

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

JUNE 30, 2004

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City of Glenwood

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------|----------------------------|---------------------|
| Greg Schultz | Mayor | January 2006 |
| Clare Bangs | Council Member | January 2006 |
| Keith Forman | Council Member | January 2006 |
| Ron Bales | Council Member | January 2008 |
| Allan Christiansen | Council Member | January 2008 |
| Craig Florian | Council Member | January 2008 |
| Mary J. Smith | City Administrator / Clerk | Indefinite |
| Matt Woods | Attorney | January 2006 |
| Kristel Mayberry | Library Trustee | June 2005 |
| Willard Stivers | Library Trustee | June 2005 |
| Barbara Taenzler | Library Trustee | June 2007 |
| Betty Bales | Library Trustee | June 2008 |
| Martha Cheyney | Library Trustee | June 2008 |
| Larry Hurst | Park Commissioner | June 2005 |
| Jean Jaskierny | Park Commissioner | June 2005 |
| Gregg Aistrophe | Park Commissioner | June 2006 |
| Laura Buchholz | Park Commissioner | June 2006 |
| Gary Newman | Park Commissioner | June 2007 |
| Carol Dean | Amphitheater Board Member | Indefinite |
| Pete Jacobus | Amphitheater Board Member | Indefinite |
| William Rowe | Amphitheater Board Member | Indefinite |
| James White | Amphitheater Board Member | Indefinite |
| Gordon Woodrow | Amphitheater Board Member | Indefinite |
| Ross Garrett | Cemetery Board Chairman | March 2005 |
| Hugh Trask | Cemetery Board Member | March 2005 |
| Don Burwell | Cemetery Board Member | March 2005 |

City of Glenwood

September 16, 2004

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 discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Glenwood, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Glenwood'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.

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 discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Glenwood 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 16, 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*.

Continued...

City of Glenwood
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 16, 2004 on our consideration of the City of Glenwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. 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 17 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. 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 Glenwood'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 three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Glenwood 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 increased 4.35%, or approximately \$115,819 from FY2003 to FY2004. Property tax increased approximately \$49,400, tax increment financing collections increased \$15,789, local option sales tax increased \$132,897; while license/permits, use of money and intergovernmental receipts decreased.
- Disbursements of the City's governmental activities decreased 6.76%, or approximately \$169,345 from FY2003 to FY2004. The public safety disbursements decreased by \$108,336 and culture & recreation disbursements decreased by \$86,066; while public works and capital projects increased.
- The City's total cash basis net assets increased 35%, or approximately \$452,000, from FY2003 to FY2004. This was due to local option sales tax. The balance carried forward for capital projects (Community Recreation Center) will be used in the next fiscal year.

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 non-major 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.
- The component unit includes activities of the Glenwood Municipal Utilities Board. The City is financially accountable for the utilities although it is legally separate from the City.

Fund Financial Statements

The City's Governmental Funds Only:

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 Road Use Tax and Urban Renewal Tax Increment, 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 statements for governmental funds include 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 increased from a year ago, increasing from \$1.296 million to \$1.748 million. 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, | |
|---|------------------------|-------------------|
| | <u>2004</u> | <u>2003</u> |
| RECEIPTS/TRANSFERS: | | |
| Charges for Services | 238 | 278 |
| Charges for Services-Sewer | 0 | 383 * |
| Operating grants, contributions and restricted interest | 674 | 643 |
| General Receipts: | | |
| Property Tax | 1398 | 1349 |
| Other City Tax, Local Option Sales Tax | 351 | 213 |
| Grants and contributions not restricted to specific purpose | 12 | 0 |
| Tax Increment Financing (TIF) | 86 | 70 |
| Unrestricted interest | 14 | 0 |
| Other General Receipts | 0 | 119 |
| Sale of Assets: | 13 | 2 |
| TOTAL RECEIPTS/TRANSFERS: | <u>2786</u> | <u>3057</u> |
| DISBURSEMENTS: | | |
| Public Safety | 822 | 930 |
| Public Works | 458 | 433 |
| Culture & Recreation | 450 | 537 |
| Community & Economic Development | 12 | 7 |
| General Government | 337 | 335 |
| Debt Service | 213 | 240 |
| Sewer | 0 | 248 * |
| Capital Projects | 42 | 22 |
| TOTAL DISBURSEMENTS: | <u>2334</u> | <u>2752</u> |
| Increase in Cash basis net assets | 452 | 305 |
| Transfer of Equity(Sewer to GMU) | 0 | -425 * |
| Cash basis net assets beginning of year 7/1/2003 | 1296 | 1416 |
| Cash basis net assets end of year 6/30/2004 | <u>\$1748</u> | <u>\$1296</u> |

* - Sewer Fund was transferred to Glenwood Municipal Utilities. This fund will not be included on the receipts and disbursements comparison totals, but is included within the change in net assets comparison.

Overall, the City's governmental activity receipts, including intergovernmental and fees for service decreased by \$271,000 from FY2004 to FY2003, even though Local Option Sales Tax increased by \$133,000 and TIF increased by \$16,000. This was because sewer fees were not included within the FY2004 amounts since the sewer fund was turned over to the Glenwood Municipal Utilities Board. The City's governmental program disbursements decreased in FY2004 compared to FY2003 due to not including the sewer fund as well. Culture & Recreation disbursements were reduced by \$87,000 and Public Safety by \$108,000 compared to FY2003. There was an overall increase in total assets at the end of FY2004 of \$452,000 even though receipts and disbursements both decreased and the general fund reserve balance was reduced by \$48,342. This was due to the increase in the Local Option Sales Tax Fund of \$351,792 to use for the Community Recreation Center Project next year and the increase in the Road Use Tax to use for street projects next year.

