



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

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NEWS RELEASE

FOR RELEASE

March 29, 2005

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Shenandoah, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$6,301,561 for the year ended June 30, 2004. The receipts included \$1,875,256 in property tax, \$458,424 from local option sale tax, \$1,678,726 from charges for service, \$749,735 from operating grants, contributions and restricted interest, \$675,966 from capital grants, contributions and restricted interest, \$688,800 from note proceeds, \$2,727 from unrestricted interest on investments and \$171,927 from other general receipts.

Disbursements for the year totaled \$7,066,052, and included \$1,949,805 for capital projects, \$973,336 for public works and \$928,728 for culture and recreation. Also, disbursements for business type activities totaled \$1,038,088.

The significant decrease in receipts and disbursements is due primarily to less capital projects activity than the prior year.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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CITY OF SHENANDOAH

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

JUNE 30, 2004

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City of Shenandoah

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Gregg Connell	Mayor	Jan 2006
Raymond Bryant	Mayor Pro tem	Jan 2006
E. J. Teachout	Council Member	Jan 2004
Robert Burchett	Council Member	Jan 2004
Lee Gingery	Council Member	Jan 2006
Marvin Adcock	Council Member	Jan 2006
(After January 2004)		
Gregg Connell	Mayor	Jan 2006
Raymond Bryant	Mayor Pro tem	Jan 2006
Lee Gingery	Council Member	Jan 2006
Marvin Adcock	Council Member	Jan 2006
E. J. Teachout	Council Member	Jan 2008
Robert Burchett	Council Member	Jan 2008
Byron Harris	Administrator	Jan 2006
Merrill J. Kruse	Manager/Clerk	Jan 2006
James Winegardner	Treasurer	Jan 2006
Robert Norris	Attorney	Jan 2006

City of Shenandoah



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Shenandoah, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Shenandoah's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

The financial statements referred to above include only the primary government of the City of Shenandoah, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Shenandoah as of June 30, 2004, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Shenandoah as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

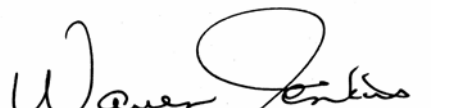
As described in Note 15, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2004 on our consideration of the City of Shenandoah’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed 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 second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 19, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Shenandoah provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 9.3%, or approximately \$455,000, from fiscal 2003 to fiscal 2004. Property tax decreased approximately \$30,000 and intergovernmental receipts decreased approximately \$729,000.
- Governmental activities disbursements decreased 5.3%, or approximately \$340,000, in fiscal 2004 from fiscal 2003. Public safety decreased approximately \$222,000.
- The City's total cash basis net assets decreased 44.8%, or approximately \$764,000, from June 30, 2003 to June 30, 2004.
- The City began collecting tax increment financing in fiscal 2004 of approximately \$121,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system, the wastewater treatment and sanitary sewer system. These activities are financed primarily by user fees.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Employee Benefits, Local Option Sales Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City and the swimming pool note sinking fund.

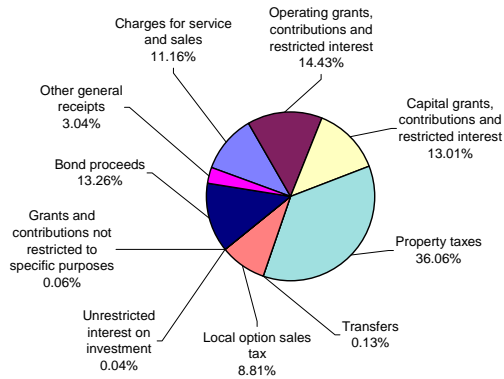
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

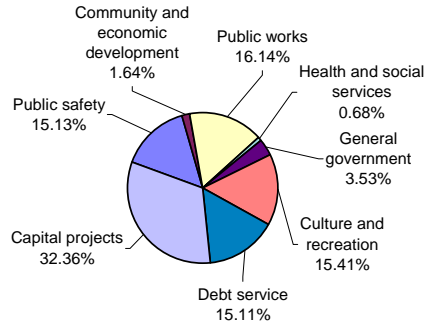
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, from approximately \$1.6 million to \$772 thousand. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	
	Year ended June 30, 2004
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 580
Operating grants, contributions and restricted interest	750
Capital grants, contributions and restricted interest	676
General receipts:	
Property tax	1,875
Local option sales tax	458
Grants and contributions not restricted to specific purposes	3
Unrestricted interest on investment	2
Note proceeds	689
Other general receipts	158
Transfers, net	7
Total receipts and transfers	<u>5,198</u>
Disbursements:	
Public safety	912
Public works	973
Health and social services	41
Culture and recreation	929
Community and economic development	99
General government	213
Debt service	911
Capital projects	1,950
Total disbursements	<u>6,028</u>
Decrease in cash basis net assets	(830)
Cash basis net assets beginning of year, as restated	<u>1,602</u>
Cash basis net assets end of year	<u>\$ 772</u>

Receipts by Source



Disbursements by Function



Total business type activities balance increased from a year ago, increasing from approximately \$103 thousand to \$168 thousand. The increase is due to rate increases that took effect late in the prior year and a reduction in total disbursements.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year ended June 30, 2004
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 690
Sewer	408
General receipts:	
Unrestricted interest on investments	1
Miscellaneous	11
Total receipts	1,110
Disbursements and transfers:	
Water	716
Sewer	322
Transfers	7
Total disbursements and transfers	1,045
Increase in cash balance	65
Cash basis net assets beginning of year, as restated	103
Cash basis net assets end of year	\$ 168

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Shenandoah completed the fiscal year, its governmental funds reported a combined fund balance of \$772,287, a decrease of \$829,844 below last year's total of \$1,602,131. The following are the major reasons for the changes in fund balances of the major funds from the prior year and changes in receipt and disbursement totals.

The City of Shenandoah is in the process of installing a new computer system for all governmental and business type financial records, including utility billing and receipt management. The system was implemented in the middle of the fiscal year ended June 30, 2004. Records comparing the prior year financial activities with the current fiscal year will not be easy to obtain. However, the new system will provide a history of all financial records for future comparisons.

The restated General Fund cash balance at the end of fiscal 2003 was \$71,547 and at the end of fiscal 2004 was \$32,518, in part due to the cut in state revenues. The City's overall disbursements in the General Fund decreased from \$1,941,151 in fiscal 2003 to \$1,861,871 in fiscal 2004, a decrease of \$79,280, or 4.1%.

The Special Revenue, Employee Benefits Fund receipts increased by \$10,834 and expenditures decreased by \$21,958, primarily due to fewer employees.

