



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

December 9, 2020

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 \$11,733,068 for the year ended June 30, 2020, a 26.4% increase over the prior year. Disbursements for the year ended June 30, 2020 totaled \$9,319,636, a 0.5% increase over the prior year. The increase in receipts is due primarily to from note issuance proceeds in the current year.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and disbursement of taxpayer funds and one finding pertaining to the Shenandoah Library Foundation. They are found on pages 54 through 58 of this report. The findings address a lack of segregation of duties, disbursements exceeding budgeted amounts and a deficit fund balance in Special Revenue, FEMA Emergency Management Assistance Fund. Sand provided the City and the Library Foundation with recommendations to address each of the findings.

Two of the three findings discussed above for the City and one finding for the Library Foundation are repeated from the prior year. The City Council and management of the Library Foundation have a fiduciary responsibility to provide oversight of the City's and the Library Foundation'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, 2020

City of Shenandoah



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Rob Sand
Auditor of State

November 5, 2020

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, 2020. 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". The signature is stylized and cursive.

Rob Sand
Auditor of State

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City of Shenandoah

Officials

(Before January 2020)

<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
AJ Lyman	Administrator	Jan 2020
Karla Gray	City Clerk/Treasurer	Jan 2020
Mahlon Sorensen	Attorney	Jan 2021

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Hunt	Mayor	Jan 2022
J. Eric Brantner	Council Member	Jan 2024
Cindy Arman	Council Member	Jan 2024
Rita Gibson	Council Member	Jan 2022
Toni Graham	Council Member	Jan 2022
Kim Swank	Council Member	Jan 2022
AJ Lyman	Administrator	Jan 2022
Karla Gray	City Clerk/Treasurer	Jan 2022
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, 2020, 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, 2020, 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 five years ended June 30, 2019 and the financial statements for the two 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 34 through 42, 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 5, 2020 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 5, 2020

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, 2020

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,397,272	195,165	35,894	567,096
Public works	1,825,967	633,695	661,973	-
Health and social services	2,157	-	-	-
Culture and recreation	943,479	153,009	82,850	13,177
Community and economic development	162,654	41,976	33,103	2,757
General government	487,509	20,760	177,611	134,367
Debt service	770,514	-	-	-
Capital projects	569,991	-	-	-
Total governmental activities	6,159,543	1,044,605	991,431	717,397
Business type activities:				
Water	2,291,593	2,638,863	-	6,970
Sewer	773,707	1,092,924	9,793	-
Golf Course	94,793	137,434	-	-
Total business type activities	3,160,093	3,869,221	9,793	6,970
Total primary government	\$ 9,319,636	4,913,826	1,001,224	724,367
Component Unit:				
Library Foundation	123,955	-	-	152,060
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Cable franchise fee				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds less discount of \$1,750 and issuance costs of \$14,620				
Payment of refunded notes				
Miscellaneous				
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				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Snook Trust				
Cemetery perpetual care				
Esden Trust				
Expendable:				
Fire				
Streets				
Employee benefits				
Library				
Debt service				
Capital Projects				
Parks				
Other purposes				
Unrestricted				
Total cash basis net assets				
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
(599,117)	-	(599,117)	
(530,299)	-	(530,299)	
(2,157)	-	(2,157)	
(694,443)	-	(694,443)	
(84,818)	-	(84,818)	
(154,771)	-	(154,771)	
(770,514)	-	(770,514)	
(569,991)	-	(569,991)	
(3,406,110)	-	(3,406,110)	
-	354,240	354,240	
-	329,010	329,010	
-	42,641	42,641	
-	725,891	725,891	
(3,406,110)	725,891	(2,680,219)	
			28,105
1,949,491	-	1,949,491	-
654,172	-	654,172	-
274,304	-	274,304	-
614,924	-	614,924	-
94,517	-	94,517	-
51,872	-	51,872	-
89,533	-	89,533	-
6,828	-	6,828	-
1,828,630	-	1,828,630	-
(555,366)	-	(555,366)	-
71,717	-	71,717	-
13,029	-	13,029	-
30,788	(30,788)	-	-
5,124,439	(30,788)	5,093,651	-
1,718,329	695,103	2,413,432	28,105
3,963,402	1,797,542	5,760,944	425,499
\$ 5,681,731	2,492,645	8,174,376	453,604
\$ 1,150,545	-	1,150,545	-
183,260	-	183,260	-
20,785	-	20,785	-
127,894	-	127,894	-
898,225	-	898,225	-
170,778	-	170,778	-
277,293	-	277,293	453,604
169,365	92,667	262,032	-
1,267,446	-	1,267,446	-
56,392	-	56,392	-
583,374	-	583,374	-
776,374	2,399,978	3,176,352	-
\$ 5,681,731	2,492,645	8,174,376	453,604

