OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834
www.auditor.iowa.gov

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE: November 13, 2026

Contact: Brian Brustkern – (515) 281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled $32,835,891 for the year ended June 30, 2026, a 29.1% decrease from the prior year. Disbursements for the year ended June 30, 2026 totaled $50,795,905, a 175.9% increase over the prior year. The significant decrease in receipts is primarily due to a $33.0 million sewer revenue capital loan note issued during the prior year. The increase in disbursements is due primarily to increases in sewer capital outlays and debt service payments during the year.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and disbursement of taxpayer funds. They are found on pages 59 through 64 of this report. The findings address a lack of segregation of duties, disbursements exceeding budgeted amounts before amendment and financial activity not reported in the City general ledger for an account maintained by a paying agent. Sand provided the City with recommendations to address each of the findings.

All of the 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.

# # #

CITY OF SHENANDOAH

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

JUNE 30, 2026

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

November 3, 2026

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, 2026. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and 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.

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,

Rob Sand
Auditor of State

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City of Shenandoah

Officials

(Before January 2026)

Name	Title	Term Expires
Roger McQueen	Mayor	Jan 2026
Rita Gibson	Council Member	Jan 2026
Toni Graham	Council Member	Jan 2026
Kim Swank	Council Member	Jan 2026
J. Eric Brantner	Council Member	Jan 2028
Richard Jones	Council Member	Jan 2028
AJ Lyman	Administrator	Jan 2026
Karla Gray	City Clerk/Treasurer	Jan 2026
Mahlon Sorensen	Attorney	Jan 2027

(After January 2026)

Name	Title	Term Expires
Roger McQueen	Mayor	Jan 2030
J. Eric Brantner	Council Member	Jan 2028
Richard Jones	Council Member	Jan 2028
Jeffrey Capps	Council Member	Jan 2030
Matthew Regan	Council Member	Jan 2030
Kim Swank	Council Member	Jan 2030
AJ Lyman	Administrator	Indefinite
Karla Gray	City Clerk/Treasurer	Indefinite
Mahlon Sorensen	Attorney	Jan 2027

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Rob Sand
Auditor of State

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 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, 2026, 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 accompanying 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, 2026, 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 (GAAS) 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 the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – 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.

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 judgment 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 judgment 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 judgment, 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. 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 nine years ended June 30, 2025 (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 through 3, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 through 3 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 (Asset) and the Schedule of City Contributions on pages 43 through 47 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 November 3, 2026 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.

Brian R. Brustkern, CPA
Deputy Auditor of State

November 3, 2026

Basic Financial Statements

Government-wide Financial Statement

City of Shenandoah

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2026

Class of Transaction	Disbursements	Program Receipts Charges for Service	Program Receipts Operating Grants, Contributions and Restricted Interest	Program Receipts Capital Grants, Contributions and Restricted Interest	Primary Government Net (Disbursements) Receipts and Changes in Cash Basis Net Position Governmental Activities	Primary Government Net (Disbursements) Receipts and Changes in Cash Basis Net Position Business Type Activities	Total	Component Unit Library Foundation
Functions/Programs:								
Governmental activities:								
Public safety	$ 1,926,858	126,238	75,708	41,966	(1,682,946)	-	(1,682,946)	
Public works	1,478,838	591,329	693,336	-	(194,173)	-	(194,173)	
Health and social services	7,329	-	-	-	(7,329)	-	(7,329)	
Culture and recreation	1,298,817	230,043	174,109	-	(894,665)	-	(894,665)	
Community and economic development	237,856	20,186	2,742	-	(214,928)	-	(214,928)	
General government	453,179	19,247	240,936	-	(192,996)	-	(192,996)	
Debt service	505,808	-	-	-	(505,808)	-	(505,808)	
Capital projects	970,969	-	-	311,795	(659,174)	-	(659,174)	
Total governmental activities	6,879,654	987,043	1,186,831	353,761	(4,352,019)	-	(4,352,019)	
Business type activities:								
Water	3,314,606	2,708,053	38,826	147,364	-	(420,363)	(420,363)	
Sewer	39,994,264	1,570,287	147,364	793,205	-	(37,483,408)	(37,483,408)	
Golf Course	607,381	528,796	-	-	-	(78,585)	(78,585)	
Total business type activities	43,916,251	4,807,136	186,190	940,569	-	(37,982,356)	(37,982,356)	
Total primary government	$ 50,795,905	5,794,179	1,373,021	1,294,330	(4,352,019)	(37,982,356)	(42,334,375)	
Component Unit:								
Library Foundation	$ 226,722	-		267,648				40,926

City of Shenandoah

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2026

Class of Transaction	Disbursements	Program Receipts Charges for Service	Program Receipts Operating Grants, Contributions and Restricted Interest	Program Receipts Capital Grants, Contributions and Restricted Interest	Primary Government Net (Disbursements) Receipts and Changes in Cash Basis Net Position Governmental Activities	Primary Government Net (Disbursements) Receipts and Changes in Cash Basis Net Position Business Type Activities	Total	Component Unit Library Foundation
General Receipts and Transfers:								
Property and other city tax levied for:								
General purposes					2,425,724	-	2,425,724	-
Debt service					291,665	-	291,665	-
Tax increment financing					154,571	-	154,571	-
Local option sales tax					768,447	-	768,447	-
Hotel/motel tax					68,060	-	68,060	-
Cable franchise fee					30,337	-	30,337	-
Property tax replacement					173,444	-	173,444	-
Unrestricted interest on investments					147,364	-	147,364	-
Miscellaneous					61,067	-	61,067	-
Sewer revenue capital loan note proceeds					-	22,802,934	22,802,934	-
Water revenue anticipation project note proceeds, net of $94,500 issuance costs					-	8,705,500	8,705,500	-
Repayment of sewer revenue note					-	(11,273,549)	(11,273,549)	-
Sale of capital assets					16,101	2,696	18,797	-
Transfers					87,425	(87,425)	-	-
Total general receipts and transfers					4,224,205	20,150,156	24,374,361	-
Change in cash basis net position					(127,814)	(17,832,200)	(17,960,014)	40,926
Cash basis net position beginning of year					7,088,467	32,862,355	39,950,822	448,635
Cash basis net position end of year					$ 6,960,653	15,030,155	21,990,808	489,561

City of Shenandoah

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2026

Class of Transaction	Disbursements	Program Receipts Charges for Service	Program Receipts Operating Grants, Contributions and Restricted Interest	Program Receipts Capital Grants, Contributions and Restricted Interest	Primary Government Net (Disbursements) Receipts and Changes in Cash Basis Net Position Governmental Activities	Primary Government Net (Disbursements) Receipts and Changes in Cash Basis Net Position Business Type Activities	Total	Component Unit Library Foundation
Cash Basis Net Position								
Restricted:								
Nonexpendable:								
Snook Trust					$ 200,000	-	200,000	-
Cemetery perpetual care					213,975	-	213,975	-
Esden Trust					20,000	-	20,000	-
Expendable:								
Fire					142,070	-	142,070	-
Streets					864,073	-	864,073	-
Employee benefits					276,272	-	276,272	-
Library					325,613	-	325,613	489,561
Debt service					210,784	281,145	491,929	-
Parks					82,118	-	82,118	-
Capital projects					301,902	11,000,499	11,302,401	-
Other purposes					2,193,665	-	2,193,665	-
Unrestricted					2,130,181	3,748,511	5,878,692	-
Total cash basis net assets					$ 6,960,653	15,030,155	21,990,808	489,561

See notes to the financial statements.