The Special Revenue, Local Option Sales Tax Fund tax receipts increased in fiscal 2004 from \$436,484 in fiscal 2003 to \$458,424. The local option sales tax receipts increase was a result of increased retail sales in Shenandoah, which is helping our economy grow.

By a referendum, the local option tax was put into four categories: 60% property tax relief, 20% community betterment, 10% community planning and 10% economic development. Following is a breakdown for 2004 receipts:

Property tax relief	\$ 279,676
Community betterment	85,523
Community planning	46,612
Economic development	46,613

Most of the funds are transferred to supplement the General Fund. The portion for community betterment is used to pay principal and interest on bonds sold to help finance the construction of a new swimming pool. Also, the portion for community planning is used to help finance the City Metal Recycling Program. All of the 10% received for economic development goes to the Shenandoah Chamber and Industry Association. All monies transferred from the Special Revenue, Local Option Sales Tax Fund to other City funds are used for, or are a form of, property tax relief.

The Special Revenue, Tax Increment Financing Fund (TIF) was established last fiscal year for the construction of a new theater. \$1,485,000 in TIF bonds were sold and certified to Fremont County for collection. Only \$155,000 of the City's TIF valuation was used for principal and interest payments. The cash balance increased from \$101,569 in fiscal 2003 to \$154,037 in fiscal 2004. The bond resolution requires a sinking fund reserve of \$148,500.

The Special Revenue, Simons Trust - Library Fund was established several years ago when a former resident bequeathed approximately \$250,000 to the City Library. The Library Board of Trustees have been working with architects on plans to construct a major addition adjacent to our library. The cash balance decreased from \$236,044 in fiscal 2003 to \$135,515 in fiscal 2004. Property purchases and architect fees account for the decrease.

The Debt Service Fund disbursements increased \$136,344 from fiscal 2003 and the City issued \$700,000 in general obligation notes for the 2003 Street Improvement Program. The cash balance decreased from \$44,082 in fiscal 2003 to \$9,678 in fiscal 2004.

Several capital projects were either completed or continued in fiscal 2004. The theater project was carried over and completed in fiscal 2004 with expenditures of \$379,507 in 2004. The Shenandoah Lake Project is continuing, with expenditures of \$47,504 in fiscal 2004 (law suits have this project on hold.) The 2003 Asphalt Street Improvement Program was completed in 2004 at a cost of \$566,575. The Turnbull Child Care Center was not completed, but included expenditures of \$248,853 in fiscal 2004. The Butterfly Greenhouse Project, with expenditures of \$35,146 in fiscal 2004, was paid from Bricker Trust Fund monies so no tax dollars were used. The cash balance of the Capital Projects Fund decreased from \$467,024 in fiscal 2003 to \$13,811 in fiscal 2004 because of project costs.

The Permanent, Cemetery Perpetual Care Fund cash balance of \$141,871 did not change significantly from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

Water utilities receipts decreased in fiscal 2004 by \$11,194 from 2003. Expenditures also increased in fiscal 2004 by \$11,931. The receipts decreased in fiscal 2004 because the City was under water rationing restrictions during 2003.

Sewer utilities receipts increased slightly over fiscal 2003 by \$4,493, again due in part by the City being under water rationing restrictions during 2003. Expenditures decreased during fiscal 2004 by \$82,197.

BUDGETARY HIGHLIGHTS

The FY04 budget contained a number of important programmatic elements. The more critical elements include:

- Permanent elimination of state intergovernmental revenue effective July 1, 2003, costing the City approximately \$84,000 per year. These permanent cuts occurred following certification of the FY04 budget, resulting in reductions in employees and cut-backs in departmental expenses.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$5,886,000 in bonds and other long-term debt, compared to approximately \$5,799,000 last year. The chart below segregates the City's debt into its component parts.

Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30, 2004
General obligation bonds/notes	\$ 2,960
Urban renewal revenue notes	1,485
Local option sales and services tax revenue bonds	190
Revenue bonds/notes	337
Special assessment bonds/notes	506
Capital lease purchase agreement	408
Total	<u>\$ 5,886</u>

City debt payments in fiscal 2004 reduced outstanding debt by approximately \$613,000. However, issuance of new debt of \$700,000 increased the net outstanding debt by \$87,000.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding debt included in the debt limit totaled \$5,043,000 and the constitutional debt limit is approximately \$7,720,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economy of the nation, state, and city all play important roles in our City's budget. Recent downturns in the national and state economies have led to reduced state revenues to cities. State cutbacks to Shenandoah were approximately \$125,000. These cuts directly effect the General Fund of the City and, with the \$8.10 limitation on the general fund levy, employees and services were cut.

The local economy in Shenandoah is currently very strong. Approximately 300 new jobs were created by Shenandoah's two largest employers. We expect expanded local option sales tax receipts and significant building is scheduled to take place next year. An expanded local option sales tax will provide added revenues for property tax relief, community betterment, community planning and economic development. Expanded construction in Shenandoah will, over time, provide expanded receipts for the General Fund, the Special Revenue, Employee Benefits Fund and the Debt Service Fund.

The most alarming aspect of our national, state and local economy is the spiraling rate of insurance costs, particularly health insurance premiums. The City of Shenandoah expects premium increases of \$82,000 in next year's budget. The City will have no choice but to raise our special revenue levy to meet this added expense.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Byron Harris, City Administrator by mail at 500 W. Clarinda Avenue, Shenandoah, Iowa 51601-0338 or by phone at (712) 246-4411.

City of Shenandoah

Basic Financial Statements

City of Shenandoah

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 912,467	19,236	8,952	7,516
Public works	973,336	394,983	487,977	-
Health and social services	40,784	3,823	4,315	-
Culture and recreation	928,728	149,924	56,119	37,045
Community and economic development	98,963	-	2,247	-
General government	213,220	12,206	173,217	-
Debt service	910,661	-	16,908	84,138
Capital projects	1,949,805	-	-	547,267
Total governmental activities	6,027,964	580,172	749,735	675,966
Business type activities:				
Water	715,964	690,077	-	-
Sewer	322,125	408,478	-	-
Total business type activities	1,038,089	1,098,555	-	-
Total	\$ 7,066,053	1,678,727	749,735	675,966
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(876,763)	-	(876,763)
(90,376)	-	(90,376)
(32,646)	-	(32,646)
(685,640)	-	(685,640)
(96,716)	-	(96,716)
(27,797)	-	(27,797)
(809,615)	-	(809,615)
(1,402,538)	-	(1,402,538)
(4,022,091)	-	(4,022,091)
-	(25,887)	(25,887)
-	86,353	86,353
-	60,466	60,466
(4,022,091)	60,466	(3,961,625)
1,354,905	-	1,354,905
120,739	-	120,739
399,612	-	399,612
458,424	-	458,424
2,597	-	2,597
1,839	888	2,727
688,800	-	688,800
111,480	11,175	122,655
46,675	-	46,675
7,176	(7,176)	-
3,192,247	4,887	3,197,134
(829,844)	65,353	(764,491)
1,602,131	102,993	1,705,124
\$ 772,287	168,346	940,633
\$ 5,537	-	5,537
158,178	35,290	193,468
608,350	44,709	653,059
222	88,347	88,569
\$ 772,287	168,346	940,633