City of Shenandoah

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

As of and for the year ended June 30, 2020

	Special Revenue				
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment Financing
Receipts:					
Property tax	\$ 1,235,544	-	657,108	-	-
Tax increment financing	-	-	-	-	274,304
Local option sales tax	-	-	-	614,924	-
Other city tax	131,569	-	19,787	-	-
Licenses and permits	67,940	-	-	-	-
Use of money and property	21,060	-	-	-	893
Intergovernmental	106,124	661,973	23,266	-	-
Charges for service	689,368	-	-	-	-
Miscellaneous	371,257	-	30,549	-	-
Total receipts	2,622,862	661,973	730,710	614,924	275,197
Disbursements:					
Operating:					
Public safety	1,014,766	-	307,666	-	-
Public works	639,814	496,134	138,886	-	-
Health and social services	-	-	-	-	-
Culture and recreation	745,486	-	150,274	-	-
Community and economic development	72,258	-	-	83,352	-
General government	358,489	-	1,513	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	2,830,813	496,134	598,339	83,352	-
Excess (deficiency) of receipts over (under) disbursements	(207,951)	165,839	132,371	531,572	275,197
Other financing sources (uses):					
Note proceeds net of discount of \$1,750 and issuance costs of \$14,620	-	-	-	-	-
Payment of refunded notes	-	-	-	-	-
Sale of capital assets	2,556	-	-	-	-
Transfers in	476,108	-	-	-	-
Transfers out	(15,000)	-	-	(320,000)	(198,113)
Total other financing sources (uses)	463,664	-	-	(320,000)	(198,113)
Change in cash balances	255,713	165,839	132,371	211,572	77,084
Cash balances beginning of year	637,419	732,386	38,407	132,502	83,985
Cash balances end of year	\$ 893,132	898,225	170,778	344,074	161,069
Cash Basis Fund Balances					
Nonspendable:					
Permanent funds	-	-	-	-	-
Restricted for:					
Fire	49,644	-	-	-	-
Streets	-	898,225	-	-	-
Employee benefits	-	-	170,778	-	-
Library	-	-	-	-	-
Debt service	-	-	-	-	161,069
Parks	-	-	-	-	-
Capital projects	-	-	-	-	-
Other purposes	67,114	-	-	344,074	-
Unassigned	776,374	-	-	-	-
Total cash basis fund balances	\$ 893,132	898,225	170,778	344,074	161,069

See notes to financial statements.

Debt Service	Capital Projects	Permanent		Nonmajor	Total
		Snook Trust	Cemetery Perpetual Care		
636,116	-	-	-	-	2,528,768
-	-	-	-	-	274,304
-	-	-	-	-	614,924
18,056	-	-	-	-	169,412
-	-	-	-	-	67,940
-	59,146	11,002	1,030	3,876	97,007
22,701	538,097	-	-	123,365	1,475,526
-	-	-	2,545	-	691,913
-	4,792	-	-	234,399	640,997
676,873	602,035	11,002	3,575	361,640	6,560,791
-	-	4,314	-	70,526	1,397,272
-	-	-	-	-	1,274,834
-	-	2,157	-	-	2,157
-	-	4,314	-	11,313	911,387
-	-	-	-	-	155,610
-	-	13	-	127,494	487,509
780,880	-	-	-	-	780,880
-	1,160,260	-	-	-	1,160,260
780,880	1,160,260	10,798	-	209,333	6,169,909
(104,007)	(558,225)	204	3,575	152,307	390,882
555,366	1,273,264	-	-	-	1,828,630
(545,000)	-	-	-	-	(545,000)
-	10,473	-	-	-	13,029
68,960	164,311	-	-	-	709,379
-	-	-	-	(145,478)	(678,591)
79,326	1,448,048	-	-	(145,478)	1,327,447
(24,681)	889,823	204	3,575	6,829	1,718,329
32,977	377,623	1,150,341	179,685	598,077	3,963,402
8,296	1,267,446	1,150,545	183,260	604,906	5,681,731
-	-	1,150,545	183,260	20,785	1,354,590
-	-	-	-	78,250	127,894
-	-	-	-	-	898,225
-	-	-	-	-	170,778
-	-	-	-	277,293	277,293
8,296	-	-	-	-	169,365
-	-	-	-	56,392	56,392
-	1,267,446	-	-	-	1,267,446
-	-	-	-	172,186	583,374
-	-	-	-	-	776,374
8,296	1,267,446	1,150,545	183,260	604,906	5,681,731

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, 2020

	Enterprise				
	Water	Sewer	Non Major		Total
			Golf		
Operating receipts:					
Charges for service	\$ 2,599,322	1,025,249	137,434		3,762,005
Miscellaneous	39,541	70,496	-		110,037
Total operating receipts	2,638,863	1,095,745	137,434		3,872,042
Operating disbursements:					
Business type activities	1,281,435	558,027	94,793		1,934,255
Excess of operating receipts over operating disbursements	1,357,428	537,718	42,641		1,937,787
Non-operating receipts (disbursements):					
Interest on investments	6,970	6,972	-		13,942
Debt service	(860,566)	(215,680)	-		(1,076,246)
Capital outlay	(149,592)	-	-		(149,592)
Net non-operating receipts (disbursements)	(1,003,188)	(208,708)	-		(1,211,896)
Excess of receipts over disbursements	354,240	329,010	42,641		725,891
Other financing uses:					
Transfers out	(11,850)	(18,938)	-		(30,788)
Change in cash balances	342,390	310,072	42,641		695,103
Cash balances beginning of year	1,202,594	594,948	-		1,797,542
Cash balances end of year	\$ 1,544,984	905,020	42,641		2,492,645
Cash Basis Fund Balances					
Restricted for debt service	\$ 74,487	18,180	-		92,667
Unrestricted	1,470,497	886,840	42,641		2,399,978
Total cash basis fund balances	\$ 1,544,984	905,020	42,641		2,492,645

See notes to financial statements.