CASH BASIS NET ASSET INCREASES/DECREASES BY FUND

The City of Glenwood's total cash basis net assets increased 35% or approximately \$451,556 from FY2003 to FY2004.

| | |
|---------------------------|------------------|
| General Fund | -48,342 |
| Road Use Fund | 139,041 |
| Trust & Agency | 41,540 |
| Local Option Sales Tax | 351,792 |
| Tax Increment Financing | 13,341 |
| Sidewalk | -275 |
| Asset Forfeitures | 838 |
| Library Trust | -7,565 |
| Debt Service | 1,034 |
| Comm Rec Center | -41,899 |
| Cemetery | 628 |
| Cem. Perpetual Care | 4,388 |
| Revolving Loan Fund | -2,965 |
| TOTAL INCREASE ALL FUNDS: | <u>\$451,556</u> |

RECEIPTS FOR ALL FUNDS

The City's property tax receipts increased \$49,353 or 3.65% over last year. The FY2004 tax levy was \$13.997 compared to FY2003 tax levy of \$13.688. The major increase in receipts was primarily due to the Local Option Sales Tax. (Note: Sewer fund is not included in this analysis).

| | |
|------------------------------|------------------|
| Property Tax | 49,353 |
| TIF | 15,789 |
| Other City Tax/Local Opt Tax | 137,553 |
| License/Permits | -8,091 |
| Use of Money | -16,145 |
| Intergovernmental | -57,242 |
| Charges for Service | 40,409 |
| Special Assessments | -20,534 |
| Miscellaneous | -25,273 |
| TOTAL RECEIPTS: | <u>\$115,819</u> |

DISBURSEMENTS FOR ALL FUNDS

The disbursements of the City of Glenwood's governmental activities decreased 6.76% or \$169,345 from FY2003 to FY2004. The following chart shows the program balance change from 2003 to 2004: (Note: Sewer fund is not included in this analysis).

| | |
|-----------------------|-------------------|
| Public Safety | -108,336 |
| Public Works | 24,222 |
| Culture & Recreation | -86,066 |
| Comm & Ec Development | 4,631 |
| General Governmental | 2,920 |
| Debt Service | -26,248 |
| Capital Projects | 19,532 |
| TOTAL DISBURSEMENTS: | <u>\$-169,345</u> |

The total cost of all governmental activities this year was \$2.334 million compared to \$2.752 million last year. However, the amount tax payers ultimately financed for these activities was only \$1.422 million. Costs paid by those directly benefited from the programs amounted to \$238,365; and costs paid by other governmental organizations, grant contributions and restricted interest was \$674,292.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Glenwood completed the year, the total governmental funds reported a combined fund balance of \$1,747,680; an increase of \$451,556 above last year's total of \$1,296,124. The following are the major reasons for the changes in fund balances from the prior year:

General Fund – Decreased \$48,342 from the prior year to \$324,264. The City's inability to raise the general fund levy above the 8.10 limit forces the use of reserve balances.

Road Use Fund – Increased \$139,041 to \$327,884. The City intends to use this money for street purposes as spelled out in the 5 year street plan. In order to fund large projects it is necessary to build up the reserve balance to carry forward to use in the next fiscal year.

Trust & Agency Fund – This fund is utilized for employee benefits. The fund increased by \$41,540 over last year. This amount will be used towards increases in employee benefits for next fiscal year.

Local Option Sales Tax Fund – The tax was established for Community Recreation Center Project. The fund balance increased by \$351,792 giving a total fund balance of \$574,248 at end of FY2004. This fund is restricted for use of the Community Recreation Center Project. Construction of the building will begin in FY2005.

THREE YEAR COMPARISONS

THREE YEAR COMPARISONS

THREE YEAR COMPARISONS

THREE YEAR COMPARISONS

BUDGETARY HIGHLIGHTS

The City of Glenwood amended its budget on March 9, 2004, which resulted in a decrease in disbursements of \$695,157 and a decrease in receipts of \$707,784. There were a number of amendments, but the result of the decrease was mainly due to the fact that the Community Recreation Center building construction did not begin, so the large amount that had been budgeted in the beginning of the year was not received or spent. Other adjustments were due to the reduction of 3 employees, the closing of the dog pound, the elimination of the State of Iowa allocation payment, and adding in the donation, as well as the expenses, for the operation of the pool.

The receipts projected in the final budget compared to actual receipts taken in at the end of FY2004 was down by \$972,512, and the disbursements anticipated in the final budget compared to actual disbursements made were lower by \$2,128,464.

The major reason for the decrease in the receipts and disbursements was the Community Recreation Center project which affects the Debt Service Fund as well as the Capital Projects Fund. The budget amendment on March 9, 2004 reduced some of the amount budgeted to be received and disbursed. We anticipated the project would begin at the end of the fiscal year, so there would be some disbursements as well as revenue bond, donations and grant proceeds. The construction did not begin so revenue bonds, donations and grant proceeds were not received.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$988,000 in bonds and other long-term debt, compared to approximately \$1,110,000 last year, as shown below:

| Outstanding Debt at Year End (Expressed in Thousands) | | |
|--|--------------|----------------|
| | 2004 | 2003 |
| General obligation bonds and notes | 863 | 933 |
| TIF bonds, rebate agreements | 125 | 177 |
| TOTAL | <u>\$988</u> | <u>\$1,110</u> |

Debt decreased by \$122,000. General obligation bonds and notes were paid off in the amount of \$92,684 and the TIF bonds and rebate agreements were paid of in the amount of \$52,000. Also, new equipment was leased which added \$22,900 in new debt. 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 general obligation debt of \$863,000 is significantly below its constitutional debt limit of \$5 million. The City has two TIF rebate agreements. Taxes to be paid are based upon an estimate of taxable value added at the time of development or expansion. Any underpayment of taxes result in a dollar for dollar reduction in the rebate paid out to the developer/lender. TIF tax received and paid out for FY2004 was \$1,554 for TIF 3/Mintle and \$11,570 for TIF 3/Gotschall; with \$3,869 being retained by the City to recuperate disbursements they made in TIF 3.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Glenwood's elected and appointed officials and citizens consider many factors when setting the budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for FY2004 compared with the national rate of 3.4 percent. Nevertheless, these indicators COULD NOT BE considered in the general fund budget for FY2005. Disbursements had to be reduced because the receipts reduced, and the City could not levy over the 8.10 tax levy limit to cover this decrease of receipts or increase in inflation.

While property taxes are important to the City, they represent only 38% of the total program receipts for all funds in FY2005. The City monitors all receipts and determines the need for program adjustments or fee increases accordingly. During FY2004 the City received \$30,000 in donations to operate the pool for the 2004 season. The pool has no operating budget to enable it to be open for FY2005. Under public safety the budgeted disbursements for FY2005 were reduced by removing academy training, new hire uniforms, hiring expenses, and new vehicle lease. The Public Works disbursements will increase in FY2005 for street projects and new equipment. Receipts were increased with permit fee, user fee and charges for service increases. More TIF taxes will be received, more Local Option Sales Tax will be received, as well as grant and revenue bond proceeds for the Community Recreation Center Project. Due to the slow economy interest received is down drastically and the bank franchise fee has been eliminated by the State. Disbursements for the general fund in FY2005 have been proposed to be reduced as the City could not levy for more tax revenues beyond the \$8.10 levy limit. Due to the state rollback reduction there was not enough new tax dollars generated to compensate for the 3.2% inflation costs. The general fund reserve balance was reduced by \$48,342 in FY2004 and is proposed to be reduced by \$115,000 for FY2005. With the general fund reserve ending balance estimated to be \$147,142 at June 30, 2005 expenditures and services will have to be cut drastically for the FY2006 budget. The Capital Project and Debt Service increase in FY2005 is for the Community Recreation project.

