



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
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NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

December 7, 2023

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$11,869,174 for the year ended June 30, 2023, an 8.4% decrease from the prior year. Disbursements for the year ended June 30, 2023 totaled \$11,642,816, a 4.1% increase over the prior year. The significant decrease in receipts is due to a prior year bond issuance. The increase in disbursements is due primarily to increases in business type activities for golf course repairs, water capital outlays and public works street repairs during the year.

AUDIT FINDINGS:

Sand reported four findings related to the receipt and disbursement of taxpayer funds. They are found on pages 54 through 57 of this report. The findings address a lack of segregation of duties, disbursements exceeding budgeted amounts before amendment, deficit fund balance and comingling of City funds with the Shenandoah Library Foundation. Sand provided the City with recommendations to address each of the findings.

Three of the four findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

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CITY OF SHENANDOAH

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

JUNE 30, 2023

City of Shenandoah



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STATE OF IOWA

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Rob Sand
Auditor of State

October 13, 2023

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, 2023. 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, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12-13
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	15
Notes to Financial Statements		16-36
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds		38-39
Notes to Other Information – Budgetary Reporting		41
Schedule of the City’s Proportionate Share of the Net Pension Liability		42-43
Schedule of City Contributions		44-45
Notes to Other Information – Pension Liability		46
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	48-49
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	2	50-51
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 <u>Government Auditing Standards</u>		52-53
Schedule of Findings		54-57
Staff		58

City of Shenandoah

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger McQueen	Mayor	Jan 2026
J. Eric Brantner	Council Member	Jan 2024
Richard Jones	Council Member	Nov 2023
Rita Gibson	Council Member	Jan 2026
Toni Graham	Council Member	Jan 2026
Kim Swank	Council Member	Jan 2026
AJ Lyman	Administrator	Jan 2024
Karla Gray	City Clerk/Treasurer	Jan 2024
Mahlon Sorensen	Attorney	Jan 2025

City of Shenandoah



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 the City of Shenandoah as of June 30, 2023, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Shenandoah, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Shenandoah's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Shenandoah's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Shenandoah's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 year 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 Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the eight years ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the supplementary information in Schedules 1 and 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

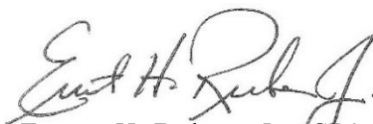
Other Information

Management is responsible for the other information included in this report. The other information comprises 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 38 through 46 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2023 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

October 13, 2023

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, 2023

	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	\$ 1,562,093	172,303	34,151	50,359
Public works	1,621,845	657,576	677,735	-
Health and social services	-	-	-	-
Culture and recreation	1,152,841	186,856	129,326	7,049
Community and economic development	159,481	36,564	2,262	-
General government	630,213	18,795	182,357	21,091
Debt service	507,443	-	-	-
Capital projects	1,752,837	-	-	800,713
Total governmental activities	7,386,753	1,072,094	1,025,831	879,212
Business type activities:				
Water	2,387,290	2,803,167	18,825	-
Sewer	1,304,742	1,091,398	18,829	-
Golf Course	564,031	496,091	-	-
Total business type activities	4,256,063	4,390,656	37,654	-
Total primary government	\$ 11,642,816	5,462,750	1,063,485	879,212
Component Unit:				
Library Foundation	156,768	-	-	170,666
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
American Rescue Plan Act				
Hotel/motel tax				
Cable franchise fee				
Commercial/industrial tax replacement				
Miscellaneous				
Note proceeds net of discount of \$10,500 and issuance costs of \$1,800				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year, as restated				
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				
Parks				
Capital projects				
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
(1,305,280)	-	(1,305,280)	
(286,534)	-	(286,534)	
-	-	-	
(829,610)	-	(829,610)	
(120,655)	-	(120,655)	
(407,970)	-	(407,970)	
(507,443)	-	(507,443)	
(952,124)	-	(952,124)	
(4,409,616)	-	(4,409,616)	
-	434,702	434,702	
-	(194,515)	(194,515)	
-	(67,940)	(67,940)	
-	172,247	172,247	
(4,409,616)	172,247	(4,237,369)	
			13,898
2,339,694	-	2,339,694	-
177,327	-	177,327	-
125,189	-	125,189	-
703,509	-	703,509	-
360,350	-	360,350	-
70,615	-	70,615	-
43,879	-	43,879	-
64,017	-	64,017	-
45,558	-	45,558	-
512,700	-	512,700	-
20,889	-	20,889	-
142,712	(142,712)	-	-
4,606,439	(142,712)	4,463,727	-
196,823	29,535	226,358	13,898
7,402,336	3,767,525	11,169,861	629,051
\$ 7,599,159	3,797,060	11,396,219	642,949
\$ 1,137,163	-	1,137,163	-
193,304	-	193,304	-
20,000	-	20,000	-
112,206	-	112,206	-
1,085,540	-	1,085,540	-
617,733	-	617,733	-
343,628	-	343,628	642,949
104,285	82,445	186,730	-
62,308	-	62,308	-
1,423,235	-	1,423,235	-
1,123,771	-	1,123,771	-
1,375,986	3,714,615	5,090,601	-
\$ 7,599,159	3,797,060	11,396,219	642,949