City of Shenandoah

Notes to Financial Statements

June 30, 2020

(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. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

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, 2020, disbursements exceeded the amount budgeted in the general government and health and social services functions prior to the budget amendment. Disbursements at year end exceeded the amount budgeted in the public works function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 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 \$175,903. 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, 2020, the Shenandoah Library Foundation (Foundation), a discretely presented component unit, had the following investments:

Type	Carrying Amount	Fair Value
Stocks	\$ 49,529	32,813
Mutual fund	55,298	73,757
	<u>\$ 104,827</u>	<u>106,570</u>

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) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,668,000	860,000	732,000	1,796,000	637,000
Urban renewal notes	545,000	985,000	545,000	985,000	105,000
Capital lease purchase agreements	90,160	-	23,182	66,978	18,259
Governmental activities total	<u>\$ 2,213,000</u>	<u>1,845,000</u>	<u>1,300,182</u>	<u>2,781,000</u>	<u>760,259</u>
Business type activities					
Water revenue notes	\$ 10,678,276	-	647,000	10,031,276	659,000
Sewer revenue notes	1,984,000	-	176,000	1,808,000	182,000
Capital lease purchase agreements	56,253	-	18,100	38,153	20,100
Business-type activities total	<u>\$ 12,662,276</u>	<u>-</u>	<u>841,100</u>	<u>11,839,276</u>	<u>861,100</u>

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		Water Revenue Capital Loan Notes		Urban Renewal Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 637,000	30,423	182,000	45,778	659,000	27,572	105,000	37,550	1,583,000	141,323
2022	462,000	18,141	186,000	40,742	659,276	24,590	115,000	32,120	1,422,276	115,593
2023	317,000	10,404	192,000	35,588	594,000	21,783	115,000	27,923	1,218,000	95,698
2024	187,000	7,688	197,000	30,265	605,000	20,298	120,000	23,725	1,109,000	81,976
2025	193,000	5,634	203,000	24,805	618,000	18,785	125,000	19,345	1,139,000	68,569
2026-2030	-	-	541,000	37,188	3,277,000	70,140	405,000	29,931	4,223,000	137,259
2031-2035	-	-	215,000	23,187	3,619,000	27,505	-	-	3,834,000	50,692
2036-2037	-	-	92,000	2,415	-	-	-	-	92,000	2,415
Total	\$ 1,796,000	72,290	1,808,000	239,968	10,031,276	210,673	985,000	170,594	14,620,276	693,525

General Obligation Notes

On October 28, 2010, the City issued \$1,650,000 of general obligation notes with interest rates ranging from 0.95% to 3.05% per annum. The notes were issued to pay the costs of a library expansion project and are payable through June 2021. During the year ended June 30, 2020, the City paid principal and interest of \$180,000 and \$10,863, respectively, on the notes. The outstanding principal balance on the notes at June 30, 2020 is \$185,000.

On April 12, 2012, the City issued \$1,000,000 of general obligation notes with interest rates ranging from 0.50% to 2.20% per annum. The notes were issued to pay the costs of a fire truck, fire equipment and street improvements and are payable through June 2022. During the year ended June 30, 2020, the City paid principal and interest of \$55,000 and \$3,740, respectively, on the notes. The outstanding principal balance on the notes at June 30, 2020 is \$115,000.

On October 25, 2020, the City issued \$225,000 of general obligation notes with interest rates ranging from 1.65% to 3.00% per annum. The notes were issued to pay the costs of theatre improvements and are payable through June 2022. During the year ended June 30, 2020, the City paid principal and interest of \$25,000 and \$2,250, respectively, on the notes. The outstanding principal balance on the notes at June 30, 2020 is \$50,000.

On June 10, 2016, the City issued \$1,420,000 of general obligation notes with an interest rate of 2.00% per annum. The notes were issued to pay the costs of hotel demolition and development and street improvements and are payable through June 2022. During the year ended June 30, 2020, the City paid principal and interest of \$330,000 and \$ 9,000, respectively, on the notes. The outstanding principal balance on the notes at June 30, 2020 is \$120,000

On November 9, 2017, the City issued \$405,000 of general obligation notes with an interest rate of 1.75% per annum. The notes were issued for equipping the sewer and sanitation departments, including the acquisition of a sewer jet truck and attached fixtures and equipment. During the year ended June 30, 2020, the City paid no principal and \$7,088 of interest on the notes. The outstanding principal balance on the notes at June 30, 2020 is \$405,000.