TAX LEVY HISTORY

| | |
|--------|--------|
| FY2000 | 11.954 |
| FY2001 | 13.039 |
| FY2002 | 13.535 |
| FY2003 | 13.688 |
| FY2004 | 13.997 |
| FY2005 | 14.162 |

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 Mary Jean Smith, City Administrator/Clerk, 107 S. Locust, Glenwood, Iowa 51534.

City of Glenwood
Basic Financial Statements

City of Glenwood
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2004

| | Program Receipts | | |
|------------------------------------|---------------------|--|---------|
| Disbursements | Charges for Service | Operating Grants Contributions and Restricted Interest | |
| Functions/Programs: | | | |
| Primary Government: | | | |
| Governmental activities: | | | |
| Public safety | \$ 821,823 | 31,974 | 43,071 |
| Public works | 457,708 | 103,067 | 455,909 |
| Culture and recreation | 450,730 | 91,982 | 157,150 |
| Community and economic development | 11,764 | 7,538 | 0 |
| General government | 337,662 | 3,804 | 18,162 |
| Debt service | 213,325 | 0 | 0 |
| Capital projects | 41,899 | 0 | 0 |
| Total governmental activities | 2,334,911 | 238,365 | 674,292 |
| Total Primary Government | 2,334,911 | 238,365 | 674,292 |
| Component Unit: | | | |
| Glenwood Municipal Utilities | \$ 1,570,592 | 1,647,459 | 0 |

General Receipts:

Property tax levied for:
 General purposes
 Employee benefits
 Special tax fund
 Debt service
Tax increment financing
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted interest on investments
Miscellaneous
Sale of assets
 Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Streets
 Employee benefits
 Capital improvements and community programs
 Amphitheater endowment
 Debt service
 Replacement and maintenance
 Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements

| Net (Disbursement) Receipts and Changes in Cash Basis Net Assets | | |
|---|-------------------------------|---------------------------------|
| | Primary Government | Component Unit |
| | Governmental Activities | Glenwood Municipal Utilities |
| \$ | (746,778) | 0 |
| | 101,268 | 0 |
| | (201,598) | 0 |
| | (4,226) | 0 |
| | (315,696) | 0 |
| | (213,325) | 0 |
| | (41,899) | 0 |
| | <u>(1,422,254)</u> | <u>0</u> |
| | <u>(1,422,254)</u> | <u>0</u> |
| | 0 | 76,867 |
| | 957,721 | 0 |
| | 379,722 | 0 |
| | 27,699 | 0 |
| | 89,927 | 0 |
| | 85,933 | 0 |
| | 293,792 | 0 |
| | 12,490 | 0 |
| | 13,903 | 65,865 |
| | 0 | 6,240 |
| | 12,623 | 0 |
| | <u>1,873,810</u> | <u>72,105</u> |
| | 451,556 | 148,972 |
| | <u>1,296,124</u> | <u>1,279,019</u> |
| \$ | <u>1,747,680</u> | <u>1,427,991</u> |
| \$ | 327,884 | 0 |
| | 65,329 | 0 |
| | 574,248 | 0 |
| | 299,906 | 0 |
| | 0 | 768,536 |
| | 0 | 158,640 |
| | 156,049 | 89,230 |
| | 324,264 | 411,585 |
| \$ | <u>1,747,680</u> | <u>1,427,991</u> |

City of Glenwood
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2004

| | General | Special Revenue | | |
|--|-------------------|------------------|-------------------|------------------------|
| | | Road Use Tax | Employee Benefits | Local Option Sales Tax |
| Receipts | | | | |
| Property tax | \$ 914,569 | 0 | 369,263 | 0 |
| Tax increment financing collections | 0 | 0 | 0 | 0 |
| Other city tax | 43,152 | 0 | 10,459 | 293,792 |
| Licenses and permits | 3,081 | 0 | 0 | 0 |
| Use of money and property | 28,554 | 0 | 0 | 0 |
| Intergovernmental | 82,645 | 446,255 | 0 | 58,000 |
| Charges for service | 182,828 | 0 | 0 | 0 |
| Special assessments | 1,345 | 0 | 0 | 0 |
| Miscellaneous | 92,268 | 0 | 0 | 0 |
| Total receipts | <u>1,348,442</u> | <u>446,255</u> | <u>379,722</u> | <u>351,792</u> |
| Disbursements | | | | |
| Operating: | | | | |
| Public safety | 668,526 | 0 | 151,413 | 0 |
| Public works | 235,271 | 137,744 | 84,418 | 0 |
| Culture and recreation | 356,550 | 0 | 75,373 | 0 |
| Community and economic development | 8,799 | 0 | 0 | 0 |
| General government | 284,784 | 25,900 | 26,978 | 0 |
| Debt service | 51,840 | 0 | 0 | 0 |
| Capital projects | 0 | 0 | 0 | 0 |
| Total disbursements | <u>1,605,770</u> | <u>163,644</u> | <u>338,182</u> | <u>0</u> |
| Excess (deficiency) of receipts over (under) disbursements | (257,328) | 282,611 | 41,540 | 351,792 |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 12,623 | 0 | 0 | 0 |
| Operating transfers in | 196,991 | 25,722 | 0 | 0 |
| Operating transfers out | (628) | (169,292) | 0 | 0 |
| Total other financing sources (uses) | <u>208,986</u> | <u>(143,570)</u> | <u>0</u> | <u>0</u> |
| Net change in cash balances | (48,342) | 139,041 | 41,540 | 351,792 |
| Cash balances beginning of year, restated | <u>372,606</u> | <u>188,843</u> | <u>23,789</u> | <u>222,456</u> |
| Cash balances end of year | \$ <u>324,264</u> | <u>327,884</u> | <u>65,329</u> | <u>574,248</u> |
| Cash Basis Fund Balances | | | | |
| Unreserved: | | | | |
| General fund | \$ 324,264 | 0 | 0 | 0 |
| Special revenue funds | 0 | 327,884 | 65,329 | 574,248 |
| Debt service | 0 | 0 | 0 | 0 |
| Capital projects fund | 0 | 0 | 0 | 0 |
| Permanent fund | 0 | 0 | 0 | 0 |
| Total cash basis fund balances | \$ <u>324,264</u> | <u>327,884</u> | <u>65,329</u> | <u>574,248</u> |