City of Shenandoah

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

As of and for the year ended June 30, 2004

	Special Revenue				
	General	Employee Benefits	Local Option Sales Tax	Tax Increment Financing	Simons Trust - Library
Receipts:					
Property tax	\$ 792,015	455,791	-	-	-
Tax increment financing	-	-	-	120,739	-
Other city tax	38,512	22,209	458,424	-	-
Licenses and permits	57,889	-	-	-	-
Use of money and property	34,945	-	521	2,140	2,295
Intergovernmental	18,110	-	-	-	-
Charges for service	510,239	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	91,536	49,861	7,702	-	-
Total receipts	1,543,246	527,861	466,647	122,879	2,295
Disbursements:					
Operating:					
Public safety	638,548	259,612	-	-	-
Public works	428,010	87,077	-	-	-
Health and social services	30,266	8,474	-	-	-
Culture and recreation	599,271	139,493	-	-	77,954
Community and economic development	369	-	93,923	-	-
General government	165,407	47,813	-	-	-
Debt service	-	-	-	40,628	-
Capital projects	-	-	-	-	-
Total disbursements	1,861,871	542,469	93,923	40,628	77,954
Excess (deficiency) of receipts over (under) disbursements	(318,625)	(14,608)	372,724	82,251	(75,659)
Other financing sources (uses):					
General obligation note proceeds (net of \$11,200 discount)	-	-	-	-	-
Sale of capital assets	44,650	-	-	-	-
Operating transfers in	277,526	42,450	-	187,016	130
Operating transfers out	(42,580)	-	(316,938)	(216,799)	(25,000)
Total other financing sources (uses)	279,596	42,450	(316,938)	(29,783)	(24,870)
Net change in cash balances	(39,029)	27,842	55,786	52,468	(100,529)
Cash balances beginning of year, as restated	71,547	12,661	28,192	101,569	236,044
Cash balances end of year	\$ 32,518	40,503	83,978	154,037	135,515
Cash Basis Fund Balances					
Reserved:					
Debt service	\$ -	-	-	148,500	-
Unreserved:					
General fund	32,518	-	-	-	-
Special revenue funds	-	40,503	83,978	5,537	135,515
Capital projects fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	\$ 32,518	40,503	83,978	154,037	135,515

See notes to financial statements.

Debt Service	Capital Projects	Permanent		Nonmajor Governmental Funds	Total
		Cemetery Perpetual Care			
399,612	-	-		26,350	1,673,768
-	-	-		-	120,739
18,744	-	-		1,284	539,173
-	-	-		-	57,889
868	10,134	15		49,944	100,862
-	461,290	-		461,913	941,313
-	-	3,102		-	513,341
84,138	-	-		-	84,138
16,039	38,494	-		220,614	424,246
519,401	509,918	3,117		760,105	4,455,469
-	-	-		14,307	912,467
-	-	-		458,249	973,336
-	-	-		2,044	40,784
-	-	-		112,010	928,728
-	-	-		4,671	98,963
-	-	-		-	213,220
868,533	1,500	-		-	910,661
-	1,672,883	-		276,922	1,949,805
868,533	1,674,383	-		868,203	6,027,964
(349,132)	(1,164,465)	3,117		(108,098)	(1,572,495)
-	688,800	-		-	688,800
-	2,025	-		-	46,675
355,355	60,314	-		135,544	1,058,335
(40,627)	(39,887)	(15)		(369,313)	(1,051,159)
314,728	711,252	(15)		(233,769)	742,651
(34,404)	(453,213)	3,102		(341,867)	(829,844)
44,082	467,024	138,769		502,243	1,602,131
9,678	13,811	141,871		160,376	772,287
9,678	-	-		-	158,178
-	-	-		-	32,518
-	-	-		160,376	425,909
-	13,811	-		-	13,811
-	-	141,871		-	141,871
9,678	13,811	141,871		160,376	772,287

Exhibit C

City of Shenandoah

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

As of and for the year ended June 30, 2004

	Enterprise Funds			
	Water	Sewer	Nonmajor - Swimming Pool Note Sinking	Total
Operating receipts:				
Charges for service	\$ 672,359	407,915	-	1,080,274
Miscellaneous	27,261	2,195	-	29,456
Total operating receipts	699,620	410,110	-	1,109,730
Operating disbursements:				
Business type activities	703,414	309,500	-	1,012,914
Excess (deficiency) of operating receipts over (under) operating disbursements	(3,794)	100,610	-	96,816
Non-operating receipts (disbursements):				
Interest on investments	428	159	301	888
Debt service	(12,550)	(12,625)	-	(25,175)
Total non-operating receipts (disbursements)	(12,122)	(12,466)	301	(24,287)
Excess (deficiency) of receipts over (under) disbursements	(15,916)	88,144	301	72,529
Operating transfers out	(3,588)	(3,588)	-	(7,176)
Net change in cash balances	(19,504)	84,556	301	65,353
Cash balances beginning of year, as restated	83,848	(30,967)	50,112	102,993
Cash balances end of year	\$ 64,344	53,589	50,413	168,346
Cash Basis Fund Balances				
Reserved for:				
Debt service	\$ -	-	50,413	50,413
Meter deposits	44,709	-	-	44,709
Unreserved	19,635	53,589	-	73,224
Total cash basis fund balances	\$ 64,344	53,589	50,413	168,346

See notes to financial statements.

City of Shenandoah

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Shenandoah is a political subdivision of the State of Iowa located in Page and Fremont Counties. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City of Shenandoah has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Shenandoah (the primary government) and exclude its component unit. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Unit

The Shenandoah Public Library Foundation (Foundation) was incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Shenandoah Public Library. The donations are to be used to purchase items which are not included in the City's budget. The financial transactions of this component unit have not been displayed because they were not made available.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Page County Assessor's Conference Board, Page County Landfill Association and SWIPCO-Regional Planning Commission.