Governmental Fund Financial Statement

City of Shenandoah

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

As of and for the year ended June 30, 2026

Class of Transaction	General	Special Revenue Road Use Tax	Special Revenue Employee Benefits	Special Revenue Local Option Sales Tax	Special Revenue Urban Renewal Tax Increment Financing	Debt Service	Capital Projects	Permanent Snook Trust	Permanent Cemetery Perpetual Care	Nonmajor	Total
Receipts:											
Property tax	$ 1,760,716	-	614,060	-	-	285,733	-	-	-	-	2,660,509
Tax increment financing	-	-	-	-	154,571	-	-	-	-	-	154,571
Local option sales tax	-	-	-	768,447	-	-	-	-	-	-	768,447
Other city tax	105,849	-	13,159	-	-	5,932	-	-	-	-	124,940
Licenses and permits	43,224	-	-	-	-	-	-	-	-	-	43,224
Use of money and property	162,803	-	-	-	-	-	48,370	34,442	4,289	4,820	254,724
Intergovernmental	199,479	693,336	40,098	-	-	18,166	205,929	-	-	2,500	1,159,508
Charges for service	733,183	-	-	-	-	-	-	-	6,250	-	739,433
Miscellaneous	354,769	-	20,107	-	-	-	105,866	-	-	262,216	742,958
Total receipts	3,360,023	693,336	687,424	768,447	154,571	309,831	360,165	34,442	10,539	269,536	6,648,314
Disbursements:											
Operating:											
Public safety	1,394,223	-	435,363	-	-	-	-	14,657	-	82,615	1,926,858
Public works	561,974	758,026	158,838	-	-	-	-	-	-	-	1,478,838
Health and social services	-	-	-	-	-	-	-	7,329	-	-	7,329
Culture and recreation	1,013,506	-	180,761	-	-	-	-	14,657	-	89,893	1,298,817
Community and economic development	29,800	-	-	194,402	13,654	-	-	-	-	-	237,856
General government	453,179	-	-	-	-	-	-	-	-	-	453,179
Debt service	-	-	-	-	-	505,808	-	-	-	-	505,808
Capital projects	-	-	-	-	-	-	970,969	-	-	-	970,969
Total disbursements	3,452,682	758,026	774,962	194,402	13,654	505,808	970,969	36,643	-	172,508	6,879,654
Excess (deficiency) of receipts over (under) disbursements	(92,659)	(64,690)	(87,538)	574,045	140,917	(195,977)	(610,804)	(2,201)	10,539	97,028	(231,340)

City of Shenandoah

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

As of and for the year ended June 30, 2026

Class of Transaction	General	Special Revenue Road Use Tax	Special Revenue Employee Benefits	Special Revenue Local Option Sales Tax	Special Revenue Urban Renewal Tax Increment Financing	Debt Service	Capital Projects	Permanent Snook Trust	Permanent Cemetery Perpetual Care	Nonmajor	Total
Other financing sources (uses):											
Sale of capital assets	7,090	-	-	-	-	-	9,011	-	-	-	16,101
Transfers in	225,217	-	-	-	-	213,455	218,735	-	-	-	657,407
Transfers out	(90,713)	-	-	(90,000)	(140,917)	-	-	-	-	(248,352)	(569,982)
Total other financing sources (uses)	141,594	-	-	(90,000)	(140,917)	213,455	227,746	-	-	(248,352)	103,526
Change in cash balances	48,935	(64,690)	(87,538)	484,045	-	17,478	(383,058)	(2,201)	10,539	(151,324)	(127,814)
Cash balances beginning of year	2,248,068	928,763	363,810	581,732	96,384	96,922	684,960	1,155,512	203,436	728,880	7,088,467
Cash balances end of year	$ 2,297,003	864,073	276,272	1,065,777	96,384	114,400	301,902	1,153,311	213,975	577,556	6,960,653
Cash Basis Fund Balances											
Nonspendable:											
Permanent funds	$ -	-	-	-	-	-	-	200,000	213,975	20,000	433,975
Restricted for:											
Fire	139,585	-	-	-	-	-	-	-	-	2,485	142,070
Streets	-	864,073	-	-	-	-	-	-	-	-	864,073
Employee benefits	-	-	276,272	-	-	-	-	-	-	-	276,272
Library	-	-	-	-	-	-	-	-	-	325,613	325,613
Debt service	-	-	-	-	96,384	114,400	-	-	-	-	210,784
Parks	-	-	-	-	-	-	-	-	-	82,118	82,118
Capital projects	-	-	-	-	-	-	301,902	-	-	-	301,902
Other purposes	27,237	-	-	1,065,777	-	-	-	953,311	-	147,340	2,193,665
Unassigned	2,130,181	-	-	-	-	-	-	-	-	-	2,130,181
Total cash basis fund balances	$ 2,297,003	864,073	276,272	1,065,777	96,384	114,400	301,902	1,153,311	213,975	577,556	6,960,653

See notes to financial statements

Proprietary Fund Financial Statement

City of Shenandoah

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

As of and for the year ended June 30, 2026

Class of Transaction	Enterprise Water	Enterprise Sewer	Enterprise Golf Course	Total
Operating receipts:				
Charges for service	$ 2,708,053	1,500,005	355,684	4,563,742
Miscellaneous	38,826	70,282	173,112	282,220
Total operating receipts	2,746,879	1,570,287	528,796	4,845,962
Operating disbursements:				
Business type activities	1,708,875	748,573	607,381	3,064,829
Excess (deficiency) of operating receipts over (under) operating disbursements	1,038,004	821,714	(78,585)	1,781,133
Noncapital subsidies:				
Transfers in	-	-	35,000	35,000
Transfers out	(35,300)	(87,125)	-	(122,425)
Total noncapital subsidies:	(35,300)	(87,125)	35,000	(87,425)
Excess (deficiency) of operating receipts over (under) operating disbursements and non capital subsidies	1,002,704	734,589	(43,585)	1,693,708
Other non-operating receipts (disbursements):				
Interest on investments	147,364	940,569	-	1,087,933
Water revenue anticipation project note proceeds net of $94,500 issuance costs	8,705,500	-	-	8,705,500
Sewer revenue capital loan note proceeds	-	22,802,934	-	22,802,934
Sale of capital assets	2,696	-	-	2,696
Repayment of revenue note	-	(11,273,549)	-	(11,273,549)
Debt service	(767,920)	(22,169,599)	-	(22,937,519)
Capital outlay	(837,811)	(17,076,092)	-	(17,913,903)
Net other non-operating receipts (disbursements)	7,249,829	(26,775,737)	-	(19,525,908)
Change in cash balances	8,252,533	(26,041,148)	(43,585)	(17,832,200)
Cash balances beginning of year	3,167,857	29,394,648	299,850	32,862,355
Cash balances end of year	$ 11,420,390	3,353,500	256,265	15,030,155
Cash Basis Fund Balances				
Restricted for:				
Debt service	$ 176,873	104,272	-	281,145
Capital projects	8,863,583	2,136,916	-	11,000,499
Unrestricted	2,379,934	1,112,312	256,265	3,748,511
Total cash basis fund balances	$ 11,420,390	3,353,500	256,265	15,030,155

See notes to financial statements.

