances end of year	\$ 637,419	732,386	38,407	132,502	83,985
<b>Cash Basis Fund Balances</b>					
Nonspendable:					
Permanent Funds	-	-	-	-	-
Restricted for:					
Fire	48,589	-	-	-	-
Streets	-	732,386	-	-	-
Employee benefits	-	-	38,407	-	-
Library	-	-	-	-	-
Debt service	-	-	-	-	83,985
Parks	-	-	-	-	-
Other purposes	34,966	-	-	132,502	-
Unassigned	553,864	-	-	-	-
Total cash basis fund balances	\$ 637,419	732,386	38,407	132,502	83,985

See notes to financial statements.

Debt Service	Capital Projects	Permanent		Nonmajor	Total
		Snook Trust	Cemetery Perpetual Care		
638,257	-	-	-	-	2,430,237
-	-	-	-	-	267,231
18,500	-	-	-	-	641,455
-	-	-	-	-	61,551
-	64,289	6,813	1,038	2,214	99,358
26,464	7,225	-	-	80,151	924,517
-	-	-	2,790	-	750,909
1,500	16,888	-	-	180,644	564,158
684,721	88,402	6,813	3,828	263,009	5,739,416
-	-	2,578	-	30,694	1,640,558
-	51,909	-	-	-	1,528,982
-	-	1,289	-	-	1,289
-	25,792	2,579	-	10,733	1,047,563
-	939	-	-	-	133,282
-	-	-	-	-	328,969
909,049	-	-	-	-	909,049
-	94,561	-	-	-	94,561
909,049	173,201	6,446	-	41,427	5,684,253
(224,328)	(84,799)	367	3,828	221,582	55,163
-	9,200	-	-	-	10,807
218,930	20,000	-	-	-	688,525
-	-	-	-	(82,645)	(632,761)
218,930	29,200	-	-	(82,645)	66,571
(5,398)	(55,599)	367	3,828	138,937	121,734
38,375	433,222	1,149,974	175,857	459,140	3,841,668
32,977	377,623	1,150,341	179,685	598,077	3,963,402
-	-	1,150,341	179,685	20,636	1,350,662
-	-	-	-	-	-
-	-	-	-	120,612	169,201
-	-	-	-	-	732,386
-	-	-	-	-	38,407
-	-	-	-	244,067	244,067
32,977	-	-	-	-	116,962
-	-	-	-	57,081	57,081
-	377,623	-	-	155,681	700,772
-	-	-	-	-	553,864
32,977	377,623	1,150,341	179,685	598,077	3,963,402



**City of Shenandoah**

City of Shenandoah

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

As of and for the year ended June 30, 2019

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 1,978,873	756,148	2,735,021
Miscellaneous	706,224	71,822	778,046
Total operating receipts	2,685,097	827,970	3,513,067
Operating disbursements:			
Business type activities	1,233,200	416,340	1,649,540
Excess of operating receipts over operating disbursements	1,451,897	411,630	1,863,527
Non-operating receipts (disbursements):			
Interest on investments	8,358	8,361	16,719
Note proceeds	-	5,000	5,000
Debt service	(860,144)	(214,838)	(1,074,982)
Capital outlay	(868,249)	-	(868,249)
Net non-operating receipts (disbursements)	(1,720,035)	(201,477)	(1,921,512)
Excess (deficiency) of receipts over (under) disbursements	(268,138)	210,153	(57,985)
Other financing uses:			
Transfers out	(14,250)	(41,514)	(55,764)
Change in cash balances	(282,388)	168,639	(113,749)
Cash balances beginning of year	1,484,982	426,309	1,911,291
Cash balances end of year	\$ 1,202,594	594,948	1,797,542
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 74,308	17,973	92,281
Unrestricted	1,128,286	576,975	1,705,261
Total cash basis fund balances	\$ 1,202,594	594,948	1,797,542

See notes to financial statements.

City of Shenandoah

Notes to Financial Statements

June 30, 2019

**(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.

Discretely Presented Component Unit

The Shenandoah Public Library Foundation (Library Foundation) is legally separate from 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. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Library Foundation meets the definition of a component unit which should be discretely presented.

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 911 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 Cash Basis Statement of Activities and Net Position 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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 from general and emergency levies 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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for property tax and other receipts to be used for payment of employee benefits.

The Local Option Sales Tax Fund is used to account for local option sales tax received from the tax authorized by referendum to be used for community betterment, community planning, economic development and property tax relief.

The Urban Renewal Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used 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 and other capital assets.

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, the Shenandoah Ambulance Service, the City of Shenandoah parks system and the Shenandoah Memorial Hospital.