Related Organization

The City Council Members are responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for employee pensions and other benefits.

The Local Option Sales Tax Fund is used to account for local option sales tax received and its uses.

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Simons Trust - Library Fund is used to account for the trust and uses of money collected.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

The Permanent Fund is used to account for funds collected for the perpetual care of the cemetery.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Shenandoah maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$441,499 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The City had two certificates of deposit that were held in a depository outside the State of Iowa.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Water Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 80,000	17,290	335,000	121,235	20,000	4,050
2006	85,000	13,400	335,000	106,675	20,000	3,150
2007	90,000	9,223	335,000	91,790	25,000	2,250
2008	95,000	4,760	345,000	76,705	25,000	1,125
2009	-	-	350,000	60,580	-	-
2010-2014	-	-	860,000	111,010	-	-
2015-2019	-	-	50,000	4,467	-	-
Total	\$ 350,000	44,673	2,610,000	572,462	90,000	10,575

Year Ending June 30,	Local Option Sales and Services Tax Revenue Bonds		Swimming Pool Revenue Notes	
	Principal	Interest	Principal	Interest
2005	\$ 45,000	9,837	25,388	13,632
2006	45,000	7,543	26,790	12,230
2007	50,000	5,225	28,268	10,752
2008	50,000	2,625	29,803	9,216
2009	-	-	31,474	7,546
2010-2014	-	-	105,228	11,831
2015-2019	-	-	-	-
Total	\$ 190,000	25,230	246,951	65,207

Year Ending June 30,	Urban Renewal Revenue Notes		Special Assessment Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 70,000	81,255	60,000	22,188	635,388	269,487
2006	75,000	79,155	60,000	20,087	646,790	242,240
2007	75,000	76,455	60,000	17,838	663,268	213,533
2008	80,000	73,380	65,000	15,437	689,803	183,248
2009	80,000	69,780	65,000	12,675	526,474	150,581
2010-2014	475,000	282,550	195,000	19,825	1,635,228	425,216
2015-2019	630,000	126,592	-	-	680,000	131,059
Total	\$ 1,485,000	789,167	505,000	108,050	5,476,951	1,615,364

Revenue Bonds

The resolution providing for the issuance of the water revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water bond sinking account for the purpose of making the bond principal and interest payments when due.
- (c) A separate water sinking reserve account shall be established with a specific established balance. This account is restricted for the purpose of paying principal and interest when funds in the water bond sinking account are inadequate.
- (d) Monthly transfers of \$2,000 shall be made to a water improvement reserve account until \$100,000 has been accumulated. This account is restricted for the purpose of paying for capital improvements and extensions to the municipal water utility or for principal and interest payments which the sinking and reserve accounts might be unable to make.
- (e) The City will provide for the collection of rates to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the utility and to have a balance of net revenues equal to at least 125% of the principal and interest due on the bonds each fiscal year.

The City did not provide for the collection of rates to provide a balance of net revenues equal to at least 125% of the principal and interest due on the bonds each fiscal year.

Local Option Sales and Services Tax Revenue Bonds

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the costs of the construction and equipping of a municipal swimming pool and aquatic center. The bonds are payable solely from the proceeds of the local option sales tax received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa. The bonds are not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City.

The resolution providing for the issuance of the local option sales and services tax revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the local option sales tax received by the City and the bond holders hold a lien on the future revenues received.
- (b) Sufficient quarterly deposits shall be made to a separate revenue sinking account for the purpose of making the bond principal and interest payments when due.
- (c) Additional quarterly deposits of \$3,750 shall be made to a reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of correcting any deficiencies in the revenue sinking account.

The City did not make the required transfers to the reserve account and did not make the required principal and interest payments from the revenue sinking account. The City closed the sinking and reserve accounts in fiscal year 2002. The bond principal and interest payments were made from the Debt Service Fund with revenues provided by transfers from the Special Revenue, Local Option Sales Tax Fund.

Revenue Notes

The resolution providing for the issuance of the swimming pool revenue notes includes the following provisions:

- (a) The notes will be redeemed from the future earnings of the enterprise activity and from Wilson Trust revenues and the note holders hold a lien on the future earnings of the funds. Wilson Trust revenues represent payments from the Trust under an agreement between the City and the Trust pursuant to Iowa Code Chapter 28E which, by the terms of said agreement, are restricted to the payment of the notes.
- (b) Future earnings of the enterprise activity will be distributed as follows:
 - (1) First to an operations and maintenance account for the payment of current expenses. The City accounts for this activity in a separate account of the General Fund.
 - (2) Next to an improvement account at the rate of \$200 each June, July and August up to a maximum of \$5,000 for the purpose of making the note principal and interest payments when the sinking account is insufficient and to pay the cost of extraordinary maintenance, repair and replacements not included in the annual enterprise budget, as well as rentals, enterprise property and capital improvements. The City accounts for this activity in the Enterprise, Swimming Pool Note Sinking Fund.
 - (3) Next to a separate sinking account for the purpose of making the note principal and interest payments when due. The City accounts for this activity in the Enterprise, Swimming Pool Note Sinking Fund.

The City did not maintain a separate improvement account since this account was closed during the year ended June 30, 2002. Also, the City did not make the required transfers of earnings of swimming pool enterprise activity to the Enterprise, Swimming Pool Note Sinking Fund during the year ended June 30, 2004. The note principal and interest payments were made from the Debt Service Fund with revenues provided by a transfer from the Special Revenue, Wilson Trust Fund.

Urban Renewal Revenue Notes

The urban renewal revenue notes were issued for the purpose of paying costs of an urban renewal project, consisting of demolition, renovation and equipment for the Community Theatre Project. The notes are payable solely from the income and proceeds of the urban renewal project in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal revenue notes shall be expended only for purposes consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City. The resolution providing for the issuance of the notes includes the following provisions:

- (a) A separate sinking fund shall be established for the purpose of paying interest and principal coming due during the fiscal year. The City accounts for this activity within the Special Revenue, Tax Increment Financing Fund.
- (b) A separate reserve fund shall be established to maintain a required debt service reserve. The City is to deposit note proceeds of \$148,500 into this reserve fund. This fund is restricted for the purpose of paying principal and interest when funds in the sinking fund are inadequate. The City accounts for these proceeds in the Special Revenue, Tax Increment Financing Fund.