City of Shenandoah

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

As of and for the year ended June 30, 2023

	Special Revenue				
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment Financing
Receipts:					
Property tax	\$ 1,460,855	-	825,194	-	-
Tax increment financing	-	-	-	-	125,189
Local option sales tax	-	-	-	703,509	-
Other city tax	104,933	-	19,327	-	-
Licenses and permits	57,527	-	-	-	-
Use of money and property	45,568	-	-	-	-
Intergovernmental	100,359	677,735	21,496	-	-
Charges for service	728,020	-	-	-	-
Miscellaneous	392,558	-	28,706	-	-
Total receipts	2,889,820	677,735	894,723	703,509	125,189
Disbursements:					
Operating:					
Public safety	1,140,830	-	367,102	-	-
Public works	700,263	759,500	162,082	-	-
Culture and recreation	949,111	-	176,184	-	-
Community and economic development	60,342	-	-	99,139	-
General government	597,760	-	32,453	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	3,448,306	759,500	737,821	99,139	-
Excess (deficiency) of receipts over (under) disbursements	(558,486)	(81,765)	156,902	604,370	125,189
Other financing sources (uses):					
Note proceeds net of discount of \$10,500 and issuance costs of \$1,800	-	-	-	-	-
Sale of capital assets	142	-	-	-	-
Transfers in	637,678	-	-	-	-
Transfers out	(69,723)	-	-	(605,000)	(142,923)
Total other financing sources (uses)	568,097	-	-	(605,000)	(142,923)
Change in cash balances	9,611	(81,765)	156,902	(630)	(17,734)
Cash balances beginning of year	1,528,649	1,167,305	460,831	809,642	122,019
Cash balances end of year	\$ 1,538,260	1,085,540	617,733	809,012	104,285
Cash Basis Fund Balances					
Nonspendable:					
Permanent funds	-	-	-	-	-
Restricted for:					
Fire	82,448	-	-	-	-
Streets	-	1,085,540	-	-	-
Employee benefits	-	-	617,733	-	-
Library	-	-	-	-	-
Debt service	-	-	-	-	104,285
Parks	-	-	-	-	-
Capital projects	-	-	-	-	-
Other purposes	72,724	-	-	809,012	-
Unassigned	1,383,088	-	-	-	-
Total cash basis fund balances	\$ 1,538,260	1,085,540	617,733	809,012	104,285

See notes to financial statements.

Debt Service	Capital Projects	Permanent		Nonmajor	Total
		Snook Trust	Cemetery Perpetual Care		
173,387	-	-	-	-	2,459,436
-	-	-	-	-	125,189
-	-	-	-	-	703,509
3,940	-	-	-	-	128,200
-	-	-	-	-	57,527
-	21,500	2,163	133	7,110	76,474
4,497	965,422	-	-	-	1,769,509
-	-	-	3,291	-	731,311
-	195,641	-	-	239,215	856,120
181,824	1,182,563	2,163	3,424	246,325	6,907,275
-	-	-	-	54,161	1,562,093
-	-	-	-	-	1,621,845
-	-	-	-	27,546	1,152,841
-	-	-	-	-	159,481
-	-	-	-	-	630,213
507,443	-	-	-	-	507,443
-	1,752,837	-	-	-	1,752,837
507,443	1,752,837	-	-	81,707	7,386,753
(325,619)	(570,274)	2,163	3,424	164,618	(479,478)
-	512,700	-	-	-	512,700
-	20,747	-	-	-	20,889
293,508	130,000	-	-	-	1,061,186
-	-	-	-	(100,828)	(918,474)
293,508	663,447	-	-	(100,828)	676,301
(32,111)	93,173	2,163	3,424	63,790	196,823
25,009	1,330,062	1,149,555	189,880	619,384	7,402,336
(7,102)	1,423,235	1,151,718	193,304	683,174	7,599,159
-	-	1,137,163	193,304	20,000	1,350,467
-	-	-	-	29,758	112,206
-	-	-	-	-	1,085,540
-	-	-	-	-	617,733
-	-	-	-	343,628	343,628
-	-	-	-	-	104,285
-	-	-	-	62,308	62,308
-	1,423,235	-	-	-	1,423,235
-	-	14,555	-	227,480	1,123,771
(7,102)	-	-	-	-	1,375,986
(7,102)	1,423,235	1,151,718	193,304	683,174	7,599,159

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, 2023

	Enterprise			
	Water	Sewer	Golf	Total
Operating receipts:				
Charges for service	\$ 2,753,552	1,090,548	330,881	4,174,981
Miscellaneous	49,615	850	165,210	215,675
Total operating receipts	2,803,167	1,091,398	496,091	4,390,656
Operating disbursements:				
Business type activities	1,542,785	529,576	564,031	2,636,392
Excess (deficiency) of operating receipts over (under) operating disbursements	1,260,382	561,822	(67,940)	1,754,264
Non-operating receipts (disbursements):				
Interest on investments	18,825	18,829	-	37,654
Debt service	(770,306)	(220,800)	-	(991,106)
Capital outlay	(74,199)	(554,366)	-	(628,565)
Net non-operating receipts (disbursements)	(825,680)	(756,337)	-	(1,582,017)
Excess (deficiency) of receipts over (under) disbursements	434,702	(194,515)	(67,940)	172,247
Other financing sources (uses):				
Transfers in	-	-	57,000	57,000
Transfers out	(30,925)	(168,787)	-	(199,712)
Total other financing sources (uses)	(30,925)	(168,787)	57,000	(142,712)
Change in cash balances	403,777	(363,302)	(10,940)	29,535
Cash balances beginning of year	2,753,878	840,837	172,810	3,767,525
Cash balances end of year	\$ 3,157,655	477,535	161,870	3,797,060
Cash Basis Fund Balances				
Restricted for debt service	63,948	18,497	-	82,445
Unrestricted	3,093,707	459,038	161,870	3,714,615
Total cash basis fund balances	\$ 3,157,655	477,535	161,870	3,797,060

See notes to financial statements.