See notes to financial statements

Exhibit B

| | <u>Permanent</u> | <u>Other Nonmajor Governmental Funds</u> | <u>Total</u> |
|----|--------------------------------|--|------------------|
| | <u>Davies Amphitheater</u> | | |
| \$ | 0 | 114,445 | 1,398,277 |
| | 0 | 85,933 | 85,933 |
| | 0 | 3,181 | 350,584 |
| | 0 | 0 | 3,081 |
| | 0 | 0 | 28,554 |
| | 0 | 0 | 586,900 |
| | 0 | 2,722 | 185,550 |
| | 0 | 25,722 | 27,067 |
| | 0 | 15,630 | 107,898 |
| | <u>0</u> | <u>247,633</u> | <u>2,773,844</u> |
| | 0 | 1,884 | 821,823 |
| | 0 | 275 | 457,708 |
| | 0 | 18,807 | 450,730 |
| | 0 | 2,965 | 11,764 |
| | 0 | 0 | 337,662 |
| | 0 | 161,485 | 213,325 |
| | 0 | 41,899 | 41,899 |
| | <u>0</u> | <u>227,315</u> | <u>2,334,911</u> |
| | 0 | 20,318 | 438,933 |
| | 0 | 0 | 12,623 |
| | 0 | 628 | 223,341 |
| | 0 | (53,421) | (223,341) |
| | <u>0</u> | <u>(52,793)</u> | <u>12,623</u> |
| | 0 | (32,475) | 451,556 |
| | <u>299,906</u> | <u>188,524</u> | <u>1,296,124</u> |
| \$ | <u>299,906</u> | <u>156,049</u> | <u>1,747,680</u> |
| \$ | 0 | 172,208 | 496,472 |
| | 0 | 0 | 967,461 |
| | 0 | (1,483) | (1,483) |
| | 0 | (52,464) | (52,464) |
| | <u>299,906</u> | <u>37,788</u> | <u>337,694</u> |
| \$ | <u>299,906</u> | <u>156,049</u> | <u>1,747,680</u> |

City of Glenwood
 Reconciliation of the Statement of Cash
 Receipts, Disbursements and Changes in Cash Balances
 to the Statement of Activities and Net Assets -
 Governmental Funds
 As of and for the year ended June 30, 2004

| | |
|--|----------------------------|
| Total governmental funds cash balances | \$ 1,747,680 |
| <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i> | |
| None | 0 |
| Cash basis net assets of governmental activities | \$ <u>1,747,680</u> |
| | |
| Net change in cash balances | \$ 451,556 |
| <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i> | |
| None | 0 |
| Change in cash balance of governmental activities | \$ <u>451,556</u> |

See notes to financial statements

City of Glenwood
Notes to Financial Statements
June 30, 2004

NOTE (1) Summary of Significant Accounting Policies

The City of Glenwood is a political subdivision of the State of Iowa located in Mills County 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, culture and recreation, community and economic development and general government services.

A. Reporting Entity

For financial reporting purposes, the City of Glenwood 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 Glenwood (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 their operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit

Glenwood Municipal Utilities is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The officials of the Utilities are appointed by the City Council and the operating budget of the Utilities is subject to the approval of the City Council.

City of Glenwood
Notes to Financial Statements
June 30, 2004

NOTE (1) Summary of Significant Accounting Policies - Continued

A. Reporting Entity – Continued

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the Mills County Assessor's Conference Board, Mills County Emergency Management Commission and Mills County E911 Board.

B. Basis of Presentation

Government-wide Financial Statements - 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 are supported by tax and intergovernmental revenues.

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 that do not meet 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 are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

City of Glenwood
Notes to Financial Statements
June 30, 2004

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

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 that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

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

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The Permanent Fund – Davies Amphitheater is used to report resources that are legally restricted to the extent that only earnings and not principal may be used to support the activities of the amphitheater.

C. Measurement Focus and Basis of Accounting

The City of Glenwood 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.

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 did not exceed the budgeted amounts.

City of Glenwood
Notes to Financial Statements
June 30, 2004

NOTE (1) Summary of Significant Accounting Policies - Continued

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2002, to compute the amounts which became liens on property on July 1, 2003. These taxes were due and payable in two installments on September 30, 2003 and March 31, 2004, at the Mills County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (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's cash, which consists of cash in bank and certificates of deposit, totaled \$1,747,680.

NOTE (3) Contracts Receivable

In August 2002, the City of Glenwood sold real estate property to the School District. The District agreed to pay the City a non-interest bearing note of \$15,000 over 10 years. The City received \$1,500 on the contract during the year leaving a balance receivable of \$12,000 at June 30, 2004.

In February 2004, the City signed a 28E Agreement with Mills County, whereby the City will annex certain roadway portions, and in turn, Mills County will remit to the City certain funds the County is receiving from the State of Iowa for transfer of public road jurisdiction. Under the terms of the agreement, the City will receive the sum of \$106,000 as follows: \$70,667 on July 1, 2004 and \$35,333 on July 1, 2005.