The Cemetery Perpetual Care Fund is used to account for a trust fund for maintenance of the cemetery.

The City reports the following major proprietary funds:

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

The Enterprise, 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 position 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the public safety and health and social services functions prior to the budget amendment. Disbursements at year end exceeded the amount budgeted in the debt service function.

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

The City's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure 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.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$173,655. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Component Unit

At June 30, 2019, the Shenandoah Library Foundation (Foundation), a discretely presented component unit, had the following investments:

Type	Carrying Amount	Fair Value
Stocks	\$ 49,529	38,612
Mutual fund	55,298	75,757
	\$ 104,827	114,369

The Foundation uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the Foundation's stocks and mutual funds were determined using quoted market prices. (Level 1 inputs)

**(3) Notes Payable**

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

Year Ending June 30,	General Obligation Notes		Sewer Revenue Capital Loan Notes		Urban Renewal Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 732,000	37,953	176,000	50,645	125,000	22,543	1,033,000	111,141
2021	472,000	21,059	182,000	45,778	135,000	17,325	789,000	84,162
2022	292,000	9,541	186,000	40,742	140,000	11,756	618,000	62,039
2023	147,000	3,454	192,000	35,588	145,000	5,981	484,000	45,023
2024	12,000	737	197,000	30,265	-	-	209,000	31,002
2025-2029	13,000	384	704,000	71,610	-	-	717,000	71,994
2030-2034	-	-	210,000	23,187	-	-	210,000	23,187
2035	-	-	137,000	4,813	-	-	137,000	4,813
Total	\$ 1,668,000	73,128	1,984,000	302,628	545,000	57,605	4,197,000	433,361

**Sewer Revenue Loan Notes**

Sewer Revenue Capital Loan Notes – 2007

On July 10, 2007, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue capital loan notes of up to \$2,700,000 with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system.

### Sewer Revenue Capital Loan Notes – 2017

On September 8, 2017, the City entered into an agreement with the Iowa Finance Authority for the issuance of sewer revenue notes of up to \$833,000 with interest at 1.75% per annum. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance. During the year ended June 30, 2019, the City drew down an additional \$5,000 of the authorized amount for a total of \$776,928 note proceeds. 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 improvements to digester equipment.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,533,000 of sewer revenue capital loan notes issued in July 2007 and September 2018. The notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the notes are expected to require 52% of net receipts. The total principal and interest remaining to be paid on the notes is \$2,286,628. For the current year, principal and interest paid and total customer net receipts were \$209,475 and \$411,630, respectively.

The resolutions 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) Sewer user rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the average annual installments of principal and interest on the notes falling due in the same year.

### **Water Revenue Loan Notes**

#### Water Revenue Capital Loan Notes – 2013

On September 20, 2013, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of water revenue notes of up to \$14,057,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the water treatment facilities. Although the City has drawn all they intend to on this note, a final, repayment schedule has not been adopted pending final settlement of litigation pertaining to the project. See Note (12).

During the year ended June 30, 2019, the City paid principal and interest of \$547,900 and \$219,458, respectively.



### Water Revenue Capital Loan Notes – 2016

On November 18, 2016, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of water revenue notes of up to \$2,000,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the water treatment facilities. The City will draw down funds from the Iowa Finance Authority upon request to reimburse the City for costs as they are incurred.

At June 30, 2019, the City had drawn down \$505,276 of the authorized amount. An initiation fee of .50% of the authorized borrowing for the water revenue notes was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the water revenue notes drawn by the City during the year ended June 30, 2018. A final repayment schedule has not yet been adopted. However, during the year ended June 30, 2019, the City paid principal and interest of \$86,000 and \$6,786, respectively, on the notes under a preliminary repayment schedule. The balance on the notes at June 30, 2019 was \$253,276.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue notes. The notes are payable solely from water customer net receipts. The total amount of principal and interest remaining to be paid on the notes at June 30, 2019 is not available since a final repayment schedule has not been adopted. Annual principal and interest payments on the notes are expected to require 59% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$860,144 and \$1,451,897, respectively.

The resolution providing for the issuance of the water 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 water revenue note sinking account for the purpose of making principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

### Urban Renewal Revenue Notes

On November 14, 2014, the City issued \$1,130,000 of urban renewal tax increment financing (TIF) revenue notes with an interest rate of 4.125% per annum. The notes were issued pursuant to the provisions of Chapter 384.24A and 403.9 of the Code of Iowa for the purpose of paying costs of an urban renewal project and currently refunding \$630,000 of the City's 2003 urban renewal revenue notes. The notes are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Financing Fund pursuant to Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the notes. The proceeds of the urban renewal revenue notes shall be expended only for the 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. Total principal and interest remaining on the notes is \$602,605, payable through 2023. For the current year, principal and interest paid and total TIF receipts were \$147,812 and \$267,231 respectively.