Capital Lease Purchase Agreement

The City entered into a capital lease purchase agreement to acquire a fire truck. The following is a schedule of the future minimum lease payments, including interest at 5.56% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2004:

Year Ending June 30,	Amount
2005	\$ 64,529
2006	64,529
2007	64,529
2008	64,529
2009	64,529
2010-2012	<u>193,588</u>
Total minimum lease payments	516,233
Less amount representing interest	<u>(108,448)</u>
Present value of net minimum lease payments	<u>\$ 407,785</u>

During the year ended June 30, 2004, \$64,529 was paid under the capital lease purchase agreement.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$88,727, \$94,229 and \$89,377, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees separated from City employment are paid for unused vacation leave earned. However, sick leave days are lost upon resignation, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2004, primarily relating to the General Fund, was \$76,000. This liability has been computed based on rates of pay in effect at June 30, 2004.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 168,000
	Rapp Library Trust	73,770
	Wilson Trust - Other	9,479
	Simons Trust - Library	25,000
	Capital Projects	1,262
	Permanent:	
	Cemetery Perpetual Care	15
		<u>277,526</u>
Special Revenue:	General	42,450
Employee Benefits		<u>42,450</u>
Special Revenue:	Special Revenue:	
Tax Increment Financing	Bricker Trust	146,389
	Debt Service	40,627
		<u>187,016</u>
Special Revenue:	General	130
Simons Trust - Library		<u>130</u>
Debt Service	Special Revenue:	
	Emergency	16,265
	Local Option Sales Tax	148,938
	Tax Increment Financing	81,255
	Wilson Trust-Other	83,410
	Capital Projects	18,311
	Enterprise:	
	Water	3,588
	Sewer	3,588
		<u>355,355</u>
Capital Projects	Special Revenue:	
	Bricker Trust	40,000
	Tax Increment Financing	20,314
		<u>60,314</u>
Special Revenue:	Special Revenue:	
Bricker Trust	Tax Increment Financing	115,230
	Capital Projects	20,314
		<u>135,544</u>
Total		<u>\$ 1,058,335</u>

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

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$59,222 during the year ended June 30, 2004.

(8) Hospital Facilities Refunding Revenue Bonds

On November 1, 2002, the City issued \$2,560,000 of Hospital Facilities Refunding Revenue Bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds were used for the purpose of paying the cost of refunding the industrial development refunding revenue bonds of the hospital. The bonds, of which \$2,075,000 is outstanding at June 30, 2004, and related interest are payable solely from the future earnings of the hospital and do not constitute liabilities of the City.

(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) Deficit Balance

The Special Revenue, Road Use Tax Fund had a deficit balance of \$23,722. The deficit balance will be eliminated through future collection of road use tax funds from the State and reductions in disbursements.

(11) Construction Commitments

The City has entered into construction contracts totaling approximately \$782,000 which will be paid as work on these projects progresses.

(12) Economic Development Revolving Loan Fund

Conditions of the loans are determined by the Loan Review Committee on a case by case basis with final approval by the City Council. Current loans are for a period of five to fifteen years, bear interest rates that range from 1% to 4%, and are to be repaid in either monthly or quarterly installments. During the year ended June 30, 2004, the City approved a \$10,000 loan for an economic development project and collections of \$33,461 of principal and \$6,564 of interest were received. Two loans totaling \$43,241 were considered insolvent and uncollectible. The outstanding loan principal balance at June 30, 2004 was \$196,577.

(13) Subsequent Events

In July 2004, the City issued \$540,000 in general obligation notes for street improvement and building demolition projects. Also, in July 2004, the City issued \$470,000 in urban renewal revenue notes for two economic development and building demolition projects.

(14) Pending Litigation

The City has adopted a resolution authorizing the issuance of \$110,000 of general obligation bonds for essential corporate purposes to construct an artificial body of water in Page County. The issuance is subject to a lawsuit in which the Page County District Court ruling to dismiss was appealed to the Iowa Supreme Court. The Supreme Court remanded the case for further proceedings in District Court. A trial date has not yet been set.

(15) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Within governmental activities, the City reclassified the Cemetery Perpetual Care Fund from a Non-Expendable Trust Fund to a Permanent Fund; the Expendable Trust Funds, the Revolving Loan Fund from Capital Projects and the Tree Board account of the General Fund were reclassified to Special Revenue Funds; and the Special Revenue, Shenandoah Acquisition Demolition and Clearing Fund was reclassified to the Capital Projects Fund. These reclassifications had no effect on the beginning balances of the City’s governmental and business type activities.

Internal Service Funds were reclassified to the General Fund. The effects of those restatements are as follows:

	Governmental Activities	Business Type Activities
Cash basis net assets June 30, 2003, as previously reported	\$ 1,601,923	103,201
Internal Service:		
Payroll Revolving	(19)	19
Supply Revolving	227	(227)
Cash basis net assets July 1, 2003, as restated	\$ 1,602,131	102,993

City of Shenandoah

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 1,673,768	-
Tax increment financing	120,739	-
Other city tax	539,173	-
Licenses and permits	57,889	-
Use of money and property	100,862	888
Intergovernmental	941,313	-
Charges for service	513,341	1,080,274
Special assessments	84,138	-
Miscellaneous	424,246	29,456
Total receipts	4,455,469	1,110,618
Disbursements:		
Public safety	912,467	-
Public works	973,336	-
Health and social services	40,784	-
Culture and recreation	928,728	-
Community and economic development	98,963	-
General government	213,220	-
Debt service	910,661	25,175
Capital projects	1,949,805	-
Business type activities	-	1,012,914
Total disbursements	6,027,964	1,038,089
Excess (deficiency) of receipts over (under) disbursements	(1,572,495)	72,529
Other financing sources, net	742,651	(7,176)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(829,844)	65,353
Balances beginning of year	1,602,131	102,993
Balances end of year	\$ 772,287	168,346

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,673,768	1,670,036	1,670,036	3,732
120,739	117,080	117,080	3,659
539,173	507,957	507,957	31,216
57,889	11,400	11,400	46,489
101,750	1,003,328	1,003,328	(901,578)
941,313	653,302	653,302	288,011
1,593,615	1,680,935	1,680,935	(87,320)
84,138	84,138	84,138	-
453,702	393,600	393,600	60,102
<u>5,566,087</u>	<u>6,121,776</u>	<u>6,121,776</u>	<u>(555,689)</u>
912,467	901,207	901,207	(11,260)
973,336	977,153	984,153	10,817
40,784	42,746	42,746	1,962
928,728	775,076	796,846	(131,882)
98,963	42,543	42,543	(56,420)
213,220	204,992	249,992	36,772
935,836	765,249	864,815	(71,021)
1,949,805	2,035,000	2,735,000	785,195
1,012,914	1,197,066	1,197,066	184,152
<u>7,066,053</u>	<u>6,941,032</u>	<u>7,814,368</u>	<u>748,315</u>
(1,499,966)	(819,256)	(1,692,592)	192,626
<u>735,475</u>	<u>1,737,718</u>	<u>2,611,054</u>	<u>(1,875,579)</u>
(764,491)	918,462	918,462	(1,682,953)
<u>1,705,124</u>	<u>1,211,455</u>	<u>1,211,455</u>	<u>493,669</u>
<u>940,633</u>	<u>2,129,917</u>	<u>2,129,917</u>	<u>(1,189,284)</u>

City of Shenandoah

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$873,336. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and debt service functions.