On November 9, 2017, the City issued \$255,000 of general obligation notes with interest rates ranging from 2.05% to 2.20% per annum. The notes were to pay the cost of acquisition, construction, reconstruction, enlargement, improvement and equipping of a recreation building. for street improvements. During the year ended June 30, 2020, the City paid \$130,000 of principal and \$2,860 of interest on the notes. These notes have no principal balance outstanding at June 30, 2020.

On May 25, 2018, the City issued \$85,000 of general obligation notes with interest rate of 2.95%. The notes were issued to pay the costs of equipping the fire department, including the acquisition and equipping of a fire truck. During the year ended June 30, 2020, the City paid \$12,000 of principal and \$2,154 of interest on the notes. The outstanding principal balance on the notes at June 30, 2020 is \$61,000.

On May 15, 2020, the City issued \$860,000 of general obligation notes with an interest rate of 2.00%. The notes were issued to pay the costs of aiding in the planning, undertaking and carrying out of an urban renewal project, including a grant to fund the construction of a community-based outpatient clinic. During the year ended June 30, 2020, the City paid no principal and no of interest on the notes.

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 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 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, 2020, the City had drawn down 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 \$3,476,928 of sewer revenue capital loan notes issued in July 2007 and September 2017. The notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the notes are expected to require 39% of net receipts. The total principal and interest remaining to be paid on the notes is \$2,047,968. For the current year, principal and interest paid and total customer net receipts were \$210,720 and \$537,718, 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.

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. During the year ended June 30, 2020, the City had drawn down a total of \$505,276 notes. The agreement also requires the City to annually pay a 0.25% 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 has pledged future water customer receipts, net of specified operating disbursements, to repay \$ 14,562,276 of water revenue notes issued in September 2013 and November 2016. The notes are payable solely from water customer net receipts. Annual principal and interest payments on the notes are expected to require 61% of net receipts. The total principal and interest remaining to be paid on the notes is \$10,241,949. For the current year, principal and interest paid and total customer net receipts were \$833,870 and \$1,357,428, 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 May 15, 2020, the City issued \$985,000 of urban renewal tax increment financing (TIF) revenue notes with an interest rate of 3.65% 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 \$545,000 of the City's 2014 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 \$985,000, payable through 2028.

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 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, 2020:

Year ending June 30,	Backhoe	Loader	Total
2021	\$ 20,100	18,259	18,259
2022	20,100	18,259	18,259
2023	-	18,260	18,260
2024	-	18,260	18,260
	<u>\$ 40,200</u>	<u>73,038</u>	<u>73,038</u>
Less amount representing interest	<u>(2,047)</u>	<u>(6,060)</u>	<u>(6,060)</u>
Present value of net minimum lease payments	<u>\$ 38,153</u>	<u>66,978</u>	<u>66,978</u>

During the year ended June 30, 2020, \$18,260 of principal and interest was paid under the loader lease and \$20,100 of principal and interest paid under the backhoe lease.

(4) Golf Course Lease

On April 1, 2020 the City entered a Property and Business Lease with the American Legion Country Club War Memorial Trust (War Memorial Trust) by and through its Board referred to as Shenandoah War Memorial Trust. The lease provides the City may lease the premises and operate the Pro Shop for a term of five years. If at any time the City experiences a significant loss from operations, the City has the right to renegotiate or terminate this lease upon 90-day written notice. The City shall have the right to renew for five-year renewal terms at its sole discretion for a total term of fifteen years. After fifteen years the City shall have first right of refusal to match any bonafede alternative lessee of the premises.

The purpose of the agreement is to provide services related to public recreational golfing at the American Legion Country Club in Shenandoah Iowa. The mission of the City of Shenandoah is to provide experiences, services and spaces that create opportunities for everyone to learn, engage and thrive in the participation of the activity of public golf.

The lease agreement requires annual lease payments of \$1 for the golf course. The annual lease payments for the Pro Shop and basement area, including the area referred to as the back bar, shall be \$18,000 per year. These amounts are due to the War Memorial Trust. Each five-year extension as described above shall provide for a 10% increase in the \$18,000 per year lease amount.

Pursuant to the lease agreement, the City will have a separate water meter for the golf course and basement area of operations. City of Shenandoah and War Memorial Trust will share the electric bill and gas bill for the entire facility with each paying one-half. The City will pay insurance for the portion of the property used by the City, at the estimated cost of \$15,000 per year, and estimated taxes on the grounds used by the City estimated at \$4,500 per year. The City will pay minor repairs in the pro shop basement area, including back bar. The War Memorial Trust will pay for larger incidents. Membership fees will be payable to the City of Shenandoah.

(5) Plan Pension

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.

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 2020, 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 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City’s contributions to IPERS for the year ended June 30, 2020 were \$190,061.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$1,107,488 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the City’s proportion was 0.019125%, which was an increase of 0.000633% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$264,730, \$233,794 and \$292,436, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 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, 2019 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 2019 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%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
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	\$ 2,284,422	1,107,488	120,685

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.