City of Shenandoah

Notes to Financial Statements

June 30, 2023

(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 and operates a golf course.

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 nonprofit 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 with the exception of those financed through Enterprise Funds.

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.

The Enterprise, Golf Course Fund accounts for the operation and maintenance of the City's Golf Course.

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 the governmental 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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the City Council in March 2022.

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, 2023, disbursements exceeded the amount budgeted in the public works and debt service functions prior to the budget amendment and debt service function at year end.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2023 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 \$164,524. 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, 2023, the Shenandoah Library Foundation (Foundation), a discretely presented component unit, had the following investments:

Type	Carrying Amount	Fair Value
Stocks	\$ 49,529	34,767
Mutual fund	55,298	95,912
	<u>\$ 104,827</u>	<u>130,679</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) Farm Lease Rent

The City owns crop and hay ground which the City leases to two tenants. Effective April 1, 2022, the City entered into two three-year and one five-year leases. The City is to receive semi-annual payments of \$12,849, \$6,168 and \$1,260 respectively with an implicit rate of 2.0%.

Year Ending June 30	Principal	Interest	Amount
2024	\$ 38,975	1,580	40,555
2025	25,649	797	26,446
2026	11,914	422	12,336
2027	12,153	183	12,336
Total	<u>\$ 88,691</u>	<u>2,982</u>	<u>91,673</u>

(4) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2023 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation notes	\$ 1,647,000	525,000	317,000	1,855,000	292,000
Urban renewal notes	765,000	-	115,000	650,000	140,000
General obligation notes - direct borrowing	1,000,000	-	-	1,000,000	1,000,000
Lease agreements	1,126	-	1,126	-	-
Equipment purchase agreements - direct borrowing	88,940	-	29,945	58,995	30,976
Governmental activities total	\$ 3,502,066	525,000	463,071	3,563,995	1,462,976
Business type activities					
Notes from direct borrowing:					
Water revenue	\$ 8,713,000	-	594,000	8,119,000	605,000
Sewer revenue	1,440,000	-	192,000	1,248,000	197,000
Lease agreements	39,023	-	14,128	24,895	14,703
Equipment purchase agreements - direct borrowing	68,470	39,452	16,762	91,160	24,150
Business-type activities total	\$ 10,260,493	39,452	816,890	9,483,055	840,853

General Obligation Notes

A summary of the City's June 30, 2023 general obligation notes payable are as follows:

Year	Fire Equipment			Urban Renewal Project		
	Issued May 25, 2018			Issued May 15, 2020		
Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	2.95%	\$ 12,000	738	2.00%	\$ 175,000	7,100
2025	2.95	13,000	384	2.00	180,000	3,600
2026		-	-		-	-
2027		-	-		-	-
2028		-	-		-	-
2029-2033		-	-		-	-
Total		\$ 25,000	1,122		\$ 355,000	10,700

Year Ending June 30,	Street Repair			Urban Renewal Projects		
	Issued May 6, 2022			Issued Mar 29, 2023		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	3.00%	\$ 105,000	28,500	5.50%	\$ 20,000	33,848
2025	3.00	110,000	25,350	5.50	25,000	27,775
2026	3.00	115,000	22,050	5.50	25,000	26,400
2027	3.00	115,000	18,600	5.50	30,000	25,025
2028	3.00	120,000	15,150	5.50	30,000	23,375
2029-2033	3.00	385,000	23,250	5.50	175,000	90,475
2034-2038		-	-	5.50	220,000	37,675
Total		<u>\$ 950,000</u>	<u>132,900</u>		<u>\$ 525,000</u>	<u>264,573</u>

Year Ending June 30,	Totals		
	Principal	Interest	Total
2024	\$ 312,000	70,186	382,186
2025	328,000	57,109	385,109
2026	140,000	48,450	188,450
2027	145,000	43,625	188,625
2028	150,000	38,525	188,525
2029-2033	560,000	113,725	673,725
2034-2038	220,000	37,675	257,675
	<u>\$ 1,855,000</u>	<u>409,295</u>	<u>2,264,295</u>

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, 2023, the City paid principal and interest of \$135,000 and \$2,363, respectively, on the notes. There is no remaining balance on the notes at June 30, 2023.

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, 2023, the City paid principal and interest of \$12,000 and \$1,092 respectively, on the notes. The outstanding principal balance on the notes at June 30, 2023 is \$25,000.

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, 2023, the City paid principal and interest of \$170,000 and \$10,500, respectively, on the notes. The outstanding principal balance on the notes at June 30, 2023 is \$355,000.

On June 7, 2022, the City issued \$950,000 of general obligation notes with an interest rate of 3.00% per annum. The notes were issued to pay the cost of street improvements and are payable through June 30, 2031. During the year ended June 30, 2023, the City paid \$15,473 interest on the notes. The outstanding principal balance on the note at June 30, 2023 is \$950,000.

On March 29, 2023, the City issued \$525,000 of general obligation notes with an interest rate of 5.5% annum. The notes were issued to pay the cost of aiding in the planning, undertaking and carrying out of an urban renewal project including a payment to a developer. During the year ended June 30, 2023, the City paid neither interest nor interest on the notes.