City of Glenwood
Notes to Financial Statements
June 30, 2004

NOTE (4) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation notes and the urban renewal tax increment financing revenue bond are as follows:

| Year Ended June 30, | General Obligation Notes Principal | Urban Renewal Tax Increment Financing (TIF) Revenue Bond Principal | Total Principal |
|---------------------------|--|--|---------------------------|
| 2005 | \$ 87,354 | \$ 54,000 | \$ 141,354 |
| 2006 | 79,404 | 58,000 | 137,404 |
| 2007 | 75,219 | 12,833 | 88,052 |
| 2008 | 81,289 | 0 | 81,289 |
| 2009 | 82,471 | 0 | 82,471 |
| 2010 | 88,777 | 0 | 88,777 |
| 2011 | 90,219 | 0 | 90,219 |
| 2012 | 96,812 | 0 | 96,812 |
| 2013 | 91,781 | 0 | 91,781 |
| 2014 | 90,000 | 0 | 90,000 |
| Total | \$ 863,326 | \$ 124,833 | \$ 988,159 |

| Year Ended June 30, | Interest | Interest | Total Interest |
|---------------------------|-------------------|------------------|-------------------|
| 2005 | \$ 43,837 | \$ 6,241 | \$ 50,078 |
| 2006 | 38,926 | 6,541 | 45,467 |
| 2007 | 34,873 | 641 | 35,514 |
| 2008 | 31,139 | 0 | 31,139 |
| 2009 | 27,053 | 0 | 27,053 |
| 2010 | 22,770 | 0 | 22,770 |
| 2011 | 18,103 | 0 | 18,103 |
| 2012 | 13,211 | 0 | 13,211 |
| 2013 | 8,064 | 0 | 8,064 |
| 2014 | 4,140 | 0 | 4,140 |
| Total | \$ 242,116 | \$ 13,423 | \$ 255,539 |

Interest paid on long term debt during the year totaled \$56,589.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

City of Glenwood
Notes to Financial Statements
June 30, 2004

NOTE (4) Bonds and Notes Payable - Continued

The urban renewal tax increment revenue bond was issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The bond is payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bond shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bond is not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City.

The City has a general obligation debt limit of approximately \$9,000,000 which was not exceeded during the year ended June 30, 2004.

NOTE (5) Lines of Credit

The City has available lines of credit at two banks, each for \$215,000, with no outstanding balances. The lines of credit are collateralized by possible grant monies the City is seeking to finance the construction of a community recreation center.

NOTE (6) Lease Agreement

The City leases copy machines under operating lease agreements. Rent expense for the year ended June 30, 2004 was \$1,488. The future required minimum lease payments are as follows:

| Year ending June 30, | Amount |
|-------------------------|-----------------|
| 2005 | \$ 1,560 |
| 2006 | 1,560 |
| 2007 | 1,560 |
| 2008 | 1,560 |
| 2009 | <u>390</u> |
| | <u>\$ 6,630</u> |

City of Glenwood
Notes to Financial Statements
June 30, 2004

NOTE (7) 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 3.7 % of their annual 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 contribution to IPERS for the years ended June 30, 2004, 2003, and 2002, was \$66,537, \$71,675, and \$71,869, respectively, equal to the required contributions for each year.

NOTE (8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick 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 earned vacation and sick leave termination payments payable to employees at June 30, 2004, primarily relating to the General Fund is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> <u>June 30, 2004</u> |
|------------------------|---------------------------------------|
| Vacation | <u>\$ 37,077</u> |

This liability is computed on rates of pay effective as of June 30, 2004.

Sick leave is payable when used or for certain employees upon retirement. Employees retiring after 15 years of service may receive one-half of their unused accumulated sick leave based on the effective hourly rate for that employee. For each additional year of service, the employee shall receive 2% additional sick leave per year. There was no sick leave payable at June 30, 2004.

City of Glenwood
Notes to Financial Statements
June 30, 2004

NOTE (9) Interfund Transfers

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

| Transfer to | Transfer from | Amount |
|------------------------------|---------------------------------|-------------------|
| General | Special Revenue: Special Tax | \$ 27,699 |
| | Road Use Tax | 169,292 |
| | | <u>196,991</u> |
| Special Revenue: Road Use | Special Revenue: Special Tax | 25,722 |
| Capital Project: Cemetery | General | <u>628</u> |
| | | <u>\$ 223,341</u> |

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

NOTE (10) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 490 members are from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

City of Glenwood
Notes to Financial Statements
June 30, 2004

NOTE (10) Risk Management - Continued

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004 were \$52,536.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$5,000 each accident, each location, with excess coverage reinsured on an individual member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries workmen's compensation insurance purchased from a commercial vendor. The City assumes liability for any deductions, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Glenwood
Notes to Financial Statements
June 30, 2004

NOTE (11) Construction Commitments

The City is in the process of raising funds to construct a community recreation center to be jointly operated with the YMCA. The City has been awarded a Vision Iowa Grant of \$1,300,000, an Iowa West Foundation Grant of \$75,000, and has committed local option sales tax funds to pay local option sales tax revenue notes which will be used for financing. The projected total cost of the project is approximately \$5,700,000. The City has the following commitments on the project:

| | <u>Contracted Amount</u> | | <u>Paid to Date</u> | | <u>Remaining Commitment</u> |
|-----------|------------------------------|----|-------------------------|----|---------------------------------|
| Architect | \$ 239,400 | \$ | 35,910 | \$ | <u>203,490</u> |

In March 2004, the City approved a street construction contract for \$90,428. No payments were made on the contract during the year.

NOTE (12) Commitments

Communication Service

The City has entered into a 28E agreement with Mills County for the purpose of providing communication service for law enforcement officers for the people of Mills County and the City of Glenwood. The City paid \$124,308 as their share of the costs for the year ended June 30, 2004. The City's share is based on a percentage of costs for the year. Future costs should approximate that amount.

Rescue Service

The City has amended its contract agreement for ambulance services to compensation in the form of payments by the City of bills, invoices, and other expenses totaling \$30,000 a year through April 2006.

NOTE (13) Urban Renewal Development Agreements

The city has entered into agreements with developers to construct certain public improvements related to the development of the Urban Renewal Area Number 3. In exchange, the City has agreed to pay the developers for these costs, plus interest.

These agreements are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund, and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa.

City of Glenwood
Notes to Financial Statements
June 30, 2004

NOTE (13) Urban Renewal Development Agreements - Continued

Gotschall Agreement

The City has agreed to pay the developer \$277,222 plus interest at 7% per annum. Interest only payments are due December 1, 2002 and June 1, 2003. Thereafter, principal and interest payments are due December 1 and June 1, with final payment due June 2011. The City paid the developer \$11,570 during the year ended June 30, 2004.

Mintle Agreement

The City has agreed to pay the developer \$400,000 plus interest at 7% per annum. Interest only payments are due December 1, 2002 and June 1, 2003. Thereafter, principal and interest are due December 1 and June 1, with final payment due June 2013. No payments were made on the agreement during the year ended June 30, 2004.

NOTE (14) Deficit Fund Balances

The Debt Service Fund, General Obligation Debt Account had a deficit fund balance of \$1,483, and the Capital Projects Fund, Community Recreation Center Account had a deficit fund balance of \$56,639 at June 30, 2004. The deficits will be eliminated upon receipt of property taxes and project financing.