**(4) Capital Lease Purchase Agreements**

On May 3, 2017, the City entered into a capital lease purchase agreement to acquire a loader for the street department, including interest at 3.56% per annum. On July 13, 2017, the City entered into a capital lease purchase agreement to acquire four mowers for the cemetery, including interest at 4.5% per annum. On June 15, 2017 the City entered into a capital lease purchase agreement to acquire a backhoe including interest at 3.56% per annum.

The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements at June 30, 2019:

Year ending June 30,	Loader	Mowers	Backhoe	Total
2020	\$ 18,259	8,210	20,100	46,569
2021	18,259	-	20,100	38,359
2022	18,259	-	20,100	38,359
2023	18,260	-	-	18,260
2024	18,260	-	-	18,260
	<u>\$ 91,297</u>	<u>8,210</u>	<u>60,300</u>	<u>159,807</u>
Less amount representing interest	<u>(8,987)</u>	<u>(361)</u>	<u>(4,047)</u>	<u>(13,395)</u>
Present value of net minimum lease payments	<u>\$ 82,310</u>	<u>7,849</u>	<u>56,253</u>	<u>146,412</u>

During the year ended June 30, 2019, \$18,259 of principal and interest was paid under the loader lease, \$8,210 of principal and interest was paid under the mowers lease, \$20,100 of principal and interest paid under the backhoe lease.

**(5) Pension Plan**

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

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

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

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

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

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

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

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

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 were \$190,187.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$1,170,218 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City's proportion was 0.018492%, which was an increase of 0.000473% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$197,563, \$400,353 and \$258,978, respectively.

There were no non-employer contributing entities to IPERS.

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

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and .65% real wage inflation.

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

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

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 2,244,262	1,170,218	269,641

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

**(6) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$496,478 and plan members eligible for benefits contributed \$16,499 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>37</u>
Total	<u><u>37</u></u>

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, sick leave, and compensatory time for subsequent use. Employees separated from City employment are paid for unused vacation leave and compensatory time earned. However, sick leave time is 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 and compensatory time payable to employees at June 30, 2019, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 86,000
Compensatory time	<u>15,000</u>
Total	<u><u>\$ 101,000</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

**(8) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 332,500
	Wilson Trust - Library	30,000
	Wilson Trust - City	42,645
	Enterprise Funds:	
	Water	14,250
	Sewer	30,200
	<u>449,595</u>	
Capital Projects	General	10,000
	Special Revenue:	
	Wilson Trust - City	10,000
	<u>20,000</u>	
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment Financing	207,616
	Enterprise Funds:	
	Sewer	11,314
	<u>218,930</u>	
Total		<u>\$ 688,525</u>

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

**(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 Agreements**

In September 2011, the City entered into a private development agreement with the Shenandoah Iowa Assisted Living Facility, LLC. The City agreed to make certain economic development grants to the developer to reimburse the developer for a portion of the cost of the improvements constructed. The grant payments to be made equal 75% of the tax increment financing collected by the City but shall not exceed \$245,056. No payments were made to the developer during the year ended June 30, 2019. The amount paid in previous years was greater than the incremental taxes collected and, accordingly, the payment amount was not in accordance with the agreement. The City has reduced payments to the developer until the overpayment is corrected. The balance of the overpayment at June 30, 2019 was \$5,159.

**(11) Economic Development Revolving Loan Account**

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, 2019, the City disbursed \$50,259 in loans and received \$36,228 of principal and \$5,980 of interest. The outstanding loan principal balance within the General Fund was \$158,232 at June 30, 2019.

**(12) Commitments**

Airfield Pavement Rehabilitation

In May 2019, the City entered into a contract totaling \$479,185 for construction of an Airfield Pavement Rehabilitation. For year ended June 30, 2019, the city has not made any payments to the contractor, DENCO Highways Construction Corporation.

Water Treatment Plant Construction

In June 2013, the City entered into a contract for construction of a new water treatment facility. During the year ended June 30, 2018 the project contractor ceased construction and the surety, Liberty Mutual, took over the project on April 14, 2015 pursuant to a Takeover Agreement. During the year ended June 30, 2019, a settlement agreement was approved and the City paid \$816,383 to the contractor and received \$600,000 from the City's insurer. At June 30, 2019, pending litigation remains for engineering fees for which the amount of additional costs, if any, are unknown at this time.