General Obligation Notes – Direct Borrowing

On May 6, 2022, the City issued \$1,000,000 of general obligation notes from First Heritage Bank with an interest rate of 1.95%. The note was issued to pay the costs of a fire truck and is payable through June 2023. During the year ended June 30, 2023, the City paid \$16,006 interest on the notes. The outstanding principal balance on the note at June 30, 2023 is \$1,000,000.

Urban Renewal Tax Increment Financing Revenue Notes

The City’s June 30, 2023 urban renewal tax increment financing revenue notes payable is as follows:

Year Ending June 30,	Urban Renewal Projects Issued May 15, 2020			
	Interest Rates	Principal	Interest	Total
2024	3.65%	\$ 120,000	23,725	143,725
2025	3.65	125,000	19,345	144,345
2026	3.65	130,000	14,783	144,783
2027	3.65	135,000	10,038	145,038
2028	3.65	140,000	5,110	145,110
Total		\$ 650,000	73,001	723,001

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 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. During the year ended June 30, 2023, the City paid principal of \$115,000 and interest of \$28,310 on the 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. Total principal and interest remaining on the notes is \$723,001, payable through 2028. For the current year, principal and interest paid and total TIF receipts were \$143,310 and \$125,189, respectively. The outstanding principal balance on the notes at June 30, 2023 is \$650,000.

Sewer Revenue Loan Notes – Direct Borrowing

The City’s June 30, 2023 sewer revenue loan notes payable is as follows:

Year Ending June 30,	Sewer Issued Jul 10, 2007			Sewer Issued Sep 8, 2017		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2024	1.75%	\$ 161,000	11,795	1.75%	\$ 36,000	10,045
2025	1.75	166,000	8,978	1.75	37,000	9,415
2026	1.75	171,000	6,073	1.75	37,000	8,768
2027	1.75	176,000	3,080	1.75	38,000	8,120
2028		-	-	1.75	39,000	7,455
2029-2033		-	-	1.75	206,000	26,793
2034-2038		-	-	1.75	181,000	7,980
Total		<u>\$ 674,000</u>	<u>29,926</u>		<u>\$ 574,000</u>	<u>78,576</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2024	\$ 197,000	21,840	218,840
2025	203,000	18,393	221,393
2026	208,000	14,841	222,841
2027	214,000	11,200	225,200
2028	39,000	7,455	46,455
2029-2033	206,000	26,793	232,793
2034-2038	181,000	7,980	188,980
Total	<u>\$ 1,248,000</u>	<u>108,502</u>	<u>1,356,502</u>

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. During the year ended June 30, 2023, the City paid principal of \$157,00 and interest of \$14,542 on the notes.

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, 2023, 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 equipment. During the year ended June 30, 2023, the City paid principal of \$35,000 and interest of \$10,658 on the notes.

On October 1, 2021, the City entered into a sewer revenue capital loan anticipation project note for up to \$1,595,000 with the Iowa Finance Authority. The note is interest free and is for the purpose of sewer planning and design. The note is due October 1, 2024. At June 30, 2023, the City had not drawn funds on this note.

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 \$1,356,502. For the current year, principal and interest paid and total customer net receipts were \$217,200 and \$561,822, respectively.

The resolutions providing for the issuance of the sewer revenue capital 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 – Direct Borrowing

The City’s June 30, 2023 water revenue loan notes payable is as follows:

Year Ending June 30,	Water			
	Interest Rates	Issued Sep 20, 2013		
		Principal	Interest	Total
2024	1.75%	\$ 605,000	142,083	747,083
2025	1.75	618,000	131,495	749,495
2026	1.75	630,000	120,680	750,680
2027	1.75	642,000	109,655	751,655
2028	1.75	655,000	98,420	753,420
2029-2033	1.75	3,478,000	315,490	3,793,490
2034-2035	1.75	1,491,000	39,270	1,530,270
Total		\$ 8,119,000	957,093	9,076,093

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. During the year ended June 30, 2023, the City paid principal of \$594,000 and interest of \$152,478 on the notes.

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, 2023, the City had drawn down a total of \$505,276 on the 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. During the year ended June 30, 2023, no principal or interest was paid and the balance on the loan of \$276, will be paid during the year ended June 30, 2024.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$16,057,000 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 59% of net receipts. The total principal and interest remaining to be paid on the notes is \$9,076,093. For the current year, principal and interest paid and total customer net receipts were \$748,518 and \$1,260,382, 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.

Lease Agreement

On April 1, 2021, the City entered into a noncancelable lease agreement for 20 golf carts. An initial lease liability was recorded in the amount of \$48,000. The agreement requires 6 monthly payments per year of \$2,000 over four years, with an implicit interest rate of 2.0% and a final payment on October 1, 2024. The six monthly payments are made May 1 through October 1.

On April 1, 2022, the City entered into a noncancelable lease agreement for six additional golf carts. An initial lease liability was recorded in the amount of \$10,800. The agreement requires 6 monthly payments per year of \$600 over three years, with an implicit interest rate of 2.0% and a final payment on October 1, 2024. The six monthly payments are made May 1 through October 1.