(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 the 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 which 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 Statements – 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:

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 this 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 accounting principles generally accepted in the United States of America.

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 paid, 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 nonoperating items. Operating receipts and disbursements are receipts and disbursements other than nonoperating receipts and disbursements. Nonoperating receipts and disbursements are a) subsidies received and provided, b) contributions to permanent or term endowments, c) receipts and disbursements related to financing, d) resources from the disposal of capital assets and inventory and e) investment income and disbursements. Subsidies are defined as a) resources received from another party or fund 1) for which the proprietary fund does not provide goods and services to the other party or fund and 2) directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, b) resources provided to another party or fund 1) for which the other party or fund does not provide goods and services to the proprietary fund and 2) are recoverable through the proprietary fund's current or future pricing policies and c) all other transfers.

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax receipts 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, 2024 assessed property valuations; is for the tax accrual period July 1, 2025 through June 30, 2026 and reflects tax asking contained in the budget certified to the City Council in April 2025.

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, 2026, disbursements exceeded the amount budgeted in the business type activities function prior to the budget amendment and at year end.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2026 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 (IPAIT) which are valued at an amortized cost of $187,665. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the IPAIT is unrated.

Component Unit

At June 30, 2026, the Shenandoah Library Foundation (Foundation), a discretely presented component unit, had the following investments:

Type		Carrying Amount	Fair Value
Stocks	$	49,529	76,690
Mutual fund		56,444	141,019
Total	$	105,973	217,709

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 tenants. Effective April 1, 2022, the City entered into a five-year lease. The City is to receive annual payments of $12,336 on the remaining lease agreement with an implicit rate of 2.0%.

Year Ending June 30,		Principal	Interest	Amount
2027	$	12,153	183	12,336

(4) Notes, Loans, Leases Payable and Equipment Purchase Agreements

A summary of changes in notes, loans, leases payable and equipment purchase agreements for the year ended June 30, 2026 is as follows:

Long-Term Debt	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation notes	$ 4,045,000	-	385,000	3,660,000	405,000
USDA rural development loans	943,210	-	58,068	885,142	59,374
Urban renewal notes	405,000	-	130,000	275,000	135,000
Lease agreement	10,810	-	2,622	8,188	2,675
Equipment purchase agreements - direct borrowing	162,105	-	68,437	93,668	-
Governmental activities total	$ 5,566,125	-	644,127	4,921,998	602,049
Business type activities					
USDA rural development loan	$ -	22,802,934	-	22,802,934	344,410
Water revenue loan note - direct borrowing	6,896,000	-	630,000	6,266,000	642,000
Water revenue loan anticipation project notes - direct borrowing	-	8,800,000	-	8,800,000	5,807,171
Sewer revenue loan notes - direct borrowing	848,000	-	208,000	640,000	214,000
Sewer revenue capital loan anticipation project note - direct borrowing	33,000,000	-	33,000,000	-	-
Lease agreements	46,257	-	17,075	29,182	17,416
Equipment purchase agreements - direct borrowing	60,582	144,792	25,210	180,164	28,493
Business-type activities total	$ 40,850,839	31,747,726	33,880,285	38,718,280	7,053,490

General Obligation Notes

A summary of the City's June 30, 2026 general obligation notes payable are as follows:

Street Repair
Issued June 7, 2022

Year Ending June 30,	Interest Rates	Principal	Interest
2027	3.25%	120,000	20,962
2028	3.25%	125,000	17,062
2029	3.25%	130,000	13,000
2030	3.25%	135,000	8,775
2031	3.25%	135,000	4,388
2032-2036	3.25%	-	-
2037-2041		-	-
2042-2043		-	-
Total		$ 645,000	64,187

Urban Renewal Projects
Issued March 29, 2023

Year Ending June 30,	Interest Rates	Principal	Interest
2027	5.50%	30,000	25,025
2028	5.50%	30,000	23,375
2029	5.50%	30,000	21,725
2030	5.50%	35,000	20,075
2031	5.50%	35,000	18,150
2032-2036	5.50%	200,000	60,225
2037-2041	5.50%	95,000	7,975
2042-2043	5.50%	-	-
Total		$ 455,000	176,550

Capital Improvement Projects
Issued October 25, 2023

Year Ending June 30,	Interest Rates	Principal	Interest
2027	5.00%	255,000	120,713
2028	5.00%	265,000	107,962
2029	5.00%	280,000	94,712
2030	5.00%	295,000	80,713
2031	5.00%	310,000	65,963
2032-2036	4.00-5.00%	1,045,000	117,437
2037-2041	4.75%	75,000	19,000
2042-2043	4.75%	35,000	2,612
Total		$ 2,560,000	609,112

Totals

Year Ending June 30,	Principal	Interest	Total
2027	405,000	166,700	571,700
2028	420,000	148,399	568,399
2029	440,000	129,437	569,437
2030	465,000	109,563	574,563
2031	480,000	88,501	568,501
2032-2036	1,245,000	177,662	1,422,662
2037-2041	170,000	26,975	196,975
2042-2043	35,000	2,612	37,612
Total	$ 3,660,000	849,849	4,509,849

On June 7, 2022, the City issued $985,000 of general obligation notes with an interest rate of 3.25% 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, 2026, the City paid $115,000 of principal and $24,700 of interest on the notes. The outstanding principal balance on the note at June 30, 2026 is $645,000.

On March 29, 2023, the City issued $525,000 of general obligation notes with an interest rate of 5.5% 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. 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, 2026, the City paid principal of $25,000 and interest of $26,400 on the notes. The outstanding principal balance on the note at June 30, 2026 is $455,000.

On October 25, 2023, the City issued $2,845,000 in general obligation capital loan notes with a varying interest rate of 4.00% to 5.00% per annum. The notes were issued to pay for street improvements, tree removal, acquisition of a fire truck, restoration or demolition of blighted properties, acquisition of land for the wastewater treatment plant and are payable through June 30, 2043. During the year ended June 30, 2026, the City paid $245,000 of principal and $132,963 of interest on the notes. The outstanding principal balance on the note at June 30, 2026 is $2,560,000.