(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, 2020, the City contributed \$481,338 and plan members eligible for benefits contributed \$27,679 to the plan. At June 30, 2020, 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>36</u>
Total	<u><u>36</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, 2020, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 90,000
Compensatory time	12,000
Total	<u>\$ 102,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 320,000
	Wilson Trust - Library	30,000
	Wilson Trust - City	102,408
	Enterprise:	
	Water	11,850
	Sewer	11,850
	<u>476,108</u>	
Capital Projects	General	15,000
	Special Revenue:	
	Urban Renewal Tax Increment Financing	136,241
	Wilson Trust - City	13,070
	<u>164,311</u>	
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment Financing	61,872
	Enterprise:	
	Sewer	7,088
	<u>68,960</u>	
Total		<u>\$ 709,379</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 under the terms of the agreement during the year ended June 30, 2020. 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 overpayment at June 30, 2020 was \$5,159.

Economic Development Revolving Loan Account

The City of Shenandoah operates a revolving loan fund to assist business owners in financing façade beautification, store front and building repairs and business expansion project.

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. The City enacted a 60-day moratorium on principle and interest payments due to the COVID-19 local, state and International crisis commencing on April 1st through May 31st of 2020. During the year ended June 30, 2020, the City disbursed \$24,752 in loans and received \$36,311 of principal and \$6,489 of interest. The outstanding loan principal balance within the General Fund was \$128,168 at June 30, 2020.

(11) Tax Abatements

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

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, \$27,246 of property tax was diverted from the City under the urban revitalization projects.

Tax Abatements of Other Entities

Entity	Tax Abatement Program	Amount of Tax Abated
Page County	Urban renewal and economic development projects	\$ 11,944

(12) Commitments

Water Treatment Plant Construction

In June 2013, the City entered 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, 2020, 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, 2020, the City paid \$42,250 to the Ambulance Service pursuant to the agreement.

(14) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Shenandoah, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Shenandoah. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Shenandoah's operations and finances.

(15) 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, 2021. 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.

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, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 2,528,768	-	2,528,768
Tax increment financing	274,304	-	274,304
Other city tax	169,412	-	169,412
Licenses and permits	67,940	-	67,940
Use of money and property	97,007	13,942	110,949
Intergovernmental	1,475,526	-	1,475,526
Charges for service	691,913	3,762,005	4,453,918
Miscellaneous	640,997	110,037	751,034
Total receipts	<u>5,945,867</u>	<u>3,885,984</u>	<u>9,831,851</u>
Disbursements:			
Public safety	1,397,272	-	1,397,272
Public works	1,274,834	-	1,274,834
Health and social services	2,157	-	2,157
Culture and recreation	911,387	-	911,387
Community and economic development	155,610	-	155,610
General government	487,509	-	487,509
Debt service	780,880	-	780,880
Capital projects	1,160,260	-	1,160,260
Business type activities	-	3,160,093	3,160,093
Total disbursements	<u>6,169,909</u>	<u>3,160,093</u>	<u>9,330,002</u>
Excess (deficiency) of receipts over (under) disbursements	(224,042)	725,891	501,849
Other financing sources, net	<u>1,327,447</u>	<u>(30,788)</u>	<u>1,296,659</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,103,405	695,103	1,798,508
Balances beginning of year	<u>3,963,402</u>	<u>1,797,542</u>	<u>5,760,944</u>
Balances end of year	<u>\$ 5,066,807</u>	<u>2,492,645</u>	<u>7,559,452</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
2,540,163	2,540,163	(11,395)
274,306	274,306	(2)
649,537	649,537	(480,125)
61,950	61,950	5,990
102,910	102,910	8,039
4,835,412	4,950,412	(3,474,886)
5,193,048	5,276,048	(822,130)
545,495	557,995	193,039
<u>14,202,821</u>	<u>14,413,321</u>	<u>(4,581,470)</u>
1,607,569	1,607,569	210,297
1,621,590	1,621,590	346,756
2,000	2,200	43
1,266,715	1,266,715	355,328
289,952	289,952	134,342
365,040	547,140	59,631
90,486	906,486	125,606
2,054,100	2,504,100	1,343,840
<u>5,787,665</u>	<u>5,938,315</u>	<u>2,778,222</u>
<u>13,085,117</u>	<u>14,684,067</u>	<u>5,354,065</u>
1,117,704	(270,746)	772,595
<u>12,000</u>	<u>1,273,264</u>	<u>23,395</u>
1,129,704	1,002,518	795,990
<u>5,359,046</u>	<u>5,359,046</u>	<u>401,898</u>
<u>6,488,750</u>	<u>6,361,564</u>	<u>1,197,888</u>

City of Shenandoah

City of Shenandoah

Notes to Other Information – Budgetary Reporting

June 30, 2020

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 \$1,598,950. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the general government and health and social services activities prior to the budget amendment. Disbursements at year end exceeded the amount budgeted in public works function.