During the year ended June 30, 2023, the City paid principal of \$14,128, and interest of \$1,472. Future principal and interest payments are as follows:

Year Ending June 30	Golf Carts		
	Principal	Interest	Total
2024	\$ 14,703	897	15,600
2025	10,192	208	10,400
Total	\$ 24,895	1,105	26,000

On March 28, 2018, the city entered into a noncancelable lease agreement for a copy machine. An initial lease liability was recorded in the amount of \$7,569. The agreement requires monthly payments of \$126 over 5 years, with an implicit interest rate of 2.0% and a final payment on March 28, 2023. During the year ended June 30, 2023, the City paid principal of \$1,126 and interest of \$9. There was no remaining outstanding balance as of June 30, 2023.

Equipment Purchase Agreement – Direct Borrowing

On May 3, 2017, the City entered into an equipment purchase agreement to acquire a loader for the street department. An initial liability was recorded in the amount of \$66,978. The agreement requires annual payments of \$18,260 over seven years, with an interest rate of 3.56% and a final payment on May 3, 2024. During the year ended June 30, 2023, the City paid principal of \$17,027 and interest of \$1,233. Future principal and interest payments are as follows:

Year Ending June 30,	Loader		
	Principal	Interest	Total
2024	\$ 17,632	628	18,260

On June 1, 2021, the City entered into an equipment purchase agreement to acquire an excavator. An initial liability was recorded in the amount of \$68,602. The agreement requires annual payments of \$14,704 over five years, with an interest rate of 2.35% and a final payment on August 1, 2025. During the year ended June 30, 2023, the City paid principal of \$12,918 and interest of \$1,786. Future principal and interest payments are as follows:

Year Ending June 30,	Excavator		
	Principal	Interest	Total
2024	\$ 13,344	1,360	14,704
2025	13,783	921	14,704
2026	14,236	468	14,704
Total	\$ 41,363	2,749	44,112

On February 10, 2021, the City entered into an equipment purchase agreement to acquire mowing equipment for the golf course. An initial liability was recorded in the amount of \$85,000. The agreement requires annual payments of \$17,723 over five years, with an interest rate of 1.40% and a final payment on July 20, 2025. During the year ended June 30, 2023, the City paid principal of \$16,762 and interest of \$961. Future principal and interest payments are as follows:

Year Ending June 30,	Golf Course Equipment		
	Principal	Interest	Total
2024	\$ 16,997	726	17,723
2025	17,236	487	17,723
2026	17,475	248	17,723
Total	\$ 51,708	1,461	53,169

On April 18, 2023, the City entered into an equipment purchase agreement to acquire a top dresser for the golf course. An initial liability was recorded in the amount of \$14,000. The agreement requires annual payments of \$3,711 over five years, with an interest rate of 4.67% and a final payment on November 20, 2027. During the year ended June 30, 2023, the City paid neither principal nor interest on the lease. Future principal and interest payments are as follows:

Year Ending June 30,	Golf Course Top Dresser		
	Principal	Interest	Total
2024	\$ 2,595	1,116	3,711
2025	2,537	1,174	3,711
2026	2,731	980	3,711
2027	2,939	772	3,711
2028	3,198	513	3,711
Total	\$ 14,000	4,555	18,555

On April 18, 2023, the City entered into an equipment purchase agreement to acquire a Yanmar Tractor for the golf course. An initial liability was recorded in the amount of \$25,452. The agreement requires annual payments of \$6,945 over five years, with an interest rate of 4.89% and a final payment on November 20, 2027. During the year ended June 30, 2023, the City paid neither principal nor interest on the lease. Future principal and interest payments are as follows:

Year Ending June 30,	Golf Course Yanmar Tractor		
	Principal	Interest	Total
2024	\$ 4,558	2,387	6,945
2025	4,655	2,290	6,945
2026	5,004	1,941	6,945
2027	5,378	1,567	6,945
2028	5,857	1,088	6,945
Total	\$ 25,452	9,273	34,725

(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 2023, 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 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2023 were \$219,844.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a liability of \$561,880 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 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, 2022, the City's proportion was 0.014872%, which was a decrease of 0.096043% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City's pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(18,324), \$1,022,983 and \$1,089,785, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total plan net pension liability in the June 30, 2022 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 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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 geometric 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%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	100.0%	

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 of 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 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 (asset) would be if it were calculated using a discount rate that is 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 (asset)	\$ 1,381,062	561,880	(159,062)

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, 2023, the City contributed \$545,477 and plan members eligible for benefits contributed \$63,698 to the plan. At June 30, 2023, 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 service. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>41</u>
Total	<u>41</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, 2023, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 111,000
Compensatory time	<u>22,200</u>
Total	<u>\$ 133,200</u>

This liability has been computed based on rates of pay in effect at June 30, 2023.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 475,000
	Wilson Trust - Library	30,000
	Wilson Trust - City	70,828
	Enterprise:	
	Water	30,925
	Sewer	<u>30,925</u>
		<u>637,678</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>130,000</u>
Debt Service	General	
	Rural Fire	12,722
	Special Revenue:	
	Urban Renewal Tax	
	Increment Financing	142,923
	Enterprise:	
	Sewer	<u>137,863</u>
		<u>293,508</u>
Enterprise Golf Course	General	<u>57,000</u>
Total		<u>\$ 1,118,186</u>

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

(9) Industrial Development Revenue Bonds

The City has issued a total of \$7,000,000 of industrial development revenue bonds series 2021 under the provisions of Chapter 419 of the Code of Iowa to finance the construction, renovation and expansion of the Shenandoah Medical Center, of which \$6,812,318 is outstanding at June 30, 2023. The bonds and related interest are payable solely from the net revenues of the Medical Center and the bond principal and interest do not constitute liabilities of the City.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Development Agreements

On March 1, 2023, The City entered into a development agreement with Community 1st Credit Union (developer). The City agreed to pay the developer a maximum of \$225,000 for minimum improvements to the Credit Union in the City of Shenandoah Development Urban Renewal Area. The developer agreed the construction is to be completed no later than May 31, 2023. Starting October 15, 2024, and every October 15 thereafter during the term, the developer shall submit documentation to the satisfaction of the City to demonstrate completed project objectives have been met according to the agreement. Payments begin June 1, 2026, equal to 50% of incremental property for up to ten years or \$225,000, provided the developer is in compliance with the terms of the agreement.