**(13) Joint Venture**

The City is a member of the Shenandoah Ambulance Service (Ambulance Service), a joint venture established in accordance with the provisions of Chapter 28E of the Code for the purpose of providing ambulance service to the Shenandoah service area. The participating entities are the City and the Shenandoah Medical Center (Medical Center), each with an equal share in the organization.

Under the terms of the agreement, the City will provide an annual subsidy and one ambulance and related equipment to the Ambulance Service. The Medical Center will provide equipment, space and facilities necessary to house the ambulance, receive dispatch calls and perform all administrative recordkeeping and billing services. The Ambulance Service has contracted with the Medical Center to provide personnel, employee benefits and supplies necessary to provide ambulance service.

Upon dissolution of the Ambulance Service, including payment of all indebtedness and bills, the residual remaining funds are to be distributed evenly between the City and Medical Center.

During the year ended June 30, 2019, the City paid \$84,500 to the Ambulance Service pursuant to the agreement.

**(14) Prospective Accounting Change**

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



**City of Shenandoah**

## **Other Information**

City of Shenandoah  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements and Changes in Balances -  
 Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 2,430,237	-	2,430,237
Tax increment financing	267,231	-	267,231
Other city tax	641,455	-	641,455
Licenses and permits	61,551	-	61,551
Use of money and property	99,358	16,719	116,077
Intergovernmental	924,517	-	924,517
Charges for service	750,909	2,735,021	3,485,930
Miscellaneous	564,158	778,046	1,342,204
Total receipts	<u>5,739,416</u>	<u>3,529,786</u>	<u>9,269,202</u>
Disbursements:			
Public safety	1,640,558	-	1,640,558
Public works	1,528,982	-	1,528,982
Health and social services	1,289	-	1,289
Culture and recreation	1,047,563	-	1,047,563
Community and economic development	133,282	-	133,282
General government	328,969	-	328,969
Debt service	909,049	-	909,049
Capital projects	94,561	-	94,561
Business type activities	-	3,592,771	3,592,771
Total disbursements	<u>5,684,253</u>	<u>3,592,771</u>	<u>9,277,024</u>
Excess (deficiency) of receipts over (under) disbursements	55,163	(62,985)	(7,822)
Other financing sources, net	<u>66,571</u>	<u>(50,764)</u>	<u>15,807</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	121,734	(113,749)	7,985
Balances beginning of year	<u>3,841,668</u>	<u>1,911,291</u>	<u>5,752,959</u>
Balances end of year	<u>\$ 3,963,402</u>	<u>1,797,542</u>	<u>5,760,944</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
2,437,346	2,437,346	(7,109)
267,231	267,231	-
643,308	643,308	(1,853)
72,575	72,575	(11,024)
87,915	87,915	28,162
1,039,732	1,039,732	(115,215)
3,938,933	3,938,933	(453,003)
473,057	473,057	869,147
<u>8,960,097</u>	<u>8,960,097</u>	<u>309,105</u>
1,423,550	1,737,590	97,032
1,615,255	1,716,995	188,013
670	1,300	11
1,205,281	1,205,281	157,718
380,735	380,735	247,453
402,340	402,340	73,371
701,433	908,670	(379)
441,800	441,800	347,239
<u>3,001,532</u>	<u>3,871,532</u>	<u>278,761</u>
<u>9,172,596</u>	<u>10,666,243</u>	<u>1,389,219</u>
(212,499)	(1,706,146)	1,698,324
-	-	15,807
(212,499)	(1,706,146)	1,714,131
<u>5,359,046</u>	<u>5,359,046</u>	<u>393,913</u>
<u>5,146,547</u>	<u>3,652,900</u>	<u>2,108,044</u>

City of Shenandoah

Notes to Other Information – Budgetary Reporting

June 30, 2019

The budgetary comparison is presented 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 discretely presented 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 Enterprise 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 \$1,493,647. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amounts budgeted in the public safety and health and social services activities prior to the budget amendment. Disbursements at year end exceeded the amount budgeted in debt service function.

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City of Shenandoah

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Five Years\*  
(In Thousands)

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.0184920%	0.018019%	0.019643%	0.019023%	0.019024%
City's proportionate share of the net pension liability	\$ 1,170	1,200	1,236	940	754
City's covered payroll	\$ 1,744	1,747	1,815	1,778	1,785
City's proportionate share of the net pension liability as a percentage of its covered payroll	67.09%	68.69%	68.99%	52.87%	42.24%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

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City of Shenandoah

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 190	166	160	164
Contributions in relation to the statutorily required contribution	<u>(190)</u>	<u>(166)</u>	<u>(160)</u>	<u>(164)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,971	1,744	1,747	1,815
Contributions as a percentage of covered payroll	9.64%	9.52%	9.16%	9.04%

See accompanying independent auditor's report.