USDA Rural Development Loan Agreement – Governmental Activities

A summary of the City's June 30, 2026 Governmental Activities USDA Rural Development Agreement payable is as follows:

Essential Corporate Purchase – Fire Truck
Issued March 28, 2024

Year Ending June 30,	Interest Rates	Principal	Interest
2027	2.25%	$ 59,374	19,916
2028	2.25%	60,710	18,580
2029	2.25%	62,076	17,214
2030	2.25%	63,473	15,817
2031	2.25%	64,901	14,389
2032-2036	2.25%	347,078	49,372
2037-2039	2.25%	227,530	10,314
Total		$ 885,142	145,602

On March 28, 2024, the City entered into a loan agreement with USDA for a $1,000,000 USDA Rural Economic Development loan with an interest rate of 2.25% to aid in the purchase of a fire truck. The loan requires 15 payments of $79,290 on March 28th of each year. During the year ended June 30, 2026, the city paid $58,068 of principal and $21,222 interest on the loan agreement. The outstanding principal balance on the loan at June 30, 2026 is $885,142.

USDA Rural Development Loan Agreement – Business Type Activities

A summary of the City's June 30, 2026 Business Type Activities USDA Rural Development Agreements payable are as follows:

Essential Corporate Purpose Sewer Repair WEP 1-1
Issued June 26, 2026

Year Ending June 30,	Interest Rates	Principal	Interest
2027	1.250%	$ 155,288	99,112
2028	1.250%	157,240	97,160
2029	1.250%	159,217	95,183
2030	1.250%	161,218	93,182
2031	1.250%	163,245	91,155
2032-2036	1.250%	847,531	424,469
2037-2041	1.250%	902,163	369,837
2042-2046	1.250%	960,315	311,685
2047-2051	1.250%	1,022,219	249,781
2052-2056	1.250%	1,088,111	183,889
2057-2061	1.250%	1,158,250	113,750
2062-2066	1.250%	1,225,203	39,089
Total		$ 8,000,000	2,168,292

Essential Corporate Purpose Sewer Repair WEP 1-2
Issued June 26, 2026

Year Ending June 30,	Interest Rates	Principal	Interest
2027	1.250%	$ 189,122	120,706
2028	1.250%	191,499	118,329
2029	1.250%	193,907	115,921
2030	1.250%	196,344	113,484
2031	1.250%	198,813	111,015
2032-2036	1.250%	1,032,190	516,950
2037-2041	1.250%	1,098,726	450,414
2042-2046	1.250%	1,169,550	379,590
2047-2051	1.250%	1,244,938	304,202
2052-2056	1.250%	1,325,186	223,954
2057-2061	1.250%	1,410,608	138,532
2062-2066	1.250%	1,492,117	47,605
Total		$ 9,743,000	2,640,702

Totals

Year Ending June 30,	Principal	Interest	Total
2027	$ 344,410	219,818	564,228
2028	348,739	215,489	564,228
2029	353,124	211,104	564,228
2030	357,562	206,666	564,228
2031	362,058	202,170	564,228
2032-2036	1,879,721	941,419	2,821,140
2037-2041	2,000,889	820,251	2,821,140
2042-2046	2,129,865	691,275	2,821,140
2047-2051	2,267,157	553,983	2,821,140
2052-2056	2,413,297	407,843	2,821,140
2057-2061	2,568,858	252,282	2,821,140
2062-2066	2,717,320	86,694	2,804,014
Total	$17,743,000	4,808,994	22,551,994

On June 2, 2026, the City entered into a loan agreement with USDA for an $8,000,000 USDA Rural Economic Development loan with an interest rate of 1.25% to aid in the cost of improvements and extensions to the Municipal Sewer Utility. The loan matures on June 1, 2066. During the year ended June 30, 2026, no principal or interest was paid on the loan agreement. The outstanding principal balance on the loan at June 30, 2026 is $8,000,000.

On June 2, 2026, the City entered into a loan agreement with USDA for a $9,743,000 USDA Rural Economic Development loan with an interest rate of 1.25% to aid in the cost of improvements and extensions to the Municipal Sewer Utility. The loan matures on June 1, 2066. During the year ended June 30, 2026, no principal or interest was paid on the loan agreement. The outstanding principal balance on the loan at June 30, 2026 is $9,743,000.

On June 2, 2026, the City entered into a loan agreement with USDA for up to $6,000,000 USDA Rural Economic Development loan with an interest rate of 2.25% to aid in the cost of improvements and extensions to the Municipal Sewer Utility. The loan matures on June 1, 2066. The City will draw down funds from USDA upon request to reimburse the City for costs as they are incurred. During the year ended June 30, 2026, the City drew down $3,059,934 of the authorized amount, leaving a balance of $2,940,066 to draw. A final repayment schedule has not yet been adopted for the loan. No principal or interest payments were made during the year ended June 30, 2026.

On June 2, 2026, the City entered into a loan agreement with USDA for up to $9,257,000 USDA Rural Economic Development loan with an interest rate of 2.25% to aid in the cost of improvements and extensions to the Municipal Sewer Utility. The loan matures on June 1, 2066. The City will draw down funds from USDA upon request to reimburse the City for costs as they are incurred. During the year ended June 30, 2026, the City drew down $2,000,000 of the authorized amount, leaving a balance of $7,257,000 to draw. A final repayment schedule has not yet been adopted for the loan. No principal or interest payments were made during the year ended June 30, 2026.

Urban Renewal Tax Increment Financing Revenue Notes

The City's June 30, 2026 urban renewal tax increment financing revenue notes payable is as follows:

Urban Renewal Projects
Issued May 15, 2020

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2027	3.65%	$ 135,000	10,038	145,038
2028	3.65%	140,000	5,110	145,110
Total		$ 275,000	15,148	290,148

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, 2026, the City paid principal of $130,000 and interest of $14,783 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 $290,148, payable through 2028. For the current year, principal and interest paid and total TIF receipts were $144,783 and $154,571 respectively. The outstanding principal balance on the notes at June 30, 2026 is $275,000.

Water Revenue Loan Notes – Direct Borrowing

The City's June 30, 2026 water revenue loan notes payable is as follows:

Water
Issued September 20, 2013

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2027	1.75%	$ 642,000	109,655	751,655
2028	1.75%	655,000	98,420	753,420
2029	1.75%	668,000	86,958	754,958
2030	1.75%	682,000	75,267	757,267
2031	1.75%	695,000	63,332	758,332
2032-2035	1.75%	2,924,000	129,203	3,053,203
Total		$ 6,266,000	562,835	6,828,835

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, 2026, the City paid principal of $630,000 and interest of $120,680 on the notes. The City has pledged future water customer receipts, net of specified operating disbursements, to repay $14,057,000 of water revenue notes issued in September 2013. The notes are payable solely from water customer net receipts. Annual principal and interest payments on the notes are expected to require 72% of net receipts. The total principal and interest remaining to be paid on the notes is $6,828,835. For the current year, principal and interest paid and total customer net receipts were $750,680 and $1,038,004, 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.