On March 1, 2023, the City entered into a development agreement with Shenandoah Senior Villas (developer). The City agreed to pay the developer a maximum of \$300,000 for minimum improvements and remediation of blighted conditions of development property including housing units in the City of Shenandoah Development Urban Renewal Area. The developer agrees the construction is to be completed no later than December 31, 2024. Starting October 15, 2024, and every October 15 thereafter during the term, the developer shall submit documentation to the satisfaction of the City to demonstrate completed project objectives have been met according to the agreement. Payments begin June 1, 2027, equal to 100% of incremental property for up to 20 years, or \$300,000 provided the developer is in compliance with the terms of the agreement.

On March 1, 2023, The City entered into a development agreement with Green Plains Shenandoah LLC (developer). The City agreed to pay the developer a maximum of \$9,000,000 for minimum improvements of property in the City of Shenandoah Development Urban Renewal Area. The developer agrees the construction is to be completed no later than December 31, 2023. Starting October 15, 2024, and every October 15 thereafter during the term, the developer shall submit documentation to the satisfaction of the City to demonstrate completed project objectives have been met according to the agreement. Payments begin December 1, 2025, equal to 100% of incremental property for up to sixteen years, or \$9,000,000 provided the developer is in compliance with the terms of the agreement.

On March 1, 2023, the City entered into a development agreement with Maloja LLC (developer). The City agreed to pay the developer a maximum of \$250,000 for minimum improvements of property in the City of Shenandoah Development Urban Renewal Area. The developer agrees the construction is to be completed no later than September 1, 2024. At project benchmark completion dates, the developer shall submit documentation to the satisfaction of the City to demonstrate completed project objectives have been met according to the agreement. The agreement requires the following payments providing the developer is in compliance with the terms of the agreement: \$125,000 at beginning of project paid for with note proceeds from the general obligation notes issued March 29, 2023, \$62,500 at 50% project completion and \$62,500 at 100% project completion. Incremental property tax receipts will repay the general obligation urban renewal notes.

(12) Economic Development Revolving Loan Account

The City of Shenandoah operates a revolving loan fund to assist business owners in financing facade 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. During the year ended June 30, 2023 the City disbursed \$25,000 in loans, received \$33,493 of principal and \$2,246 of interest. The outstanding loan principal balance within the General Fund was \$102,339 at June 30, 2023.

(13) 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 in fiscal year 2020. At June 30, 2022, parties to the litigation reached a settlement in the amount of \$250,000. Settlement proceeds were received, and all recommended repairs were completed as of June 30, 2023.

(14) 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 the Medical Center.

During the year ended June 30, 2023, the City paid \$84,500 to the Ambulance Service pursuant to the agreement.

(15) Restatement

Beginning cash balance for the Library Foundation discretely presented component unit was restated to properly report the beginning cash balances, as follows:

	<u>Library Foundation</u>
Balances June 30, 2022, as previously reported	\$ 742,068
Correction to report fund balance, previously overstated substantiated by Foundation records	<u>(113,017)</u>
Balance July 1, 2022, as restated	<u>\$ 629,051</u>

(16) Subsequent Event

In October 25, 2023, the City issued \$2,845,000 in general obligation capital loan notes series 2023B in order to pay for essential corporate purpose projects, the proceeds of which will be used to pay the costs of the construction and repairing of street improvements, and the removal and replacement of dead or diseased trees thereon; equipping the fire department, including acquisition of a fire truck; the acquisition, restoration, or demolition of abandoned, dilapidated, or dangerous buildings, structures or properties or the abatement of a nuisance; and the acquisition, construction, reconstruction, and improvement of the municipal sewer utility, including the acquisition of land for the wastewater treatment plant.