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2015	2014	2013	2012	2011	2010
165	164	159	141	124	115
(165)	(164)	(159)	(141)	(124)	(115)
-	-	-	-	-	-
1,778	1,785	1,764	1,678	1,647	1,607
9.28%	9.19%	9.01%	8.40%	7.53%	7.16%



City of Shenandoah

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

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

Changes of assumptions:

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

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

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

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

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

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

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

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

## **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, 2019

	Special					
	Rapp Trust Library	Rapp Charity Trust	Gidley Park Trust	Reed Estate Trust	Wilson Trust - Library	Wilson Trust - City
Receipts:						
Use of money and property	\$ -	-	515	-	1,448	-
Intergovernmental	-	-	-	-	-	-
Miscellaneous	-	-	8,336	-	50,946	115,478
Total receipts	-	-	8,851	-	52,394	115,478
Disbursements:						
Operating:						
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	5,779	-	-	-
Total disbursements	-	-	5,779	-	-	-
Excess (deficiency) of receipts over (under) disbursements	-	-	3,072	-	52,394	115,478
Other financing sources (uses):						
Transfers out	-	-	-	-	(30,000)	(52,645)
Change in cash balances	-	-	3,072	-	22,394	62,833
Cash balances beginning of year	5,084	-	54,010	9,468	145,310	80,028
Cash balances end of year	\$ 5,084	-	57,082	9,468	167,704	142,861
<b>Cash Basis Fund Balances</b>						
Nonspendable - Esden Trust	\$ -	-	-	-	-	-
Restricted for:						
Fire	-	-	-	-	-	-
Library	5,084	-	-	-	167,704	-
Parks	-	-	57,081	-	-	-
Other purposes	-	-	-	9,469	-	142,861
Total cash basis fund balances	\$ 5,084	-	57,081	9,469	167,704	142,861

See accompanying independent auditor's report.

Revenue						Permanent	
Forgotten Angels Cemetery Trust	Simons Trust - Library	Volunteer Fire Department	Veteran Museum	Snook Library	Esden Trust		Total
-	-	126	-	-	125		2,214
-	-	80,151	-	-	-		80,151
-	-	-	4,595	1,289	-		180,644
-	-	80,277	4,595	1,289	125		263,009
-	-	30,694	-	-	-		30,694
-	-	-	4,954	-	-		10,733
-	-	30,694	4,954	-	-		41,427
-	-	49,583	(359)	1,289	125		221,582
-	-	-	-	-	-		(82,645)
-	-	49,583	(359)	1,289	125		138,937
3,351	58,822	71,029	359	11,168	20,511		459,140
3,351	58,822	120,612	-	12,457	20,636		598,077
-	-	-	-	-	20,636		20,636
-	-	120,612	-	-	-		120,612
-	58,822	-	-	12,457	-		244,067
-	-	-	-	-	-		57,081
3,351	-	-	-	-	-		155,681
3,351	58,822	120,612	-	12,457	20,636		598,077

City of Shenandoah  
Schedule of Indebtedness  
Year ended June 30, 2019

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Essential corporate purpose	Oct 28, 2010	0.95-3.05%	\$ 1,650,000
Essential corporate purpose and refunding	Apr 12, 2012	0.50-2.20	1,000,000
Essential corporate purpose	Oct 25, 2012	1.65-3.00	225,000
Essential corporate purpose and refunding	Jun 10, 2016	2.00	1,420,000
Essential corporate purpose	Nov 9, 2017	1.75	405,000
Essential corporate purpose	Nov 9, 2017	2.05-2.20	255,000
Essential corporate purpose	May 25, 2018	2.95	85,000
Total			
Revenue notes:			
Sewer revenue capital loan notes	Jul 10, 2007	1.75%	* \$ 2,700,000
Water revenue capital loan notes	Sep 20, 2013	1.75	* 14,057,000
Water revenue capital loan notes	Nov 18, 2016	1.75	* 505,276
Sewer revenue capital loan notes	Sep 8, 2017	1.75	* 776,928
Total			
Urban renewal revenue notes:			
Urban renewal revenue capital loan notes	Nov 14, 2014	4.125%	\$ 1,030,000
Capital lease purchase agreements:			
Backhoe	May 5, 2013	3.00%	\$ 13,150
Loader	May 3, 2017	3.56	111,412
Mowers	Jul 13, 2017	4.50	23,565
Total			