Water Revenue Capital Loan Anticipation Project Note

Water Revenue Capital Loan Anticipation Note
Issued June 2, 2026

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2027	4.05%	$ 5,807,171	249,391	6,056,562
2028	4.05%	2,992,829	35,452	3,028,281
Total		$ 8,800,000	284,843	9,084,843

On June 2, 2026, the City entered into a loan agreement with Huntington Public Capital Corporation for a $8,800,000 water revenue capital loan anticipation note with an interest rate of 4.05%. The note was issued to aid in the cost of improvements and extensions to the Municipal Water Utility. The loan matures on June 1, 2028. During the year ended June 30, 2026, no principal or interest was paid on the loan agreement. The outstanding principal balance on the note at June 30, 2026 is $8,800,000.

Sewer Revenue Loan Notes – Direct Borrowing

The City's June 30, 2026 sewer revenue loan notes payable is as follows:

Sewer
Issued July 10, 2007

Year Ending June 30,	Interest Rates	Principal	Interest
2027	1.75%	$ 176,000	3,080

Sewer
Issued September 8, 2017

Year Ending June 30,	Interest Rates	Principal	Interest
2027	1.75%	$ 38,000	8,120
2028	1.75%	39,000	7,455
2029	1.75%	40,000	6,773
2030	1.75%	40,000	6,073
2031	1.75%	41,000	5,372
2032-2036	1.75%	220,000	15,750
2037-2041	1.75%	46,000	805
Total		$ 464,000	50,348

Totals

Year Ending June 30,	Principal	Interest	Total
2027	$ 214,000	11,200	225,200
2028	39,000	7,455	46,455
2029	40,000	6,773	46,773
2030	40,000	6,073	46,073
2031	41,000	5,372	46,372
2032-2036	220,000	15,750	235,750
2037-2041	46,000	805	46,805
Total	$ 640,000	53,428	693,428

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, 2026, the City paid principal of $171,000 and interest of $6,073 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. As of June 30, 2026, 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, 2026, the City paid principal of $37,000 and interest of $8,768 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, 2027. At June 30, 2026, 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 27% of net receipts. The total principal and interest remaining to be paid on the notes is $693,428. For the current year, principal and interest paid and total customer net receipts were $222,841 and $821,714, respectively.

The resolutions providing for the issuance of the sewer revenue capital notes include 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 succeeding year.

Sewer Revenue Capital Loan Anticipation Project Note

On October 8, 2024, the City issued $33,000,000 of sewer revenue capital loan anticipation project notes from Cede & Co. with an interest rate of 4%. The note was issued to pay the costs of the sewer project and is payable through June 2026. During the year ended June 30, 2026, the City paid principle of $33,000,000 and interest of $1,320,000 on the note. There is no outstanding balance on the loan as of June 30, 2026.

Lease Agreements

Governmental Activities

On June 12, 2024, the City entered into a noncancelable lease agreement for a copy machine. An initial lease liability was recorded in the amount of $13,380. The agreement requires monthly payments of $234.50 over five years, with an implicit interest rate of 2.0% and a final payment on June 12, 2029. During the year ended June 30, 2026, the City paid principal of $2,622 and interest of $192. Future principal and interest payments are as follows:

Copier

Year Ending June 30,	Principal	Interest	Total
2027	$ 2,675	139	2,814
2028	2,729	85	2,814
2029	2,784	30	2,814
Total	$ 8,188	254	8,442

Business Type Activities

On June 28, 2024, the City entered into a noncancellable lease agreement for 20 golf carts. An initial lease liability was recorded in the amount of $67,645. The agreement requires yearly payments per year of $6,001 in year one, $18,000 in years two through four and $12,001 in year five with an implicit interest rate of 2.0% and a final payment on July 1, 2027.

During the year ended June 30, 2026, the City paid principal of $17,075, and interest of $925. Future principal and interest payments are as follows:

Golf Carts

Year Ending June 30,	Principal	Interest	Total
2027	$ 17,416	584	18,000
2028	11,766	235	12,001
Total	$ 29,182	819	30,001

Equipment Purchase Agreement – Direct Borrowing

Governmental Activities

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, 2026, the City paid the remaining principal of $14,236 and interest of $468.

On July 30, 2024, the City entered into an equipment purchase agreement to acquire a pay loader for the Street Department with an interest rate of 5.65% per annum. An initial liability was recorded in the amount of $147,869. The lease start date is July 26, 2024. The agreement is payable over five years with annual installments of $34,911, with a final payment due July 26, 2029. During the year ended June 30, 2026, the City paid principal of $26,337 and interest of $8,574. The City made an additional principal payment of $27,864 and interest of $7,047 which were due in the following year. The City will not make a payment in fiscal year 2027.

Street Department Loader

Year Ending June 30,	Principal	Interest	Total
2027	$ -	-	-
2028	29,480	5,431	34,911
2029	31,190	3,721	34,911
2030	32,998	1,913	34,911
Total	$ 93,668	11,065	104,733

Business Type Activities

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, 2026, the City paid the remaining principal of $17,475 and interest of $248.

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 $19,500. The agreement requires four annual payments of $3,711, with an interest rate of 7.37% and a final payment of $9,211 on November 20, 2027. During the year ended June 30, 2026, the City paid principal of $2,731 and interest of $980.

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 $37,952. The agreement requires four annual payments of $6,945, with an interest rate of 7.25% and a final payment of $19,445 on November 20, 2027. During the year ended June 30, 2026, the City paid principal of $5,004 and interest of $1,941.

On March 23, 2026, the City entered into an equipment purchase agreement to acquire a Greenmaster 3320 Hybrid Mower for the golf course. An initial liability was recorded in the amount of $61,280. The agreement requires annual payments of $12,256 over five years, with an interest rate of 3.28% and a final payment on July 1, 2030. During the year ended June 30, 2026, no principal or interest were paid on the agreement. The City made a downpayment of $5,900 during the year ended June 30, 2026.

On March 31, 2026, the City entered into an equipment purchase agreement to acquire a John Deere Compact Utility Tractor for the golf course. An initial liability was recorded in the amount of $50,672. The agreement requires annual payments of $10,043 over five years, with an interest rate of 5.75% and a final payment on July 15, 2030. During the year ended June 30, 2026, no principal or interest were paid on the agreement.

On March 31, 2026, the City entered into an equipment purchase agreement to acquire a Tri-Max Golf Mower for the golf course. An initial liability was recorded in the amount of $50,515. The agreement requires annual payments of $10,004 over five years, with an interest rate of 5.75% and a final payment on July 15, 2030. During the year ended June 30, 2026, no principal or interest were paid on the agreement.