NOTE (15) Pending Litigation

The City is subject to pending litigation as a co-defendant on a claim based upon alleged loss of business profits. The probability or estimate of loss, if any, is undeterminable.

City of Glenwood
Notes to Financial Statements
June 30, 2004

NOTE (16) 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.

The government-wide financial statement reports the City’s governmental and business type activities. The accounting change has no effect on beginning net assets.

The following reclassification was made to cash balances as of July 1, 2003:

| | |
|------------------------|--------------|
| Special Revenue: | |
| Local Option Sales Tax | \$ 222,456 |
| Debt Service: | |
| Local Option Sales Tax | \$ (222,456) |

Required Supplementary Information

City of Glenwood
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds
 Required Supplementary Information
 Year ended June 30, 2004

| | Governmental Funds Actual | Original | Final | Final to Actual Variance |
|---|---------------------------------|------------------|------------------|--------------------------------|
| Receipts | | | | |
| Property tax | \$ 1,398,277 | 1,441,628 | 1,441,628 | (43,351) |
| Tax increment financing collections | 85,933 | 85,736 | 85,736 | 197 |
| Other city tax | 350,584 | 160,000 | 293,792 | 56,792 |
| Licenses and permits | 3,081 | 25,025 | 28,615 | (25,534) |
| Use of money and property | 28,554 | 44,910 | 32,532 | (3,978) |
| Intergovernmental | 586,900 | 1,071,572 | 1,010,153 | (423,253) |
| Charges for service | 185,550 | 108,140 | 138,811 | 46,739 |
| Special assessments | 27,067 | 23,665 | 27,585 | (518) |
| Miscellaneous | 107,898 | 77,896 | 687,504 | (579,606) |
| Total receipts | <u>2,773,844</u> | <u>3,038,572</u> | <u>3,746,356</u> | <u>(972,512)</u> |
| Disbursements | | | | |
| Public safety | 821,823 | 935,321 | 874,565 | 52,742 |
| Public works | 457,708 | 505,928 | 500,050 | 42,342 |
| Culture and recreation | 450,730 | 427,837 | 472,690 | 21,960 |
| Community and economic development | 11,764 | 6,100 | 11,764 | 0 |
| General government | 337,662 | 384,177 | 357,899 | 20,237 |
| Debt service | 213,325 | 389,169 | 741,407 | 528,082 |
| Capital projects | 41,899 | 2,510,000 | 1,505,000 | 1,463,101 |
| Total disbursements | <u>2,334,911</u> | <u>5,158,532</u> | <u>4,463,375</u> | <u>2,128,464</u> |
| Excess (deficiency) of receipts over (under) disbursements | 438,933 | (2,119,960) | (717,019) | 1,155,952 |
| Other financing sources, net | <u>12,623</u> | <u>1,500</u> | <u>2,511,688</u> | <u>(2,499,065)</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 451,556 | (2,118,460) | 1,794,669 | (1,343,113) |
| Balances beginning of year | <u>1,296,124</u> | <u>3,069,205</u> | <u>1,296,094</u> | <u>30</u> |
| Balances end of year | <u>\$ 1,747,680</u> | <u>950,745</u> | <u>3,090,763</u> | <u>(1,343,083)</u> |

See accompanying independent auditor's report.

City of Glenwood
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 except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Permanent 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 decreased budgeted disbursements by \$695,157. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements did not exceed the final budgeted amounts.

Other Supplementary Information

City of Glenwood
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

| | Special Tax Fund | Urban Renewal Tax Increment | Loan Revolving | Special Sidewalk Fund |
|---|------------------------|-----------------------------------|-------------------|-----------------------------|
| Receipts: | | | | |
| Property tax | \$ 26,936 | 0 | 0 | 0 |
| Tax increment financing collections | 0 | 85,933 | 0 | 0 |
| Other city tax | 763 | 0 | 0 | 0 |
| Charges for services | 0 | 0 | 0 | 0 |
| Special assessments | 25,722 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 | 0 |
| Total receipts | <u>53,421</u> | <u>85,933</u> | <u>0</u> | <u>0</u> |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | 0 | 0 | 0 | 0 |
| Public works | 0 | 0 | 0 | 275 |
| Culture and recreation | 0 | 0 | 0 | 0 |
| Community and economic development | 0 | 0 | 2,965 | 0 |
| Debt service | 0 | 72,592 | 0 | 0 |
| Capital projects | 0 | 0 | 0 | 0 |
| Total disbursements | <u>0</u> | <u>72,592</u> | <u>2,965</u> | <u>275</u> |
| Excess (deficiency) of receipts over (under) disbursements | 53,421 | 13,341 | (2,965) | (275) |
| Other financing sources (uses): | | | | |
| Operating transfers in | 0 | 0 | 0 | 0 |
| Operating transfers out | <u>(53,421)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>(53,421)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net change in cash balances | 0 | 13,341 | (2,965) | (275) |
| Cash balances beginning of year | <u>1,724</u> | <u>135,415</u> | <u>2,965</u> | <u>3,089</u> |
| Cash balances end of year | <u>\$ 1,724</u> | <u>148,756</u> | <u>0</u> | <u>2,814</u> |
| Cash Basis Fund Balances | | | | |
| Unreserved: | | | | |
| Special revenue funds | \$ 1,724 | 148,756 | 0 | 2,814 |
| Debt service fund | 0 | 0 | 0 | 0 |
| Capital project funds | 0 | 0 | 0 | 0 |
| Permanent fund | 0 | 0 | 0 | 0 |
| Total cash basis fund balances | <u>\$ 1,724</u> | <u>148,756</u> | <u>0</u> | <u>2,814</u> |