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, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 2,459,436	-	2,459,436
Tax increment financing	125,189	-	125,189
Other city tax	831,709	-	831,709
Licenses and permits	57,527	-	57,527
Use of money and property	76,474	37,654	114,128
Intergovernmental	1,769,509	-	1,769,509
Charges for service	731,311	4,174,981	4,906,292
Miscellaneous	856,120	215,675	1,071,795
Total receipts	<u>6,907,275</u>	<u>4,428,310</u>	<u>11,335,585</u>
Disbursements:			
Public safety	1,562,093	-	1,562,093
Public works	1,621,845	-	1,621,845
Health and social services	-	-	-
Culture and recreation	1,152,841	-	1,152,841
Community and economic development	159,481	-	159,481
General government	630,213	-	630,213
Debt service	507,443	-	507,443
Capital projects	1,752,837	-	1,752,837
Business type activities	-	4,256,063	4,256,063
Total disbursements	<u>7,386,753</u>	<u>4,256,063</u>	<u>11,642,816</u>
Excess (deficiency) of receipts over (under) disbursements	(479,478)	172,247	(307,231)
Other financing sources, net	<u>676,301</u>	<u>(142,712)</u>	<u>533,589</u>
Change in balances	196,823	29,535	226,358
Balances beginning of year	<u>7,402,336</u>	<u>3,767,525</u>	<u>11,169,861</u>
Balances end of year	<u>\$ 7,599,159</u>	<u>3,797,060</u>	<u>11,396,219</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
2,511,246	2,511,246	(51,810)
142,923	142,923	(17,734)
887,200	887,200	(55,491)
56,075	56,075	1,452
108,835	113,335	793
20,016,228	20,024,078	(18,254,569)
5,592,904	5,592,904	(686,612)
808,571	808,571	263,224
<u>30,123,982</u>	<u>30,136,332</u>	<u>(18,800,747)</u>
1,795,830	1,795,830	233,737
1,581,721	1,649,800	27,955
2,500	2,500	2,500
1,381,585	1,381,585	228,744
219,000	219,000	59,519
426,920	682,920	52,707
475,378	475,378	(32,065)
3,639,190	3,639,190	1,886,353
<u>22,982,563</u>	<u>23,564,783</u>	<u>19,308,720</u>
<u>32,504,687</u>	<u>33,410,986</u>	<u>21,768,170</u>
(2,380,705)	(3,274,654)	2,967,423
<u>2,658,500</u>	<u>2,658,500</u>	<u>(2,124,911)</u>
277,795	(616,154)	842,512
<u>9,174,462</u>	<u>9,174,462</u>	<u>1,995,399</u>
<u>9,452,257</u>	<u>8,558,308</u>	<u>2,837,911</u>

City of Shenandoah

City of Shenandoah

Notes to Other Information – Budgetary Reporting

June 30, 2023

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 \$906,299. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements exceeded the amount budgeted in the public works and debt service functions prior to the budget amendment and debt service function at year end.

City of Shenandoah

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

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

Other Information

	2023	2022	2021	2020
City's proportion of the net pension liability (asset)	0.014872%	0.110915% **	0.019609%	0.019125%
City's proportionate share of the net pension liability (asset)	\$ 562	(383)	1,377	1,107
City's covered payroll	\$ 1,998	1,986	1,979	1,971
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	28.13%	-19.28%	69.58%	56.16%
IPERS' net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%

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

** Overall net plan asset.

See accompanying independent auditor's report.

2019	2018	2017	2016	2015
0.018492%	0.018019%	0.019643%	0.019023%	0.019024%
1,170	1,200	1,236	940	754
1,744	1,747	1,815	1,778	1,785
67.09%	68.69%	68.99%	52.87%	42.24%
83.62%	82.21%	81.82%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 220	189	190	190
Contributions in relation to the statutorily required contribution	<u>(220)</u>	<u>(189)</u>	<u>(190)</u>	<u>(190)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 2,342	1,998	1,986	1,979
Contributions as a percentage of covered payroll	9.39%	9.46%	9.57%	9.60%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
190	166	160	164	165	164
(190)	(166)	(160)	(164)	(165)	(164)
-	-	-	-	-	-
1,971	1,744	1,747	1,815	1,778	1,785
9.64%	9.52%	9.16%	9.04%	9.28%	9.19%

City of Shenandoah

Notes to Other Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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

of and for the year ended June 30, 2023

	Special				
	Rapp Trust Library	Gidley Park Trust	Reed Estate Trust	Wilson Trust - Library	Wilson Trust - City
Receipts:					
Use of money and property	\$ -	4,702	-	2,347	-
Miscellaneous	-	-	-	57,929	131,306
Total receipts	-	4,702	-	60,276	131,306
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Culture and recreation	5,084	2,255	9,468	10,739	-
Total disbursements	5,084	2,255	9,468	10,739	-
Excess (deficiency) of receipts over (under) disbursements	(5,084)	2,447	(9,468)	49,537	131,306
Other financing uses:					
Transfers out	-	-	-	(30,000)	(70,828)
Change in cash balances	(5,084)	2,447	(9,468)	19,537	60,478
Cash balances beginning of year	5,084	59,861	9,468	246,931	162,794
Cash balances (deficits) end of year	\$ -	62,308	-	266,468	223,272
Cash Basis Fund Balances (deficits)					
Nonspendable - Esden Trust	\$ -	-	-	-	-
Restricted for:					
Fire	-	-	-	-	-
Library	-	-	-	266,468	-
Parks	-	62,308	-	-	-
Other purposes	-	-	-	-	223,272
Total cash basis fund balances (deficits)	\$ -	62,308	-	266,468	223,272

See accompanying independent auditor's report.

Revenue				Permanent		
Forgotten Angels Cemetery Trust	Simons Trust - Library	Volunteer Fire Department	Snook Library	Esden Trust		Total
-	-	59	-	2		7,110
-	-	49,980	-	-		239,215
-	-	50,039	-	2		246,325
-	-	54,161	-	-		54,161
-	-	-	-	-		27,546
-	-	54,161	-	-		81,707
-	-	(4,122)	-	2		164,618
-	-	-	-	-		(100,828)
-	-	(4,122)	-	2		63,790
3,351	58,822	33,880	18,338	20,855		619,384
3,351	58,822	29,758	18,338	20,857		683,174
-	-	-	-	20,000		20,000
-	-	29,758	-	-		29,758
-	58,822	-	18,338	-		343,628
-	-	-	-	-		62,308
3,351	-	-	-	857		227,480
3,351	58,822	29,758	18,338	20,857		683,174