Future principal and interest payments are as follows:

Golf Course Top Dresser
April 18, 2023

Year Ending June 30,	Principal	Interest	Total
2027	$ 2,939	772	3,711
2028	8,698	513	9,211
2029	-	-	-
2030	-	-	-
2031	-	-	-
Total	$ 11,637	1,285	12,922

Golf Course Yanmar Tractor
April 18, 2023

Year Ending June 30,	Principal	Interest	Total
2027	$ 5,378	1,567	6,945
2028	18,357	1,088	19,445
2029	-	-	-
2030	-	-	-
2031	-	-	-
Total	$ 23,735	2,655	26,390

Golf Course Greenmaster 3320 Hybrid Mower
March 23, 2026

Year Ending June 30,	Principal	Interest	Total
2027	$ 9,749	255	10,004
2028	7,953	2,051	10,004
2029	8,422	1582	10,004
2030	8,919	1085	10,004
2031	9,446	558	10,004
Total	$ 44,489	5,531	50,020

Golf Course Compact Utility Tractor
March 31, 2026

Year Ending June 30,	Principal	Interest	Total
2027	$ 9,747	296	10,043
2028	7,984	2,059	10,043
2029	8,455	1,588	10,043
2030	8,954	1,089	10,043
2031	9,483	560	10,043
Total	$ 44,623	5,592	50,215

Golf Course Tri-Max Mower
March 31, 2026

Year Ending June 30,	Principal	Interest	Total
2027	$ 10,429	1,827	12,256
2028	10,771	1,485	12,256
2029	11,124	1,132	12,256
2030	11,489	767	12,256
2031	11,867	389	12,256
Total	$ 55,680	5,600	61,280

Totals

Year Ending June 30,	Principal	Interest	Total
2027	$ 38,242	4,717	42,959
2028	53,763	7,196	60,959
2029	28,001	4,302	32,303
2030	29,362	2,941	32,303
2031	30,796	1,507	32,303
Total	$ 180,164	20,663	200,827

(5) Pension Plan

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

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

If a Regular 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 2026, 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 6.335% of covered payroll and the City contributed 9.185% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2026 were $281,895.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2026, the City reported a liability of $270,493 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025 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, 2025, the City's proportion was 0.011646%, which was a decrease of 0.004764% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2026, the City's pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled ($7,339), $443,658 and $408,135, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Actuarial Assumptions	Description
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, 2025 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 2025 valuation were based on the PubG-2010 mortality tables with 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 weighing 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	21.0%	3.33%
International equity	13.0%	4.99%
Global smart beta equity	5.0%	3.87%
Core plus fixed income	25.0%	2.84%
Public credit	3.0%	4.21%
Cash	1.0%	1.24%
Private equity	17.0%	7.68%
Private real assets	9.0%	4.62%
Private credit	6.0%	6.23%
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 the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) 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 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

Sensitivity of Proportionate Share	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	$ 1,855,259	270,493	(1,056,184)

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, 2026, the City contributed $555,559 and plan members eligible for benefits contributed $75,756 to the plan. At June 30, 2026, no assets have been accumulated in a trust which 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, 2026, the following employees were covered by the benefit terms:

Description	Employees
Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	43
Total	43

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave, paid time off and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for the leave which is attributable to services already rendered, the leave accumulates and carries forward from one reporting period to the next and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means for earned vacation, sick leave, paid time off and personal leave to employees at June 30, 2026 is as follows:

Type of Benefit		Amount
Vacation	$	119,000
Sick leave		407,000
Paid time off		24,000
Personal leave		10,000
Total	$	560,000

This liability has been computed based on rates of pay in effect at June 30, 2026.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2026 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Wilson Trust - City	$ 154,617
General	Enterprise: Water	35,300
General	Sewer	35,300
Total	General	225,217
Debt Service	General	20,713
Debt Service	Special Revenue: Urban Renewal Tax Increment Financing	140,917
Debt Service	Enterprise: Sewer	51,825
Total	Debt Service	213,455
Capital Projects	General	35,000
Capital Projects	Special Revenue: Local Option Sales Tax	90,000
Capital Projects	Wilson Trust - City	93,735
Total	Capital Projects	218,735
Enterprise: Golf Course	General	35,000
Total	Transfers	$ 692,407

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

(9) Risk Management

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

(10) 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 15th 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. As of June 30, 2026, the City made their first payment to Community 1st Credit Union for $13,634.

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 15th 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.

The agreements are not general obligations of the City and due to their nature, are not recorded as a liability in the City's financial statements. However, the agreements are subject to the constitutional debt limitation of the City.

(11) 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 5% and are to be repaid in either monthly or quarterly installments. During the year ended June 30, 2026, the City disbursed $29,800 in loans, received $17,553 of principal and $1,987 of interest. The outstanding loan principal balance within the General Fund was $87,520 at June 30, 2026.

(12) Commitments

In July 2024, the City entered a contract for a wastewater treatment facility public improvement project with contractor All Purpose Construction in the amount of $29,340,506. Payments were made of $19,609,291 as of June 30, 2026. The balance of $9,731,215 will be paid as work on the project progresses.

(13) Joint Venture

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

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

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

In addition to the annual subsidy, the City has incurred a liability to the Medical Center for fiscal years 2023 and 2024 operating shortfall in the amount of $513,000 pursuant to the prior 28E agreement. Effective October 1, 2025, the City shall make an additional payment to Medical Center of $15,500 payable on or before July 1st of each year until the City Obligation is paid in full. The following is a schedule of future payments.

Year Ending	Outstanding City Obligation Payments
2027	$ 15,500
2028	15,500
2029	15,500
2030	15,500
2031	15,500
2032-2036	77,500
2037-2041	77,500
2042-2046	77,500
2047-2051	77,500
2052-2056	77,500
2057-2058	32,500
Total	$ 497,500

During the year ended June 30, 2026, the City paid $84,500 in current year fees and $15,500 toward operating shortfall liability pursuant to the agreement.

(14) Tax Abatements

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

City Tax Abatements

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

For the year ended June 30, 2026, $5,168 of property tax was diverted from the City under the urban renewal and economic development agreements.

(15) Subsequent Event

On September 1, 2026, the City issued $553,000 of General Obligation Capital Loan Notes, Series 2026. The notes will be used to pay costs of the construction, reconstruction, improvement and equipping of the City Hall.

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, 2026

Class of Transaction	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts Original	Budgeted Amounts Final	Original Budget to Final Budget Variance	Final to Total Variance
Receipts:							
Property tax	$ 2,660,509	-	2,660,509	2,657,585	2,657,585	-	2,924
Tax increment financing	154,571	-	154,571	158,437	158,437	-	(3,866)
Other city tax	893,387	-	893,387	886,310	886,310	-	7,077
Licenses and permits	43,224	-	43,224	54,300	54,300	-	(11,076)
Use of money and property	254,724	1,087,933	1,342,657	287,850	287,850	-	1,054,807
Intergovernmental	1,159,508	-	1,159,508	2,049,103	2,049,103	-	(889,595)
Charges for service	739,433	4,563,742	5,303,175	5,932,203	5,932,203	-	(629,028)
Miscellaneous	742,958	282,220	1,025,178	1,318,193	1,318,193	-	(293,015)
Total receipts	6,648,314	5,933,895	12,582,209	13,343,981	13,343,981	-	(761,772)
Disbursements:							
Public safety	1,926,858	-	1,926,858	2,123,480	2,123,480	-	196,622
Public works	1,478,838	-	1,478,838	1,961,300	1,961,300	-	482,462
Health and social services	7,329	-	7,329	7,500	7,500	-	171
Culture and recreation	1,298,817	-	1,298,817	1,582,275	1,582,275	-	283,458
Community and economic development	237,856	-	237,856	607,804	607,804	-	369,948
General government	453,179	-	453,179	572,020	572,020	-	118,841
Debt service	505,808	-	505,808	796,137	796,137	-	290,329
Capital projects	970,969	-	970,969	1,885,343	1,885,343	-	914,374
Business type activities	-	55,189,800	55,189,800	6,851,016	27,167,841	20,316,825	(28,021,959)
Total disbursements	6,879,654	55,189,800	62,069,454	16,386,875	36,703,700	20,316,825	(25,365,754)
Deficiency of receipts under disbursements	(231,340)	(49,255,905)	(49,487,245)	(3,042,894)	(23,359,719)	(20,316,825)	(26,127,526)
Other financing sources, net	103,526	31,423,705	31,527,231	8,500	20,008,500	(20,000,000)	11,518,731
Change in balances	(127,814)	(17,832,200)	(17,960,014)	(3,034,394)	(3,351,219)	(40,316,825)	(14,608,795)
Balances beginning of year	7,088,467	32,862,355	39,950,822	10,115,604	10,115,604	-	29,835,218
Balances end of year	$ 6,960,653	15,030,155	21,990,808	7,081,210	6,764,385	(40,316,825)	15,226,423