City of Shenandoah

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

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

Other Information

	2020	2019	2018	2017
City's proportion of the net pension liability	0.019125%	0.018492%	0.018019%	0.019643%
City's proportionate share of the net pension liability	\$ 1,107	1,170	1,200	1,236
City's covered payroll	\$ 1,971	1,744	1,747	1,815
City's proportionate share of the net pension liability as a percentage of its covered payroll	56.16%	67.09%	68.69%	68.99%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

* 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.

<u>2016</u>	<u>2015</u>
0.019023%	0.019024%
940	754
1,778	1,785
52.87%	42.24%
85.19%	87.61%

City of Shenandoah

Schedule of City Contributions

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

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 190	190	166	160
Contributions in relation to the statutorily required contribution	<u>(190)</u>	<u>(190)</u>	<u>(166)</u>	<u>(160)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,979	1,971	1,744	1,747
Contributions as a percentage of covered payroll	9.60%	9.64%	9.52%	9.16%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
164	165	164	159	141	124
(164)	(165)	(164)	(159)	(141)	(124)
-	-	-	-	-	-
1,815	1,778	1,785	1,764	1,678	1,647
9.04%	9.28%	9.19%	9.01%	8.40%	7.53%

City of Shenandoah

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

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.
- 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.

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, 2020

	Special					
	Rapp Trust Library	Gidley Park Trust	Reed Estate Trust	Wilson Trust - Library	Federal Emergency Management Assistance	Wilson Trust - City
Receipts:						
Use of money and property	\$ -	2,497	-	1,019	-	-
Intergovernmental	-	-	-	-	123,365	-
Miscellaneous	-	8,126	-	60,050	-	136,113
Total receipts	-	10,623	-	61,069	123,365	136,113
Disbursements:						
Operating:						
Public safety	-	-	-	-	-	-
Culture and recreation	-	11,313	-	-	-	-
General government	-	-	-	-	127,494	-
Total disbursements	-	11,313	-	-	127,494	-
Excess (deficiency) of receipts over (under) disbursements	-	(690)	-	61,069	(4,129)	136,113
Other financing sources (uses):						
Transfers out	-	-	-	(30,000)	-	(115,478)
Change in cash balances	-	(690)	-	31,069	(4,129)	20,635
Cash balances beginning of year	5,084	57,082	9,468	167,704	-	142,861
Cash balances (deficits) end of year	\$ 5,084	56,392	9,468	198,773	(4,129)	163,496
Cash Basis Fund Balances (deficits)						
Nonspendable - Esden Trust	\$ -	-	-	-	-	-
Restricted for:						
Fire	-	-	-	-	-	-
Library	5,084	-	-	198,773	-	-
Parks	-	56,392	-	-	-	-
Other purposes	-	-	9,468	-	(4,129)	163,496
Total cash basis fund balances (deficits)	\$ 5,084	56,392	9,468	198,773	(4,129)	163,496

See accompanying independent auditor's report.

Revenue				Permanent		
Forgotten Angels Cemetery Trust	Simons Trust - Library	Volunteer Fire Department	Snook Library	Esden Trust		Total
-	-	211	-	149		3,876
-	-	-	-	-		123,365
-	-	27,953	2,157	-		234,399
-	-	28,164	2,157	149		361,640
-	-	70,526	-	-		70,526
-	-	-	-	-		11,313
-	-	-	-	-		127,494
-	-	70,526	-	-		209,333
-	-	(42,362)	2,157	149		152,307
-	-	-	-	-		(145,478)
-	-	(42,362)	2,157	149		6,829
3,351	58,822	120,612	12,457	20,636		598,077
3,351	58,822	78,250	14,614	20,785		604,906
-	-	-	-	20,785		20,785
-	-	78,250	-	-		78,250
-	58,822	-	14,614	-		277,293
-	-	-	-	-		56,392
3,351	-	-	-	-		172,186
3,351	58,822	78,250	14,614	20,785		604,906

City of Shenandoah
Schedule of Indebtedness
Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Library Expansion	Oct 28, 2010	0.95-3.05%	\$ 1,650,000
Street improvement, fire truck and fire equipment	Apr 12, 2012	0.50-2.20	1,000,000
Theater improvement	Oct 25, 2012	1.65-3.00	225,000
Hotel demolition, development and street improvement	Jun 10, 2016	2.00	1,420,000
Purchase sewer jet truck	Nov 9, 2017	1.75	405,000
Demolition of abandoned properties	Nov 9, 2017	2.05-2.20	255,000
Purchase rural fire tanker truck	May 25, 2018	2.95	85,000
Community based outpatient VA clinic and Demolition of abandoned properties	May 15, 2020	2.00%	860,000
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:			
Theater improvement and walk of fame	Nov 14, 2014	4.125%	\$ 1,130,000
Green Plains LLC Addition, theater improvement and bond refunding	May 15, 2020	3.56	\$ 985,000
Capital lease purchase agreements:			
Backhoe	Jun 15, 2017	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
365,000	-	180,000	185,000	10,863
170,000	-	55,000	115,000	3,740
75,000	-	25,000	50,000	2,250
450,000	-	330,000	120,000	9,000
405,000	-	-	405,000	7,088
130,000	-	130,000	-	2,860
73,000	-	12,000	61,000	2,154
-	860,000	-	860,000	-
\$ 1,668,000	860,000	732,000	1,796,000	37,955
1,274,000	-	143,000	1,131,000	22,295
10,425,000	-	560,000	9,865,000	182,438
253,276	-	87,000	166,276	4,432
710,000	-	33,000	677,000	12,425
\$ 12,662,276	-	823,000	11,839,276	221,590
545,000	-	545,000	-	21,781
-	985,000	-	985,000	-
545,000	985,000	545,000	985,000	21,781
56,253	-	18,100	38,153	2,001
82,310	-	15,332	66,978	2,928
7,850	-	7,850	-	361
\$ 146,413	-	41,282	105,131	5,290