\* The agreements also require the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
540,000	-	175,000	365,000	15,588
225,000	-	55,000	170,000	4,620
100,000	-	25,000	75,000	3,000
770,000	-	320,000	450,000	15,400
405,000	-	-	405,000	11,064
255,000	-	125,000	130,000	8,465
85,000	-	12,000	73,000	2,549
<b>\$ (570,000)</b>	-	<b>712,000</b>	<b>1,668,000</b>	<b>60,686</b>
1,413,000	-	139,000	1,274,000	24,728
10,972,900	-	547,900	10,425,000	192,026
339,276	-	86,000	253,276	6,786
737,928	5,000	32,928	710,000	5,938
<b>\$ 13,463,104</b>	<b>5,000</b>	<b>805,828</b>	<b>12,662,276</b>	<b>229,478</b>
665,000	-	120,000	545,000	27,812
73,731	-	17,478	56,253	2,622
97,115	-	14,805	82,310	3,454
15,354	-	7,505	7,849	705
<b>\$ 112,469</b>	-	<b>39,788</b>	<b>146,412</b>	<b>6,781</b>

City of Shenandoah

Note Maturities

June 30, 2019

Year Ending June 30,	General Obligation Notes							
	Essential Corporate Purpose		Essential Corporate Purpose and Refunding		Essential Corporate Purpose		Essential Corporate Purpose and Refunding	
	Issued Oct 28, 2010		Issued Apr 12, 2012		Issued Oct 25, 2012		Issued Jun 10, 2016	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2020	2.90%	\$ 180,000	2.20%	\$ 55,000	3.00%	\$ 25,000	2.00%	\$ 330,000
2021	3.05	185,000	2.20	55,000	3.00	25,000	2.00	60,000
2022	-	-	2.20	60,000	3.00	25,000	2.00	60,000
2023	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-
Total		<u>\$ 365,000</u>		<u>\$ 170,000</u>		<u>\$ 75,000</u>		<u>\$ 450,000</u>

Year Ending June 30,	General Obligation Notes				Revenue Notes				
	Essential Corporate Purpose		Total	Interest Rates	Sewer Capital Loan Notes		Sewer Capital Loan Notes		Total
	Interest Rates	Amount			Issued July 10, 2007	Amount	Issued Sep 8, 2017	Amount	
2020	2.95%	\$ 12,000	732,000	1.75%	\$ 143,000	1.75%	\$ 33,000	176,000	
2021	2.95	12,000	472,000	1.75	148,000	1.75	34,000	182,000	
2022	2.95	12,000	292,000	1.75	152,000	1.75	34,000	186,000	
2023	2.95	12,000	147,000	1.75	157,000	1.75	35,000	192,000	
2024	2.95	12,000	12,000	1.75	161,000	1.75	36,000	197,000	
2025	2.95	13,000	13,000	1.75	166,000	1.75	37,000	203,000	
2026	-	-	-	1.75	171,000	1.75	37,000	208,000	
2027	-	-	-	1.75	176,000	1.75	38,000	214,000	
2028	-	-	-	-	-	1.75	39,000	39,000	
2029	-	-	-	-	-	1.75	40,000	40,000	
2030	-	-	-	-	-	1.75	40,000	40,000	
2031	-	-	-	-	-	1.75	41,000	41,000	
2032	-	-	-	-	-	1.75	42,000	42,000	
2033	-	-	-	-	-	1.75	43,000	43,000	
2034	-	-	-	-	-	1.75	44,000	44,000	
2035	-	-	-	-	-	1.75	45,000	45,000	
2036	-	-	-	-	-	1.75	46,000	46,000	
2037	-	-	-	-	-	1.75	46,000	46,000	
Total		<u>\$ 73,000</u>	<u>1,668,000</u>		<u>\$ 1,274,000</u>		<u>\$ 710,000</u>	<u>1,984,000</u>	

See accompanying independent auditor's report.