See accompanying independent auditor's report.

City of Shenandoah

Notes to Other Information – Budgetary Reporting

Year ended June 30, 2026

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.

The City's receipts were $761,772 less than budgeted, a variance of 5.7%. The City received less than anticipated in intergovernmental receipts for airport runway project reimbursements and charges for service landfill fees due to citizens directly paying the landfill.

Total disbursements were $25,365,754 more than the amended budget. Actual disbursements for the business type activities function were $28,021,959 more than the amended budget. This was primarily due to BOK Financial paying agent enterprise sewer project disbursements not budgeted by the City. The increase was offset by decreases in the public works, community and economic development and capital project functions in the amounts of $482,462, 369,948 and $914,374, respectively.

During the year, one budget amendment increased budgeted disbursements by $20,316,825. The budget amendment is reflected in the final budgeted amounts. The amendment increased business type activities function to cover the cost of wastewater improvement disbursements. During the year ended June 30, 2026, disbursements exceeded the amount budgeted in the business type activities function prior to the budget amendment and at year end.

City of Shenandoah

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

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

Other Information

Description	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
City's proportion of the net pension liability (asset)	0.011646%	0.016410%	0.018452%	0.014872%	0.110915%**	0.019609%	0.019125%	0.018492%	0.018019%	0.019643%
City's proportionate share of the net pension liability (asset)	$ 270	598	833	562	(383)	1,377	1,107	1,170	1,200	1,236
City's covered payroll	$ 2,662	2,491	2,342	1,998	1,986	1,979	1,971	1,744	1,747	1,815
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	10.14%	24.01%	35.57%	28.13%	-19.28%	69.58%	56.16%	67.09%	68.69%	68.99%
IPERS' net position as a percentage of the total pension liability (asset)	95.27%	92.30%	90.13%	91.40%	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.
** Overall plan net pension asset.

See accompanying independent auditor's report.

City of Shenandoah

Schedule of City Contributions

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

Other Information

Description	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution	$ 282	261	235	220	189	190	190	190	166	160
Contributions in relation to the statutorily required contribution	(282)	(261)	(235)	(220)	(189)	(190)	(190)	(190)	(166)	(160)
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	$ 2,977	2,662	2,491	2,342	1,998	1,986	1,979	1,971	1,744	1,747
Contributions as a percentage of covered payroll	9.47%	9.80%	9.43%	9.39%	9.46%	9.57%	9.60%	9.64%	9.52%	9.16%

See accompanying independent auditor's report.

City of Shenandoah

Notes to Other Information – Pension Liability (Asset)

Year ended June 30, 2026

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%.

Supplementary Information

City of Shenandoah

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

As of and for the year ended June 30, 2026

Class of Transaction	Special Revenue Gidley Park Trust	Special Revenue Wilson Trust - Library	Special Revenue Wilson Trust - City	Special Revenue Forgotten Angels Cemetery Trust	Special Revenue Simons Trust - Library	Special Revenue Volunteer Fire Department	Special Revenue Snook Library	Permanent Esden Trust	Total
Receipts:									
Use of money and property	$ 1,130	2,867	-	-	-	-	-	823	4,820
Intergovernmental	-	-	-	-	-	2,500	-	-	2,500
Miscellaneous	9,014	62,421	141,487	-	-	41,966	7,328	-	262,216
Total receipts	10,144	65,288	141,487	-	-	44,466	7,328	823	269,536
Disbursements:									
Operating:									
Public safety	-	-	-	-	-	82,615	-	-	82,615
Culture and recreation	581	59,159	-	-	24,634	-	5,519	-	89,893
Total disbursements	581	59,159	-	-	24,634	82,615	5,519	-	172,508
Excess (deficiency) of receipts over (under) disbursements	9,563	6,129	141,487	-	(24,634)	(38,149)	1,809	823	97,028
Other financing uses:									
Transfers out	-	-	(248,352)	-	-	-	-	-	(248,352)
Change in cash balances	9,563	6,129	(106,865)	-	(24,634)	(38,149)	1,809	823	(151,324)
Cash balances beginning of year	72,555	294,586	248,352	3,351	24,634	40,634	23,089	21,679	728,880
Cash balances end of year	$ 82,118	300,715	141,487	3,351	-	2,485	24,898	22,502	577,556
Cash Basis Fund Balances									
Nonspendable - Esden Trust	$ -	-	-	-	-	-	-	20,000	20,000
Restricted for:									
Fire	-	-	-	-	-	2,485	-	-	2,485
Library	-	300,715	-	-	-	-	24,898	-	325,613
Parks	82,118	-	-	-	-	-	-	-	82,118
Other purposes	-	-	141,487	3,351	-	-	-	2,502	147,340
Total cash basis fund balances	$ 82,118	300,715	141,487	3,351	-	2,485	24,898	22,502	577,556

See accompanying independent auditor's report.