City of Shenandoah

Note Maturities

June 30, 2020

Year Ending June 30,	General								
	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
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>\$ 185,000</u>		<u>\$ 115,000</u>		<u>\$ 50,000</u>		<u>\$ 120,000</u>	

Year Ending June 30,	Revenue					
	Sewer Capital Loan Notes			Sewer Capital Loan Notes		
	Issued July 10, 2007			Issued Sep 8, 2017		
	Interest Rates	Amount		Interest Rates	Amount	Total
2021	1.75%	\$ 148,000	1.75%	\$ 34,000	182,000	
2022	1.75	152,000	1.75	34,000	186,000	
2023	1.75	157,000	1.75	35,000	192,000	
2024	1.75	161,000	1.75	36,000	197,000	
2025	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>\$ 1,131,000</u>		<u>\$ 677,000</u>	<u>\$ 1,808,000</u>	

See accompanying independent auditor's report.

Obligation Notes

Essential Corporate Purpose Issued Nov 9, 2017		Essential Corporate Purpose Issued May 25, 2018		Essential Corporate Purpose Issued May 25, 2018		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
1.75%	\$ 135,000	2.95%	\$ 12,000	2.00%	\$ 165,000	637,000
1.75	135,000	2.95	12,000	2.00	170,000	462,000
1.75	135,000	2.95	12,000	2.00	170,000	317,000
-	-	2.95	12,000	2.00	175,000	187,000
-	-	2.95	13,000	2.00	180,000	193,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 405,000</u>		<u>\$ 61,000</u>		<u>\$ 860,000</u>		<u>1,796,000</u>

Notes

Water Capital Loan Notes Issued Nov 14, 2014		Water Capital Loan Notes Issued Nov 18, 2016		Urban Renewal Capital Loan Notes Issued May 15, 2020		Total	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
1.75%	\$ 570,000	1.75%	\$ 89,000		3.65%	\$ 105,000	105,000
1.75	582,000	1.75	77,276	659,000	3.65	115,000	115,000
1.75	594,000	1.75		659,276	3.65	115,000	115,000
1.75	605,000			594,000	3.65	120,000	120,000
1.75	618,000			605,000	3.65	125,000	125,000
1.75	630,000			618,000	3.65	130,000	130,000
1.75	642,000			630,000	3.65	135,000	135,000
	655,000			642,000	3.65	140,000	140,000
	668,000			655,000		-	-
	682,000			668,000		-	-
	695,000			682,000		-	-
	709,000			695,000		-	-
	724,000			709,000		-	-
	738,000			724,000		-	-
	753,000			738,000		-	-
				753,000		-	-
	-			-		-	-
	-			-		-	-
	-			-		-	-
<u>\$ 9,865,000</u>		<u>\$ 166,276</u>	<u>\$ 10,031,276</u>		<u>\$ 985,000</u>		<u>\$ 985,000</u>

City of Shenandoah

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

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 2,528,768	2,430,237	2,271,242	2,319,962
Local option sales tax	614,924	505,725	549,967	512,063
Tax increment financing	274,304	267,231	318,111	289,462
Other city tax	169,412	135,730	123,099	137,742
Licenses and permits	67,940	61,551	60,812	57,632
Use of money and property	97,007	99,358	106,315	106,114
Intergovernmental	1,475,526	924,517	923,535	1,007,770
Charges for service	691,913	750,909	760,633	924,170
Special assessments	-	-	-	-
Miscellaneous	640,997	564,158	892,745	690,364
Total	\$ 6,560,791	5,739,416	6,006,459	6,045,279
Disbursements:				
Operating:				
Public safety	\$ 1,397,272	1,640,558	1,342,306	1,328,272
Public works	1,274,834	1,528,982	1,412,792	1,300,149
Health and social services	2,157	1,289	738	667
Culture and recreation	911,387	1,047,563	1,287,205	1,330,579
Community and economic development	155,610	133,282	403,185	631,070
General government	487,509	328,969	450,764	360,168
Debt service	780,880	909,049	714,639	867,138
Capital projects	1,160,260	94,561	418,364	417,306
Total	\$ 6,169,909	5,684,253	6,029,993	6,235,349