See accompanying independent auditor's report

| Revenue | | Debt Service | Capital Projects | | Permanent | Total |
|----------------------|------------------------------|--------------------------------|-----------------------------------|--------------|-------------------------------|-----------------|
| Asset Forfeitures | Library Building Trust | General Obligation Notes | Community Recreation Center | Cemetery | Cemetery Perpetual Care | |
| 0 | 0 | 87,509 | 0 | 0 | 0 | 114,445 |
| 0 | 0 | 0 | 0 | 0 | 0 | 85,933 |
| 0 | 0 | 2,418 | 0 | 0 | 0 | 3,181 |
| 2,722 | 0 | 0 | 0 | 0 | 0 | 2,722 |
| 0 | 0 | 0 | 0 | 0 | 0 | 25,722 |
| 0 | 11,242 | 0 | 0 | 0 | 4,388 | 15,630 |
| <u>2,722</u> | <u>11,242</u> | <u>89,927</u> | <u>0</u> | <u>0</u> | <u>4,388</u> | <u>247,633</u> |
| 1,884 | 0 | 0 | 0 | 0 | 0 | 1,884 |
| 0 | 0 | 0 | 0 | 0 | 0 | 275 |
| 0 | 18,807 | 0 | 0 | 0 | 0 | 18,807 |
| 0 | 0 | 0 | 0 | 0 | 0 | 2,965 |
| 0 | 0 | 88,893 | 0 | 0 | 0 | 161,485 |
| 0 | 0 | 0 | 41,899 | 0 | 0 | 41,899 |
| <u>1,884</u> | <u>18,807</u> | <u>88,893</u> | <u>41,899</u> | <u>0</u> | <u>0</u> | <u>227,315</u> |
| 838 | (7,565) | 1,034 | (41,899) | 0 | 4,388 | 20,318 |
| 0 | 0 | 0 | 0 | 628 | 0 | 628 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(53,421)</u> |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>628</u> | <u>0</u> | <u>(52,793)</u> |
| 838 | (7,565) | 1,034 | (41,899) | 628 | 4,388 | (32,475) |
| 569 | 25,072 | (2,517) | (11,740) | 547 | 33,400 | 188,524 |
| <u>1,407</u> | <u>17,507</u> | <u>(1,483)</u> | <u>(53,639)</u> | <u>1,175</u> | <u>37,788</u> | <u>156,049</u> |
| 1,407 | 17,507 | 0 | 0 | 0 | 0 | 172,208 |
| 0 | 0 | (1,483) | 0 | 0 | 0 | (1,483) |
| 0 | 0 | 0 | (53,639) | 1,175 | 0 | (52,464) |
| 0 | 0 | 0 | 0 | 0 | 37,788 | 37,788 |
| <u>1,407</u> | <u>17,507</u> | <u>(1,483)</u> | <u>(53,639)</u> | <u>1,175</u> | <u>37,788</u> | <u>156,049</u> |

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

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---|------------------|-------------------|--------------------------------|
| General obligation bonds and notes: | | | |
| Building | Aug 1, 1997 | 10.00 % | \$ 144,000 |
| Street improvement and refunding | Mar 1, 1999 | 3.95 – 4.60 % | 995,000 |
| Equipment | Jul 9, 2001 | 7.00 % | 21,846 |
| Equipment | Jun 17, 2002 | 6.45 % | 21,602 |
| Equipment | Jul 5, 2002 | 6.45 % | 24,070 |
| Equipment | Oct 23, 2002 | 20.00 % | 5,271 |
| Equipment | Dec 24, 2002 | 20.00 % | 5,248 |
| Equipment | Aug 7, 2003 | 6.25 % | 22,900 |
| | | | |
| Urban renewal tax increment financing (TIF) revenue bonds: | Jul 1, 1998 | 5.00 % | \$ 275,833 |

See accompanying independent auditor's report

Schedule 2

| | <u>Balance Beginning of Year</u> | <u>Issued During Year</u> | <u>Redeemed During Year</u> | <u>Balance End of Year</u> | <u>Interest Paid</u> | <u>Interest Due and Unpaid</u> |
|----|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| \$ | 111,772 | 0 | 7,580 | 104,192 | 10,836 | 0 |
| | 785,000 | 0 | 55,000 | 730,000 | 33,593 | 0 |
| | 7,271 | 0 | 7,271 | 0 | 509 | 0 |
| | 4,239 | | 4,239 | 0 | 273 | |
| | 15,540 | 0 | 7,527 | 8,013 | 1,002 | 0 |
| | 4,596 | 0 | 1,569 | 3,027 | 784 | 0 |
| | 4,692 | 0 | 1,398 | 3,294 | 750 | 0 |
| | <u>0</u> | <u>22,900</u> | <u>8,100</u> | <u>14,800</u> | <u>0</u> | <u>0</u> |
| \$ | <u>933,110</u> | <u>22,900</u> | <u>92,684</u> | <u>863,326</u> | <u>47,747</u> | <u>0</u> |
| \$ | <u>176,833</u> | <u>0</u> | <u>52,000</u> | <u>124,833</u> | <u>8,842</u> | <u>0</u> |

City of Glenwood
Bond and Note Maturities
June 30, 2004

| Year Ending June 30, | General Obligation | | | | | |
|-------------------------|---------------------------------|------------|---|------------|---------------------------------|----------|
| | Building Issued Aug 12, 1997 | | Street Improvement and Refunding Notes Issued Mar 1, 1999 | | Equipment Issued Jul 5, 2002 | |
| | Interest Rate | Amount | Interest Rate | Amount | Interest Rate | Amount |
| 2005 | 10.00 % | \$ 8,374 | 3.95 % | \$ 60,000 | 6.45 % | \$ 8,013 |
| 2006 | 10.00 % | 9,250 | 4.00 % | 60,000 | - | 0 |
| 2007 | 10.00 % | 10,219 | 4.10 % | 65,000 | - | 0 |
| 2008 | 10.00 % | 11,289 | 4.15 % | 70,000 | - | 0 |
| 2009 | 10.00 % | 12,471 | 4.25 % | 70,000 | - | 0 |
| 2010 | 10.00 % | 13,777 | 4.30 % | 75,000 | - | 0 |
| 2011 | 10.00 % | 15,219 | 4.40 % | 75,000 | - | 0 |
| 2012 | 10.00 % | 16,812 | 4.50 % | 80,000 | - | 0 |
| 2013 | 10.00 % | 6,781 | 4.55 % | 85,000 | - | 0 |
| 2014 | - | 0 | 4.60 % | 90,000 | - | 0 |
| 2015 | - | 0 | - | 0 | - | 0 |
| 2016 | - | 0 | - | 0 | - | 0 |
| 2017 | - | 0 | - | 0 | - | 0 |
| 2018 | - | 0 | - | 0 | - | 0 |
| Total | | \$ 104,192 | | \$ 730,000 | | \$ 8,013 |

| Urban Renewal Tax Increment Financing (TIF) Revenue Bonds | | |
|--|------------------|------------|
| South District Issued June 24, 2002 | | |
| Year Ending June 30, | Interest Rate | Amount |
| 2005 | 5.00 % | \$ 54,000 |
| 2006 | 5.00 % | 58,000 |
| 2007 | 5.00 % | 12,833 |
| Total | | \$ 124,833 |

See accompanying independent auditor's report.