City of Shenandoah

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

For the Last Ten Years

Class of Transaction	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Receipts:										
Property tax	$ 2,660,509	2,795,854	2,506,589	2,459,436	2,286,440	2,453,023	2,528,768	2,430,237	2,271,242	2,319,962
Tax increment financing	154,571	145,321	135,150	125,189	208,320	774,116	274,304	267,231	318,111	289,462
Local option sales tax	768,447	713,530	727,650	703,509	741,321	214,825	614,924	505,725	549,967	512,063
Other city tax	124,940	158,504	120,482	128,200	103,252	159,402	169,412	135,730	123,099	137,742
Licenses and permits	43,224	44,290	52,969	57,527	63,200	54,204	67,940	61,551	60,812	57,632
Use of money and property	254,724	274,896	112,713	76,474	72,609	77,996	97,007	99,358	106,315	106,114
Intergovernmental	1,159,508	967,335	2,393,254	1,769,509	1,412,459	935,526	1,475,526	924,517	923,535	1,007,770
Charges for service	739,433	748,084	722,037	731,311	731,952	714,889	691,913	750,909	760,633	924,170
Miscellaneous	742,958	815,355	1,091,382	856,120	866,415	874,403	640,997	564,158	892,745	690,364
Total	$ 6,648,314	6,663,169	7,862,226	6,907,275	6,485,968	6,258,384	6,560,791	5,739,416	6,006,459	6,045,279
Disbursements:										
Operating:										
Public safety	$ 1,926,858	1,920,252	2,170,260	1,562,093	1,474,529	1,391,172	1,397,272	1,640,558	1,342,306	1,328,272
Public works	1,478,838	1,647,562	1,728,760	1,621,845	1,413,989	1,505,519	1,274,834	1,528,982	1,412,792	1,300,149
Health and social services	7,329	5,033	2,542	-	1,283	2,441	2,157	1,289	738	667
Culture and recreation	1,298,817	1,611,156	1,317,639	1,152,841	1,079,730	1,063,382	911,387	1,047,563	1,287,205	1,330,579
Community and economic development	237,856	406,723	161,130	159,481	170,403	179,028	155,610	133,282	403,185	631,070
General government	453,179	450,100	488,101	630,213	392,075	318,708	487,509	328,969	450,764	360,168
Debt service	505,808	645,667	1,666,471	507,443	634,794	808,374	780,880	909,049	714,639	867,138
Capital projects	970,969	650,428	2,388,886	1,752,837	2,117,892	744,203	1,160,260	94,561	418,364	417,306
Total	$ 6,879,654	7,336,921	9,923,789	7,386,753	7,284,695	6,012,827	6,169,909	5,684,253	6,029,993	6,235,349

See accompanying independent auditor's report.

City of Shenandoah

Schedule of Expenditures of Federal Awards

Year ended June 30, 2026

Grantor/Program	Assistance Listings Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Passed through Iowa Department of Natural Resources:			
Cooperative Forestry Assistance	10.664	2021 VFA P008-21	$ 2,500
Water and Waste Disposal Systems for Rural Communities	10.760	Water and Wastewater	18,144,724
Total U.S. Department of Agriculture			18,147,224
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	3-19-0082-020-2025	806,828
Passed through Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	BRM-6965 (618)-8N-73	1,936
Total U.S. Department of Transportation			808,764
Total			$ 18,955,988

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Shenandoah under programs of the federal government for the year ended June 30, 2026. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Shenandoah, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Shenandoah.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – The City of Shenandoah has elected not to use the 15% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

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Rob Sand
Auditor of State

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, 2026, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 3, 2026. Our report expressed unmodified opinions on the financial statements which were 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.

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 certain deficiencies in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2026-001 and 2026-002 that we consider to be material weaknesses.

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 an immaterial instance of noncompliance or other matters which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2026 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 and Questioned Costs. 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

November 3, 2026

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Rob Sand
Auditor of State

Independent Auditor's Report on Compliance
for each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Shenandoah, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Shenandoah's major federal program for the year ended June 30, 2026. The City of Shenandoah's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Shenandoah complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2026.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Shenandoah's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Shenandoah's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Shenandoah's compliance based on our audit. 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, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgment made by a reasonable user of the report on compliance about the City of Shenandoah's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 City of Shenandoah's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City of Shenandoah's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Shenandoah's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Brian R. Brustkern, CPA
Deputy Auditor of State

November 3, 2026

Schedule of Findings and Questioned Costs

City of Shenandoah

Schedule of Findings and Questioned Costs

Year ended June 30, 2026

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

a) Unmodified opinions were issued on the financial statements prepared on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles in the United States of America.

b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements and no significant deficiencies were disclosed.

c) The audit did not disclose any noncompliance which is material to the financial statements.

d) No material weaknesses or significant deficiencies in internal control over the major program were noted.

e) An unmodified opinion was issued on compliance with requirements applicable to the major program.

f) The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.

g) The major program was Assistance Listing Number 10.760 – Water and Waste Disposal Systems for Rural Communities.

h) The dollar threshold used to distinguish between Type A and Type B programs was $1,000,000.

i) The City of Shenandoah did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2026-001 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 and the Library Foundation's financial statements.

Condition – Generally, one or two individuals in the City may have control over the following areas for which no compensating controls exist:

(1) Investments – recordkeeping, investing, custody of investments and reconciling earnings.

(2) Long-term debt – recordkeeping, compliance and debt payment processing.

(3) Utilities – opening mail, billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.

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

(1) Cash – handling, reconciling and recording.

(2) Receipts – opening mail, collecting, depositing, posting and reconciling.

Cause – The City 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 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.

Recommendation – The City and the Library Foundation should review control activities 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. The reviews 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 – 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.

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

2026-002 Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – The City's accounting system did not capture or report the financial activity managed separately by BOK Financial, the paying agent, related to the sewer revenue capital loan anticipation project notes. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Cause – City policies do not require, and procedures have not been established to ensure funds maintained by BOK Financial are recorded in the City's general ledger.

Effect – Because of this lack of policies and procedures, City employees did not detect errors in the normal course of performing their assigned functions. As a result, material amounts of receipts and disbursements were excluded from the City's general ledger and Annual Financial Report (AFR) and material adjustments to the City's financial statements were necessary.

Recommendation – The City should establish and implement procedures to ensure all receipts and disbursements, including those managed by third parties such as BOK Financial, are recorded in the City's general ledger and reported in the Annual Financial Report.

Response – The City will ensure financial activity for the funds BOK manages for the City are included in the City general ledger and are reported in the Annual Financial Report in the future.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

City of Shenandoah

Schedule of Findings and Questioned Costs

Year ended June 30, 2026

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

City of Shenandoah

Schedule of Findings and Questioned Costs

Year ended June 30, 2026

Part IV: Other Findings Related to Required Supplementary Reporting:

2026-A Certified Budget – Disbursements during the year ended June 30, 2026 exceeded the amounts budgeted in the business type activities function prior to the budget amendment and 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.

2026-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.

2026-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2026-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.

2026-E Business Transactions – No business transactions between the City and City officials or employees were noted.

2026-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.

2026-G City Council Minutes – No transactions were found which we believe should have been approved in the City Council minutes but were not.

2026-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

2026-I Revenue Notes – No instances of noncompliance with the revenue note resolutions were noted.

2026-J Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) for the period ending June 30, 2025 was certified to the Iowa Department of Management on or before December 1st.

2026-K Payment of General Obligation Notes – Chapter 384.4 of the Code of Iowa states, in part, "moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund". Certain interest on the general obligation notes for the sewer repairs were paid from the Enterprise, Sewer Fund.

Recommendation – The City should transfer from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions, if any. Payments on the notes should be made from the Debt Service Fund, as required.

Response – Transfers from the Enterprise, Sewer fund to the Debt Service Fund will be made and all payments will be disbursed from the Debt Service Fund for future payments.

Conclusion – Response accepted.

2026-L Tax Increment Financing – The Special Revenue, Urban Renewal Tax Increment Financing Fund properly disbursed payments for Tax Increment Financing (TIF) loans and rebates. Also, the City of Shenandoah properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

City of Shenandoah

Staff

This audit was performed by:

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