Other Supplementary Information

City of Shenandoah

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

As of and for the year ended June 30, 2004

	Special Revenue					
	Road Use Tax	Emergency	Gidley Park Trust	Esden Trust	Holiday Dinners	Rapp Library Trust
Receipts:						
Property tax	\$ -	26,350	-	-	-	-
Other city tax	-	1,284	-	-	-	-
Use of money and property	-	298	320	290	45	44
Intergovernmental	461,913	-	-	-	-	-
Miscellaneous	-	1,170	4,717	-	3,717	73,770
Total receipts	461,913	29,102	5,037	290	3,762	73,814
Disbursements:						
Operating:						
Public safety	-	2,610	-	-	-	-
Public works	456,359	1,890	-	-	-	-
Health and social services	-	-	-	-	2,044	-
Culture and recreation	-	-	10,166	2,069	-	-
Community and economic development	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	456,359	4,500	10,166	2,069	2,044	-
Excess (deficiency) of receipts over (under) disbursements	5,554	24,602	(5,129)	(1,779)	1,718	73,814
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	(16,265)	-	-	-	(73,770)
Total other financing sources (uses)	-	(16,265)	-	-	-	(73,770)
Net change in cash balances	5,554	8,337	(5,129)	(1,779)	1,718	44
Cash balances beginning of year, as restated	(29,276)	1,611	53,204	22,947	1,364	10,000
Cash balances end of year	\$ (23,722)	9,948	48,075	21,168	3,082	10,044
Cash Basis Fund Balances						
Unreserved:						
Special revenue funds	\$ (23,722)	9,948	48,075	21,168	3,082	10,044

See accompanying independent auditor's report.

Reed Estate Trust	Rural Fire Truck Trust	Vision Iowa Trust	Wilson Trust - Library	Wilson Trust - Other	Bricker Trust	Kay M. Anderson Foundation	Revolving Loan	Tree Board	Total
-	-	-	-	-	-	-	-	-	26,350
-	-	-	-	-	-	-	-	-	1,284
44	210	107	155	-	6,428	-	41,771	232	49,944
-	-	-	-	-	-	-	-	-	461,913
-	7,306	-	37,045	92,889	-	-	-	-	220,614
44	7,516	107	37,200	92,889	6,428	-	41,771	232	760,105
-	11,697	-	-	-	-	-	-	-	14,307
-	-	-	-	-	-	-	-	-	458,249
-	-	-	-	-	-	-	-	-	2,044
-	-	-	98,100	-	-	-	-	1,675	112,010
-	-	-	-	-	-	-	4,671	-	4,671
-	-	-	-	-	276,922	-	-	-	276,922
-	11,697	-	98,100	-	276,922	-	4,671	1,675	868,203
44	(4,181)	107	(60,900)	92,889	(270,494)	-	37,100	(1,443)	(108,098)
-	-	-	-	-	135,544	-	-	-	135,544
-	-	-	-	(92,889)	(186,389)	-	-	-	(369,313)
-	-	-	-	(92,889)	(50,845)	-	-	-	(233,769)
44	(4,181)	107	(60,900)	-	(321,339)	-	37,100	(1,443)	(341,867)
10,000	4,181	2,350	77,507	-	321,339	63	20,363	6,590	502,243
10,044	-	2,457	16,607	-	-	63	57,463	5,147	160,376
10,044	-	2,457	16,607	-	-	63	57,463	5,147	160,376

City of Shenandoah
Schedule of Indebtedness
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Essential corporate purpose	Jun 1, 1995	4.90-5.05%	\$ 410,000
Essential and general corporate purpose	Jun 1, 1997	4.75-5.05	575,000
Essential corporate purpose	Oct 1, 1997	4.60-4.90	200,000
Total			
General obligation notes:			
Essential corporate purpose	May 1, 1999	4.10-4.55%	\$ 1,500,000
Essential corporate purpose	Jul 1, 1999	4.10-4.55	210,000
Essential corporate purpose	Jun 1, 2000	5.20-5.70	345,000
General corporate purpose	Jul 1, 2000	5.95	400,000
Essential corporate purpose	Jun 15, 2001	5.95	110,000
Essential corporate purpose	Sep 1, 2002	4.80	115,000
Essential corporate purpose	Sep 1, 2003	2.10-4.35	700,000
Total			
Revenue bonds:			
Water	Feb 1, 1998	4.50%	\$ 200,000
Local option sales and services tax revenue bonds	Jun 1, 1997	4.90-5.25%	\$ 450,000
Revenue notes:			
Swimming pool	Aug 11, 1997	5.52%	\$ 720,000
Urban renewal revenue notes	Mar 1, 2003	3.00-6.60%	\$ 1,485,000
Special assessment bonds:			
Street improvement	Dec 1, 1980	9.50-9-75%	\$ 43,000
Special assessment notes:			
Street improvement	Aug 1, 2002	3.25-5.25%	\$ 624,000
Capital lease purchase agreement:			
Fire truck	May 17, 2002	5.56%	\$ 485,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Bonds Due and Unpaid	Interest Due and Unpaid
90,000	-	90,000	-	4,500	-	-
320,000	-	60,000	260,000	15,853	-	-
110,000	-	20,000	90,000	5,287	-	-
\$ 520,000	-	170,000	350,000	25,640	-	-
1,205,000	-	165,000	1,040,000	52,522	-	-
155,000	-	20,000	135,000	11,098	-	-
260,000	-	30,000	230,000	14,352	-	-
325,000	-	25,000	300,000	19,390	-	-
105,000	-	10,000	95,000	6,265	-	-
115,000	-	5,000	110,000	8,280	-	-
-	700,000	-	700,000	18,311	-	-
\$ 2,165,000	700,000	255,000	2,610,000	130,218	-	-
110,000	-	20,000	90,000	4,950	-	-
235,000	-	45,000	190,000	12,110	-	-
270,972	-	24,021	246,951	14,999	-	-
1,485,000	-	-	1,485,000	81,255	-	-
1,000	-	-	1,000	-	1,000	195
565,000	-	60,000	505,000	24,138	-	-
447,437	-	39,652	407,785	24,877	-	-