Bonds and Notes

| Equipment Issued Oct 23, 2002 | | Equipment Issued Dec 4, 2002 | | Equipment Issued Aug 7, 2003 | | Total |
|----------------------------------|----------|---------------------------------|----------|---------------------------------|-----------|------------|
| Interest Rate | Amount | Interest Rate | Amount | Interest Rate | Amount | |
| 20.00 % | \$ 1,915 | 20.00 % | \$ 1,876 | 6.25 % | \$ 7,176 | \$ 87,354 |
| 20.00 % | 1,112 | 20.00 % | 1,418 | 6.25 % | 7,624 | 79,404 |
| - | 0 | - | 0 | - | 0 | 75,219 |
| - | 0 | - | 0 | - | 0 | 81,289 |
| - | 0 | - | 0 | - | 0 | 82,471 |
| - | 0 | - | 0 | - | 0 | 88,777 |
| - | 0 | - | 0 | - | 0 | 90,219 |
| - | 0 | - | 0 | - | 0 | 96,812 |
| - | 0 | - | 0 | - | 0 | 91,781 |
| - | 0 | - | 0 | - | 0 | 90,000 |
| - | 0 | - | 0 | - | 0 | 0 |
| - | 0 | - | 0 | - | 0 | 0 |
| - | 0 | - | 0 | - | 0 | 0 |
| - | 0 | - | 0 | - | 0 | 0 |
| | <u>0</u> | | <u>0</u> | | <u>0</u> | <u>0</u> |
| | \$ 3,027 | | \$ 3,294 | | \$ 14,800 | \$ 863,326 |

City of Glenwood
 Schedule of Receipts By Source and Disbursements By Function -
 All Governmental Funds
 For the Last Four Years

| | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|-------------------------------------|----------------------------|-------------------------|-------------------------|-------------------------|
| Receipts | | | | |
| Property tax | \$ 1,398,277 | 1,348,924 | 1,394,894 | 1,294,839 |
| Tax increment financing collections | 85,933 | 70,144 | 66,814 | 38,944 |
| Other city tax | 350,584 | 213,031 | 103,006 | 48,629 |
| Licenses and permits | 3,081 | 11,172 | 13,141 | 6,303 |
| Use of money and property | 28,554 | 44,699 | 64,140 | 100,204 |
| Intergovernmental | 586,121 | 643,363 | 618,704 | 548,142 |
| Charges for service | 185,550 | 145,141 | 129,367 | 111,638 |
| Special assessments | 27,067 | 47,601 | 27,575 | 64,894 |
| Miscellaneous | <u>108,677</u> | <u>133,950</u> | <u>107,547</u> | <u>174,879</u> |
| Total | \$ <u>2,773,844</u> | <u>2,658,025</u> | <u>2,525,188</u> | <u>2,388,472</u> |
| Disbursements | | | | |
| Operating: | | | | |
| Public safety | \$ 821,823 | 930,159 | 972,407 | 906,295 |
| Public works | 457,708 | 433,486 | 600,775 | 475,881 |
| Culture and recreation | 450,730 | 536,796 | 592,406 | 562,246 |
| Community and economic development | 11,764 | 7,133 | 63,824 | 25,656 |
| General government | 337,662 | 334,742 | 259,029 | 181,934 |
| Debt service | 213,325 | 239,573 | 92,745 | 89,595 |
| Capital projects | <u>41,899</u> | <u>22,367</u> | <u>39,613</u> | <u>1,031,746</u> |
| Total | \$ <u>2,334,911</u> | <u>2,504,256</u> | <u>2,620,799</u> | <u>3,273,353</u> |

See accompanying independent auditor's report.

City of Glenwood

September 16, 2004

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

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Glenwood, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 16, 2004. Our report expressed unqualified opinions on the 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Glenwood's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. There were no prior year reportable conditions.

Compliance

As part of obtaining reasonable assurance about whether the City of Glenwood'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 Part II of the accompanying Schedule of Findings.

Continued...

City of Glenwood
Independent Auditor's Report on Internal Control

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 not been resolved.

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 Glenwood and other parties to whom the City of Glenwood 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 Glenwood 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.

City of Glenwood
Schedule of Findings
Year Ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

City of Glenwood
Schedule of Findings
Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

II-A-04 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.

II-B-04 Certified Budget

Disbursements during the year ended June 30, 2004 did not exceed the budgeted amounts.

II-C-04 Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transactions

No business transactions were noted between the City and City officials or employees.

II-F-04 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 that the coverage is adequate for current operations.

II-G-04 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-04 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

City of Glenwood
Schedule of Findings
Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting Continued:

II-I-04 Revenue Note

The City has no revenue debt.

II-J-04 Financial Condition

Comment – The Capital Projects Fund, Community Recreation Center Account and the Debt Service Fund, General Obligation Account had deficit fund balances at June 30, 2004.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the accounts to a sound financial position.

Response – We plan to eliminate the deficit upon collection of property taxes and project financing.

Conclusion – Response accepted.

II-K-04 Excess Balances

Comment – The cash balance in the Special Revenue Fund, Urban Renewal Tax Increment Account at June 30, 2004 was in excess of the disbursements made from the fund during the year.

Recommendation – The City should consider the necessity of maintaining the excess balance.

Response – The excess balance is considered necessary for the payment of future debt service requirements and project costs.

Conclusion – Response accepted.

NEWS RELEASE

Schroer & Associates, P.C. today released an audit report on the City of Glenwood, 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 \$2,786,467 for the year ended June 30, 2004, a 9 percent decrease from 2003. The receipts included \$1,455,069 in property tax, \$85,933 from tax increment financing collections, \$238,365 from charges for service, \$674,292 from operating grants, contributions and restricted interest, \$293,792 from local option sales tax, \$13,903 from unrestricted investment earnings and \$25,113 from other general receipts.

Disbursements for the year totaled \$2,334,911, a 15 percent decrease from the prior year, and included \$821,823 for public safety, \$457,708 for public works, and \$450,730 for culture and recreation.

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

September 16, 2004

To the Honorable Mayor and
Members of the City Council
City of Glenwood
107 Locust
Glenwood, IA 51534

We have compiled the annual financial report of the City of Glenwood for the year ended June 30, 2004, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the State of Iowa information that is the representation of management. We have not audited or reviewed the financial statements referred to above, and accordingly, do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the State of Iowa, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.