City of Shenandoah

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

For the Last Ten Years

	2019	2018	2017	2016
<b>Receipts:</b>				
Property tax	\$ 2,430,237	2,271,242	2,319,962	2,424,067
Tax increment financing	267,231	318,111	289,462	192,579
Other city tax	641,455	673,066	649,805	569,784
Licenses and permits	61,551	60,812	57,632	54,555
Use of money and property	99,358	106,315	106,114	96,968
Intergovernmental	924,517	923,535	1,007,770	1,367,315
Charges for service	750,909	760,633	924,170	887,261
Special assessments	-	-	-	-
Miscellaneous	564,158	892,745	690,364	411,508
<b>Total</b>	<b>\$ 5,739,416</b>	<b>6,006,459</b>	<b>6,045,279</b>	<b>6,004,037</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,640,558	1,342,306	1,328,272	1,303,790
Public works	1,528,982	1,412,792	1,300,149	1,234,086
Health and social services	1,289	738	667	733
Culture and recreation	1,047,563	1,287,205	1,330,579	978,769
Community and economic development	133,282	403,185	631,070	225,804
General government	328,969	450,764	360,168	340,058
Debt service	909,049	714,639	867,138	1,180,749
Capital projects	94,561	418,364	417,306	553,363
<b>Total</b>	<b>\$ 5,684,253</b>	<b>6,029,993</b>	<b>6,235,349</b>	<b>5,817,352</b>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
2,488,161	2,421,302	2,267,452	2,184,991	2,088,460	2,001,119
200,960	282,353	271,000	263,995	266,193	235,993
561,875	658,618	748,052	633,159	705,978	619,349
59,741	6,595	7,364	100,420	20,774	15,621
87,424	55,406	61,324	107,926	129,384	110,732
728,536	892,826	1,276,224	1,518,009	1,525,245	811,721
788,888	927,355	804,247	790,502	719,461	728,724
-	-	-	68,413	71,663	74,750
590,526	421,246	648,067	559,258	629,841	754,172
<u>5,506,111</u>	<u>5,665,701</u>	<u>6,083,730</u>	<u>6,226,673</u>	<u>6,156,999</u>	<u>5,352,181</u>
1,363,870	1,288,484	1,265,822	1,434,911	1,193,934	1,084,848
1,170,151	1,204,316	1,256,709	1,259,864	1,343,202	1,234,191
783	861	1,146	1,396	4,844	119
987,092	1,070,145	1,160,098	947,213	1,083,166	1,027,767
1,192,497	380,641	382,075	694,860	380,355	113,578
336,795	280,622	317,453	341,893	305,423	284,343
1,011,315	998,863	1,036,792	1,391,691	871,451	1,077,300
303,125	420,724	1,413,500	2,532,991	1,888,876	2,472,320
<u>6,365,628</u>	<u>5,644,656</u>	<u>6,833,595</u>	<u>8,604,819</u>	<u>7,071,251</u>	<u>7,294,466</u>



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

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Shenandoah, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 27, 2019. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Shenandoah's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Shenandoah's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Shenandoah's internal control.

A deficiency in internal control 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 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. A significant deficient is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be 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 which 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, 2019 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.

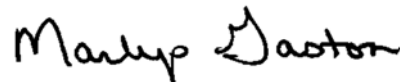
### The City of Shenandoah's Responses to the Findings

The City of Shenandoah's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



Marlys K. Gaston, CPA  
Deputy Auditor of State

November 27, 2019

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee.

This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – We noted that one or two individuals have control over the following areas for which no compensating controls exist for the City:

- 1) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
- 2) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- 3) Utilities – opening mail, billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- 4) Debt – recordkeeping, compliance and debt payment processing.
- 5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.

We noted that one or two individuals have control over each of the following areas for which no compensating controls exist for both the Volunteer Fire Department and the Shenandoah Library Foundation:

- (1) Receipts – opening mail, collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, approving, check writing, recording and reconciling.
- (3) Cash – handling, reconciling and recording.

Cause – The City, the Volunteer Fire Department, and the Library Foundation have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

City of Shenandoah

Schedule of Findings

Year ended June 30, 2019

Recommendation – The City, the Volunteer Fire Department, and the Library Foundation should review control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Independent reviews of financial transactions, reconciliations and reports should be documented by the signature or initials of the reviewer and the date of the review.

Responses

City – The City will review internal controls and adopt a Financial Accounting Manual.

Library Foundation – We understand that the lack of segregation of duties is a problem but since we are a small library it is almost impossible to completely fix or change the situation. However, we plan to incorporate suggested changes into our processes. We are trying to segregate duties by having a mail log and having an independent staff member count and initial the deposit slips. Several other recommendations were made during the visit and we will work to have the City Clerk review the log and totals as we make deposits for the foundation. As recommendations and suggestions are made, we will try to incorporate them into our process as we log and deposit funds for the foundation.

Fire Department – Fire mail will be opened by the employee that is on duty that day. Any mail pertaining to finances will be verified by one of the four Department Officers and will be logged into an excel spreadsheet by employee on duty. All checks received will be stamped with a “for deposit only” stamp. Any walk-in donations will be handled as previously stated (Mail). All deposits will be made by Department Treasurer or Department officer (Chief, Asst. Chief, 1<sup>st</sup> Captain, 2<sup>nd</sup> Captain). Reconciling will be done by the Department Treasurer to match the monthly bank statements. Signatures will be added after monthly reviews.

Conclusions

City – Response acknowledged. The City should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Evidence of review should be indicated by the signature or initials of the independent reviewer and the date of the review.

Library Foundation – Response acknowledged. The Library Foundation should also review controls over disbursements and handling cash, including reconciling and recording cash transactions.