City of Shenandoah
 Bond and Note Maturities
 June 30, 2004

Year Ending June 30,	General Obligation Bonds					Total
	Essential and General Corporate Purpose			Essential Corporate Purpose		
	Issued Jun 1, 1997			Issued Oct 1, 1997		
	Interest Rates	Amount	Interest Rates	Amount		
2005	4.90%	\$ 60,000	4.75%	\$ 20,000	\$ 80,000	
2006	4.95	65,000	4.80	20,000	85,000	
2007	5.00	65,000	4.85	25,000	90,000	
2008	5.05	70,000	4.90	25,000	95,000	
2009		-		-	-	
2010		-		-	-	
2011		-		-	-	
2012		-		-	-	
2013		-		-	-	
2014		-		-	-	
2015		-		-	-	
2016		-		-	-	
Total		<u>\$ 260,000</u>		<u>\$ 90,000</u>	<u>\$ 350,000</u>	

Year Ending June 30,	Revenue Bonds		Local Option Sales and Services Tax Revenue Bonds		Revenue Notes Swimming Pool	
	Water		Issued Jun 1, 1997		Issued Aug 11, 1997	
	Issued Feb 1, 1998		Interest		Interest	
	Interest Rates	Amount	Rates	Amount	Rates	Amount
2005	4.50%	\$ 20,000	5.10%	\$ 45,000	5.52%	\$ 25,388
2006	4.50	20,000	5.15	45,000	5.52	26,790
2007	4.50	25,000	5.20	50,000	5.52	28,268
2008	4.50	25,000	5.25	50,000	5.52	29,803
2009		-		-	5.52	31,474
2010		-		-	5.52	33,211
2011		-		-	5.52	35,044
2012		-		-	5.52	36,973
2013		-		-		-
2014		-		-		-
2015		-		-		-
2016		-		-		-
2017		-		-		-
2018		-		-		-
2019		-		-		-
Total		<u>\$ 90,000</u>		<u>\$ 190,000</u>		<u>\$ 246,951</u>

See accompanying independent auditor's report.

Schedule 3

City of Shenandoah
 Bond and Note Maturities
 June 30, 2004

Year Ending June 30,	General Obligation Notes							Total
	Essential		Essential		Essential			
	Corporate Purpose		Corporate Purpose		Corporate Purpose			
	Issued Jun 15, 2001		Issued Sep 1, 2002		Issued Sep 1, 2003			
Interest		Interest		Interest				
Rates	Amount	Rates	Amount	Rates	Amount			
2005	5.95%	\$ 10,000	4.80%	\$ 10,000	2.10%	\$ 60,000	335,000	
2006	5.95	10,000	4.80	10,000	2.45	60,000	335,000	
2007	5.95	10,000	4.80	10,000	2.80	65,000	335,000	
2008	5.95	10,000	4.80	10,000	3.10	65,000	345,000	
2009	5.95	10,000	4.80	10,000	3.40	70,000	350,000	
2010	5.95	15,000	4.80	15,000	3.70	70,000	375,000	
2011	5.95	15,000	4.80	15,000	3.90	75,000	130,000	
2012	5.95	15,000	4.80	15,000	4.10	75,000	130,000	
2013		-	4.80	15,000	4.25	80,000	120,000	
2014		-		-	4.35	80,000	105,000	
2015		-		-		-	25,000	
2016		-		-		-	25,000	
Total		<u>\$ 95,000</u>		<u>\$110,000</u>		<u>\$700,000</u>	<u>2,610,000</u>	

City of Shenandoah

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

For the Last Two Years

	2004	2003
Receipts:		
Property tax	\$ 1,673,768	1,704,048
Tax increment financing	120,739	-
Other city tax	539,173	545,968
Licenses and permits	57,889	12,526
Use of money and property	100,862	54,474
Intergovernmental	941,313	1,670,128
Charges for service	513,341	529,365
Special assessments	84,138	67,587
Miscellaneous	424,246	326,125
	<u>\$ 4,455,469</u>	<u>4,910,221</u>
Disbursements:		
Operating:		
Public safety	\$ 912,467	1,134,110
Public works	973,336	1,113,585
Health and social services	40,784	29,668
Culture and recreation	928,728	929,600
Community and economic development	98,963	39,801
General government	213,220	217,675
Debt service	910,661	772,934
Capital projects	1,949,805	2,130,394
	<u>\$ 6,027,964</u>	<u>6,367,767</u>

See accompanying independent auditor's report.

City of Shenandoah



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Shenandoah, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 19, 2004. Our report expressed an unqualified opinion on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 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. Prior year statutory comments have been resolved except for items (1), (2), (5), (8), (9), (10) and (13).

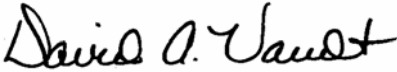
Internal Control Over Financial Reporting


In planning and performing our audit, we considered the City of Shenandoah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Shenandoah's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 19, 2004

City of Shenandoah
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City’s computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer-based systems were noted:

The City does not have written policies for:

- Requiring password changes every 60 to 90 days or to maintain password privacy and confidentiality.
- Internet usage.
- A disaster recovery plan.

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

Response – We will adopt policies for passwords, internet use and a disaster recovery plan.

Conclusion – Response accepted.

City of Shenandoah
Schedule of Findings
Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

The City had two certificates of deposit from depositories outside the State of Iowa.

Recommendation – Chapters 12C.4 and 12C.5 of the Code of Iowa require deposits be held in the county in which the city is located or an adjoining county unless the deposits are refused, in which case the deposits must be held in depositories within the State of Iowa. The City should deposit funds in allowable depositories.

Response – We will demand that the Treasurer discontinue purchasing investments from out of state.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- (3) Questionable Disbursements – The City paid \$57,182 to the Shenandoah Chamber and Industry Association during fiscal year 2004. These payments may not be an appropriate expenditure of public funds since the public benefits to be derived have not been clearly documented.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Council should document the public purpose served by the disbursement before authorizing further payments. Documentation should include how the funds are to be used to accomplish economic development activities.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2004

Response – The Shenandoah Chamber and Industry Association will on an annual basis, provide information to the City Council on how appropriated funds are used for the public purpose.

Conclusion – Response acknowledged. In addition, there should be an agreement with the Association to include requirements addressing accountability for funding to enable the City to evaluate the public benefits obtained and consider specific criteria in documenting the public purpose.

- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Darrel Saner, Assistant Fire Chief, owner of Shenweld	Welding and maintenance	\$ 2,040
Gregg Connell, Mayor, Shenandoah Chamber and Industry Association (SCIA) director	Allocation of local option sales tax, dues and membership	57,182

In accordance with Chapter 362.5(10) of the Code of Iowa, these transactions appear to represent conflicts of interest since the total disbursements exceeded \$1,500 during the fiscal year ended June 30, 2004.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – We will obtain bids for items if the total is expected to exceed \$1,500. We believe that the transaction with SCIA is not a conflict of interest. The City is required to spend a portion of local option sales tax for economic development.

Conclusion – Response acknowledged. As recommended, the City should consult legal counsel to determine the disposition of this matter, including the appearance of a conflict of interest for the transactions between the SCIA and the City since the Director of SCIA also serves as the Mayor.

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

City of Shenandoah

Schedule of Findings

Year ended June 30, 2004

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – We will adopt a policy to comply with Chapter 12B of the Code of Iowa.

Conclusion – Response accepted.

(9) Revenue Bonds and Notes – Except as follows, the City is in compliance with the resolutions providing for the issuance of the water revenue bonds, local option sales and services tax revenue bonds, swimming pool revenue notes and urban renewal revenue notes.

- (a) Local option sales and services tax revenue bonds and swimming pool revenue notes were paid from the Debt Service Fund. Although the City transferred funds from other sources to reimburse the Debt Service Fund, the resolutions providing for these revenue bonds and notes require debt payments be paid from separate sinking accounts.
- (b) The swimming pool revenue notes and local option sales and services tax revenue bonds resolutions require separate reserve and improvement accounts. The City does not maintain these accounts.
- (c) The water revenue bonds resolution states the City will provide for the collection of rates to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the utility and to have a balance of net revenues equal to at least 125% of the principal and interest due on the bonds each fiscal year. The City has not complied with this provision.

Recommendation -

- (a) The City should re-establish the required sinking accounts and transfer the required funding contributions to these accounts. The principal and interest should then be paid from the appropriate sinking account.
- (b) The City should re-establish the required reserve and improvement accounts for the required amounts according to the bond and note resolutions.
- (c) The City should periodically review the Enterprise, Water Fund to ensure established rates will result in sufficient funds to meet future obligations.

Response – We will pay debt from the proper sinking accounts, will establish and make the appropriate transfers to the required reserve and improvement accounts and will periodically review the enterprise accounts for sufficient rates.

Conclusion – Response accepted.

City of Shenandoah

Schedule of Findings

Year ended June 30, 2004

- (10) Corrective Transfer – In prior years, transfers of \$19,000 and \$6,000 were made from the Special Revenue, Local Option Sales Tax Fund to the Enterprise, Water Fund which did not comply with the LOST referendum.

Recommendation – The prior year transfers should be corrected since the tax revenues should be expended in compliance with the LOST referendum.

Response – We will make the corrective transfers as recommended.

Conclusion – Response accepted.

- (11) Interfund Transfers – The City makes numerous transfers between funds and accounts during the year. The transfers were not always identified in the records as transfers in or transfers out and transfers did not balance prior to analyzing the detailed records and resulting corrections made by the City.

Recommendation – Except as authorized by the Council through the budgetary process, transfers between funds should only be made upon authorization of the Council through a resolution detailing amounts to be transferred to/from the funds involved, along with the reason for each transfer.

Response – We will require that the Council pass resolutions authorizing transfers, listing each fund affected, amount of transfer and the reason for each transfer. Transfers will also be balanced each month and will be recorded as transfers.

Conclusion – Response accepted.

- (12) Local Option Sales Tax – The ballot for the local option sales tax authorizes the City to collect the tax and to allocate 60% for property tax relief, 20% for community betterment, 10% for community planning and 10% for economic development. The City does not maintain adequate records to document the proper expenditure of local option sales tax for the authorized uses.

Recommendation – The City should establish procedures to accumulate and document local option sales tax disbursements to demonstrate compliance with ballot requirements.

Response – The City will break down local option tax revenue on a use basis in accordance with the percentage breakdown.

Conclusion – Response acknowledged. The City should document the local option sales tax disbursements, including the accumulated local option sales tax balances, to demonstrate compliance with the ballot requirements.

- (13) Financial Condition – The City had a deficit balance of \$23,722 in the Special Revenue, Road Use Tax Fund.

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

City of Shenandoah
Schedule of Findings
Year ended June 30, 2004

Response – Future road use tax collections and reductions in disbursements will eliminate the Special Revenue, Road Use Tax Fund deficits.

Conclusion – Response accepted.

(14) Other Information Required by the Revenue Bond and Note Resolutions

Insurance – The Following insurance policies were in force at June 30, 2004:

Insurer	Description	Amount	Expiration Date
Employers Mutual Casualty Company	Property coverage: 01, 02 and 03 buildings	\$ 18,782,762	Apr 1, 2005
Employers Mutual Casualty Company	Comprehensive general liability: Each occurrence Aggregate	1,000,000 2,000,000	Apr 1, 2005
Employers Mutual Casualty Company	Inland marine: Contractors' equipment Electronic data processing equipment Property floater	275,965 118,286 58,490	Apr 1, 2005
Employers Mutual Casualty Company	Automobile coverage: Liability Uninsured motorists	100,000 40,000	Apr 1, 2005
Employers Mutual Casualty Company	Linebacker - each loss and in aggregate	1,000,000	Apr 1, 2005
Employers Mutual Casualty Company	Workers' compensation	500,000	Apr 1, 2005
Employers Mutual Casualty Company	Commercial umbrella: Retained Each occurrence Aggregate	10,000 5,000,000 5,000,000	Apr 1, 2005
Employers Mutual Casualty Company	Employee dishonesty: Blanket bond Alteration	100,000 10,000	Apr 1, 2005
Employers Mutual Casualty Company	Commercial crime: inside/outside premises	10,000	Apr 1, 2005

City of Shenandoah
Schedule of Findings
Year ended June 30, 2004

Statistical Information:

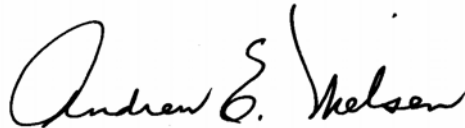
Description	Amount
Swimming pool customers served in 2004 season	14,628
Swimming pool rates in effect at June 30, 2004:	
Daily admission	\$ 4
Single season pass	50
Family plan	125

City of Shenandoah

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Paul F. Kearney, CGFM, Senior Auditor
Gary D. Van Lengen, CPA, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State