City of Shenandoah

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

For the Last Ten Years

	2023	2022	2021	2020
Receipts:				
Property tax	\$ 2,459,436	2,286,440	2,453,023	2,528,768
Tax increment financing	125,189	208,320	774,116	274,304
Local option sales tax	703,509	741,321	214,825	614,924
Other city tax	128,200	103,252	159,402	169,412
Licenses and permits	57,527	63,200	54,204	67,940
Use of money and property	76,474	72,609	77,996	97,007
Intergovernmental	1,769,509	1,412,459	935,526	1,475,526
Charges for service	731,311	731,952	714,889	691,913
Miscellaneous	856,120	866,415	874,403	640,997
Total	<u>\$ 6,907,275</u>	<u>6,485,968</u>	<u>6,258,384</u>	<u>6,560,791</u>
Disbursements:				
Operating:				
Public safety	\$ 1,562,093	1,474,529	1,391,172	1,397,272
Public works	1,621,845	1,413,989	1,505,519	1,274,834
Health and social services	-	1,283	2,441	2,157
Culture and recreation	1,152,841	1,079,730	1,063,382	911,387
Community and economic development	159,481	170,403	179,028	155,610
General government	630,213	392,075	318,708	487,509
Debt service	507,443	634,794	808,374	780,880
Capital projects	1,752,837	2,117,892	744,203	1,160,260
Total	<u>\$ 7,386,753</u>	<u>7,284,695</u>	<u>6,012,827</u>	<u>6,169,909</u>

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
2,430,237	2,271,242	2,319,962	2,424,067	2,488,161	2,421,302
267,231	318,111	289,462	192,579	200,960	282,353
505,725	549,967	512,063	429,223	414,139	481,110
135,730	123,099	137,742	140,561	147,736	177,508
61,551	60,812	57,632	54,555	59,741	6,595
99,358	106,315	106,114	96,968	87,424	55,406
924,517	923,535	1,007,770	1,367,315	728,536	892,826
750,909	760,633	924,170	887,261	788,888	927,355
564,158	892,745	690,364	411,508	590,526	421,246
5,739,416	6,006,459	6,045,279	6,004,037	5,506,111	5,665,701
1,640,558	1,342,306	1,328,272	1,303,790	1,363,870	1,288,484
1,528,982	1,412,792	1,300,149	1,234,086	1,170,151	1,204,316
1,289	738	667	733	783	861
1,047,563	1,287,205	1,330,579	978,769	987,092	1,070,145
133,282	403,185	631,070	225,804	1,192,497	380,641
328,969	450,764	360,168	340,058	336,795	280,622
909,049	714,639	867,138	1,180,749	1,011,315	998,863
94,561	418,364	417,306	553,363	303,125	420,724
5,684,253	6,029,993	6,235,349	5,817,352	6,365,628	5,644,656



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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 auditing standards generally accepted in the United States of America 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, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 13, 2023. 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.

Report on 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 (internal control) as a basis for designing audit procedures that are 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 that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency 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 first paragraph of this section 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 were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Shenandoah's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which 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, 2023 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.

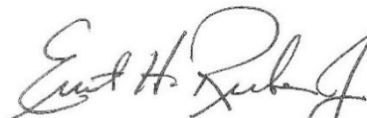
City of Shenandoah's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Shenandoah's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City of Shenandoah's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

October 13, 2023

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 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, Volunteer Fire Department'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, 2023

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.

Library Foundation – We try to separate duties by having one-person open mail and log checks or cash received while another staff member totals the deposit slips for weekly deposits and then at the suggestion of the auditors a staff member at City Hall reconciles the deposit slip with the mail log before the deposit is made. However, in a small office it is difficult to always have those duties performed by different individuals. We will endeavor to separate these duties as recommended by the auditors.

Volunteer Fire Department – We will work to comply with segregation of duties to ensure we are in compliance during vacancies of administrative positions.

Conclusions –

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

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

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2023

Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted in the public works and debt service functions prior to the budget amendment and debt service function at year end. 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.

2023-B Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

2023-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2023-D 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.

2023-E Business Transactions – No business transactions between the City and City officials or employees were noted.

2023-F 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.

2023-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

2023-H 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.

2023-I Revenue Notes – No instances of non-compliance with the water revenue note requirements were noted.

2023-J Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) for the period ending June 30, 2022 was certified to the Iowa Department of Management on or before December 1.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2023

2023-K City of Shenandoah and Shenandoah Library Foundation – During the year, the Shenandoah Library Foundation used the City credit card to make purchases for the Foundation. Article III, Section 31 of the Constitution of the State of Iowa states, "No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly. By allowing the private Foundation to use the City credit card, the City has loaned resources to the Foundation.

Recommendation – The City should not permit the Shenandoah Library Foundation, a private nonprofit organization to use the City credit card.

Responses – The City ceased letting the Library Foundation use City credit card after it was commented on during fiscal year 2022 audit field work.

Conclusion – Response accepted.

2023-L Financial Condition – The debt service fund had a deficit cash balance of \$7,102 at June 30, 2023.

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

Response – City transferred funds from rural fire to debt service to cover payment for fire truck in August 2023. As of fiscal year 2024, fund balance is in good standing.

Conclusion – Response accepted.

2023-M Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City of Shenandoah properly completed the Tax Increment Debt Certificate Forms to request TIF properly taxes.

City of Shenandoah

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Deborah J. Moser, CPA, Manager
Nichole D. Tucker, Senior II Auditor
Erin J. Sietstra, Senior Auditor
Kim M. Behrens, Staff Auditor
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