Fire Department – Response acknowledged. The Fire Department should also review controls over disbursements for preparing, check writing and recording.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2019

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amounts budgeted in the public safety and health and social services functions prior to the budget amendment. Disbursements at year end exceeded the amount budgeted in the debt service function. 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City amends budget once a year to minimize cost to the City. The City will amend prior to exceeding the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Wabash Winery	Dining hall rental for firemen's banquet	\$ 150
Five J Catering	Catered food for firemen's holiday party	575

According to the Attorney General’s opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation

Response – The City will adopt a food and beverage policy by resolution.

Conclusion – Response acknowledged. The City’s food and beverage policy should be specific as to how the public benefits from the disbursement.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2019

- (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
Ron Weston, Fire Chief, owner of Weston Consultants	Sample readings for smoke incinerator	\$ 400

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since total transactions with were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the water revenue note requirements were noted.
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) was certified to the Iowa Department of Management on or before December 1 for the period ending June 30, 2018, however, the Windsor Manor development agreement and 2016B GO Bond certifiable debt were understated by \$28,892 and \$56,810, respectively.

Recommendation – The City should ensure the amounts reported on the Levy Authority Summary agree with the City’s records.

Response – The City has corrected the reportable amounts on the FY19 Urban Renewal Report.

Conclusion – Response accepted.

- (10) Utility Franchise Fees – In October 2015, the City passed a resolution to approve a conditional economic development grant pursuant to Chapter 15A of the Code of Iowa to S.W.I.F.T. Services, LLC for \$65,000. The City began receiving franchise fees of 5% of gross revenues generated from sales of the franchisee in accordance with Chapter 364.2(4)(f) of the Code of Iowa in January 2018 for services in September through December 2017. Franchise fees were not adopted through City ordinance and a revenue purpose statement was not prepared and published.

Recommendation – The City should prepare and publish a revenue purpose statement prior to the adoption of the utility franchise fee, as well as pass an ordinance to adopt the utility franchise fee, in accordance with Chapter 364.2(4)(f) of the Code of Iowa.



City of Shenandoah

Schedule of Findings

Year ended June 30, 2019

Response – The City will prepare and publish a revenue purpose statement for franchise fees along with an ordinance to be in compliance with the Code of Iowa.

Conclusion – Response accepted.

- (11) Economic Development Agreement – In September 2011, the City entered into a private development agreement with the Shenandoah Iowa Assisted Living Facility, LLC. The City agreed to make certain economic development grants to the developer to reimburse the developer for a portion of the cost of the improvements constructed. Pursuant to the agreement, the grant payments are 75% of the tax increment financing collected by the City, not exceeding \$245,056. No payments were made to the developer under the terms of the agreement during the year ended June 30, 2019 because the amount paid in previous years was greater than the incremental taxes collected. The balance of the overpayment at June 30, 2019 was \$5,159.

Recommendation – The City should ensure amounts paid to the Developer are in compliance with the economic development agreement.

Response – The City is aware of the overpayment and is currently working to correct said payments with the developer.

Conclusion – Response accepted.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2019

(12) Other Information Required by the Revenue Note Resolution

Insurance – The following insurance policies were in force at June 30, 2019:

<b>Insurer</b>	<b>Description</b>	<b>Amount</b>	<b>Expiration Date</b>
Employers Mutual Casualty	Property Blanket Buildings	\$ 47,822,241	June 30,2019
Employers Mutual Casualty	Comprehensive Gen. Liability Per occurrence Aggregate	1,000,000 2,000,000	June 30,2019
Employers Mutual Casualty	Inland Marine	1,356,144	June 30,2019
Employers Mutual Casualty	Automobile coverage Liability Uninsured and underinsured	1,000,000 1,000,000	June 30,2019
Employers Mutual Casualty	Workers' Compensation	500,000	June 30,2019
Employers Mutual Casualty	Commercial Umbrella Retained Each occurrence Aggregate	10,000 5,000,000 5,000,000	June 30,2019
Employers Mutual Casualty	Linebacker Each Loss Aggregate	1,000,000 1,000,000	June 30,2019
Employers Mutual Casualty	Law Enforcement Each occurrence Aggregate	1,000,000 1,000,000	June 30,2019
Employers Mutual Casualty	Employee dishonesty: Blanket bond Alteration	100,000 100,000	June 30,2019
Employers Mutual Casualty	Commercial crime: Inside premises Outside premises	5,000 5,000	January 29,2019
Wilson Insurance Agency	Airport liability: Per occurrence Aggregate	1,000,000 1,000,000	

City of Shenandoah

Staff

This audit was performed by:

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