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
2,424,067	2,488,161	2,421,302	2,267,452	2,184,991	2,088,460
429,223	414,139	481,110	558,689	474,783	533,180
192,579	200,960	282,353	271,000	263,995	266,193
140,561	147,736	177,508	189,363	158,376	172,798
54,555	59,741	6,595	7,364	100,420	20,774
96,968	87,424	55,406	61,324	107,926	129,384
1,367,315	728,536	892,826	1,276,224	1,518,009	1,525,245
887,261	788,888	927,355	804,247	790,502	719,461
-	-	-	-	68,413	71,663
411,508	590,526	421,246	648,067	559,258	629,841
6,004,037	5,506,111	5,665,701	6,083,730	6,226,673	6,156,999
1,303,790	1,363,870	1,288,484	1,265,822	1,434,911	1,193,934
1,234,086	1,170,151	1,204,316	1,256,709	1,259,864	1,343,202
733	783	861	1,146	1,396	4,844
978,769	987,092	1,070,145	1,160,098	947,213	1,083,166
225,804	1,192,497	380,641	382,075	694,860	380,355
340,058	336,795	280,622	317,453	341,893	305,423
1,180,749	1,011,315	998,863	1,036,792	1,391,691	871,451
553,363	303,125	420,724	1,413,500	2,532,991	1,888,876
5,817,352	6,365,628	5,644,656	6,833,595	8,604,819	7,071,251



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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, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 5, 2020. 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, 2020 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 5, 2020

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 and the Library Foundation'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.

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, the 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, 2020

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 will look into having just one staff member open the mail and then have a second staff member record the deposit slip. Then the deposit and the mail log will be taken over to City hall to have a staff member there double check it before it is taken to the bank for deposit. The Director will have nothing to do with the cash coming in except to make sure the appropriate notes of gratitude are sent, and the money is used in the manner desired by the giver. The Director will reconcile the bank statements on Quick Books to ensure everything matches.

Fire Department – The Fire chief will pick mail up at the post office and will open all mail. The Treasurer will prepare deposit. The Assistant Fire Chief will physically deliver the deposits prepared by the Treasurer to Bank Iowa for deposit. Monthly bills will continue to be approved in two fashions. One, approval by the Department at monthly meetings and a second authorization by the Fire Chief. The Treasurer will also prepare a monthly list of outstanding checks. Treasurer will now keep a receipt book for donations given to the Department. Receipts will be offered to contributors for donations over \$500.

City – Response acknowledged. The City should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

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. In addition, prenumbered receipts should be issued for all collections.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2020

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the general government and health and social services functions prior to the budget amendment. Disbursements at year end exceeded the amount budgeted in the public works 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 the 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 – No disbursements we believe may meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (5) Business Transactions – No Business transactions between the City and City officials or employees in were noted.
- (6) 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.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) 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.
- (9) Revenue Notes – No instances of non-compliance with the water revenue note requirements were noted.
- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) for the period ending June 30, 2019 was certified to the Iowa Department of Management on or before December 1.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2020

- (11) Financial Condition – The Special Revenue, Federal Emergency Management Assistance Fund had a deficit balance of \$4,129 at June 30, 2020.

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

Response – City ultimately had to pay the contractors before seeking reimbursement from FEMA. City is working closely with FEMA to collect the grant funds to return the fund to a sound financial position.

Conclusion – Response accepted.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2020

(12) Other Information Required by the Revenue Note Resolution

Insurance – The following insurance policies were in force at June 30, 2020:

Insurer	Description	Amount	Expiration Date
Employers Mutual Casualty	Property Blanket Buildings	\$ 49,176,974	June 30, 2020
Employers Mutual Casualty	Comprehensive Gen. Liability Per occurrence	2,000,000	June 30, 2020
	Aggregate	4,000,000	
Employers Mutual Casualty	Inland Marine	658,500	June 30, 2020
Employers Mutual Casualty	Automobile coverage Liability	2,000,000	June 30, 2020
	Uninsured and underinsured	2,000,000	
Employers Mutual Casualty	Workers' Compensation	500,000	June 30, 2020
Employers Mutual Casualty	Commercial Umbrella Retained	10,000	June 30, 2020
	Each occurrence	4,000,000	
	Aggregate	4,000,000	
Employers Mutual Casualty	Linebacker Each Loss	2,000,000	June 30, 2020
	Aggregate	2,000,000	
Employers Mutual Casualty	Law Enforcement Each occurrence	2,000,000	June 30, 2020
	Aggregate	2,000,000	
Employers Mutual Casualty	Employee dishonesty: Blanket bond	100,000	June 30, 2020
	Alteration	100,000	
Employers Mutual Casualty	Commercial crime: Inside premises	5,000	June 30, 2020
	Outside premises	5,000	
Wilson Insurance Agency	Airport liability: Per occurrence	1,000,000	January 29, 2020
	Aggregate	1,000,000	
Grinnell Mutual Reinsurance Company	Golf Course Each Occurrence	1,000,000	April 1, 2021
	Aggregate	2,000,000	
Grinnell Mutual Reinsurance Company	Liquor Liability Each Occurrence	1,000,000	April 1, 2021
	Aggregate	1,000,000	

City of Shenandoah

Staff

This audit was performed by:

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