

**CITY OF GLADBROOK**

Independent Auditors' Reports  
Basic Financial Statements and Supplemental Information  
Schedule of Findings

June 30, 2004

# CITY OF GLADBROOK

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# CITY OF GLADBROOK

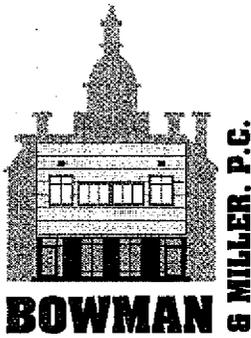
## Officials

(Before January 2004)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Fink	Mayor	Jan 2004
Geri Eilers	Mayor Pro Tem	Jan 2004
Mike Wentzien	Council Member	Jan 2004
Roger Luehring	Council Member	Jan 2006
Charles Delfs	Council Member	Jan 2006
Mark Lowry	Council Member	Jan 2006
Patricia Clausen	Clerk/Treasurer	Indefinite
John S. Livingston	Attorney	Indefinite

(After January 2004)

Mark Fink	Mayor	Jan 2008
Geri Eilers	Mayor Pro Tem	Jan 2008
Mike Wentzien	Council Member	Jan 2008
Roger Luehring	Council Member	Jan 2006
Charles Delfs	Council Member	Jan 2006
Mark Lowry (resigned May 31, 2004)	Council Member	Jan 2006
Patricia Clausen	Clerk/Treasurer	Indefinite
John S. Livingston	Attorney	Indefinite



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Independent Auditors' 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 Gladbrook, 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 City of Gladbrook's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 that 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 accounting principles generally accepted in the United States of America.

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 of the City of Gladbrook, 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 9, 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; Statements 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 August 30, 2004 on our consideration of the City of Gladbrook'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 4 through 9 and 20 through 22 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 an opinion on the financial statements that collectively comprise the City of Gladbrook'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 is 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 on 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.

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
August 30, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Gladbrook 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

- Revenues of the City's governmental activities increased 21%, or approximately \$159,000, from fiscal 2003 to fiscal 2004. Contributions from the Gladbrook Community Foundation for the building of the new City Center in 2003 decreased \$385,000, and note proceeds increased \$414,000. On November 2, 2002, the voters of the City approved a 1% local option sales tax. Per the ballot the tax will be used as follows, one-third to economic development, one-third to street improvement and one-third to property tax relief. The tax went into effect on July 1, 2003 and the City collected \$42,440 for the fiscal year 2004.
- Disbursements increased 23.6%, or approximately \$179,723 in fiscal 2004 from fiscal 2003 in the governmental activities. Public Safety and Community and Economic Development disbursements increased approximately \$64,000 and \$48,000, respectively.
- The City's total cash basis net assets decreased 5%, or approximately \$31,600 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$21,700 and the assets of the business type activities decreased by approximately \$10,000.

### 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 accounting principles generally accepted in the United States of America. 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 Statements*

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 and 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 waterworks, sanitary sewer system and the City Center movie theater and Matchstick Marvel museum. These activities are financed primarily by user charges.

### *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 Road Use Tax, 3) the Debt Service Fund, and 4) the Capital Projects 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.

- 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, and for the operation of the City's movie theater and Matchstick Marvels museum. These funds are considered to be major funds of the City.

The required financial statements for proprietary 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 decreased very little from a year ago, decreasing from \$431,000 to \$409,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2004	2003
Receipts:		
Program receipts:		
Charges for service	\$ 2,730	17,041
Operating grants, contributions and restricted interest	228,475	112,180
Capital grants, contributions and restricted interest	28,270	-
General receipts:		
Property tax	173,949	177,782
Local option sales tax	42,440	-
Grants and contributions not restricted to specific purposes	3,586	17,872
Unrestricted investment earnings	4,979	9,441
Note proceeds	413,643	-
Other general receipts	<u>20,611</u>	<u>424,939</u>
Total receipts	<u>918,683</u>	<u>759,255</u>
Disbursements:		
Public safety	146,763	82,585
Public works	100,335	103,652
Health and social services	260	103
Culture and recreation	44,434	37,934
Community and economic development	71,212	23,487
General government	73,800	53,600
Debt service	39,218	39,218
Capital projects	<u>464,341</u>	<u>420,061</u>
Total disbursements	<u>940,363</u>	<u>760,640</u>
(Decrease) in cash basis net assets	(21,680)	(1,385)
Cash basis net assets beginning of year	<u>431,245</u>	<u>432,630</u>
Cash basis net assets end of year	\$ <u>409,565</u>	<u>431,245</u>

The City's total receipts for governmental activities increased by 21% or \$159,000. The total cost of all programs and services increased by approximately \$180,000, or 24%, with no new programs added. The significant increase in expenditures is due to the purchase of new fire equipment for a cost of \$65,000 and the Main Street paving project.

The City made no significant changes in property tax rates for 2004 and there was very little change in the total assessed valuation from 2003 to 2004. However, in 2005 the City has approved a 13.55% increase in the tax rates including a debt service levy of .97 per \$1,000 of assessed valuation. This levy will be used to pay off the general obligation notes generated by street improvement projects.

The cost of all governmental activities this year was \$940,000 compared to \$761,000 last year. However, as shown on the Statement of Activities and Net Assets on pages 10-11, the amount taxpayers ultimately financed for these activities was only \$680,889 because some of the cost was paid by those directly benefited from the programs (\$2,730) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$256,745). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2004 from approximately \$545,000 to approximately \$259,000, principally due to receiving contributions in 2003 from the Gladbrook Community Foundation to build the City Center in the amount of \$382,000. The City paid the remaining "public benefit" portion of governmental activities with approximately \$219,975 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2004	2003
Receipts:		
Program receipts:		
Changes for service:		
Water	\$ 79,158	73,947
Sewer	111,075	70,548
Concessions and admissions	110,760	14,351
Operating grants, contributions and restricted interest	2,850	38,348
General receipts:		
Unrestricted interest on investments	1,055	952
Bond proceeds	-	71,592
Other general receipts	-	11,915
Total receipts	<u>304,898</u>	<u>281,653</u>
Disbursements::		
Water	105,127	68,674
Sewer	88,773	122,980
City center	<u>120,916</u>	<u>10,577</u>
Total disbursements	<u>314,816</u>	<u>202,231</u>
Increase (decrease) in cash balance	(9,918)	79,422
Cash basis net assets beginning of year	<u>209,390</u>	<u>129,968</u>
Cash basis net assets end of year	\$ <u>199,472</u>	<u>209,390</u>

Total business type activities receipts for the fiscal year were \$305,000 compared to \$282,000 last year. The increase was due primarily to the operations of the City Center movie theater and Matchstick Marvels museum which began operations in June, 2003. Total disbursements and transfers for the fiscal year increased by 56% to a total of \$315,000.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Gladbrook completed the year, its governmental funds reported a combined fund balance of \$409,565, a decrease of \$21,680 from last year's total of \$431,245. The following are the major reasons for the changes in fund balance of the major fund from the prior year.

- The General Fund cash balance decreased \$22,312 from the prior year to \$311,841. Approximately \$14,400 of this decrease was due to not receiving personal property tax credit in 2004.

- The Road Use Tax Fund cash balance decreased by \$8,393 to \$76,826 during the fiscal year. This decrease was due to the street lighting utility bills being expended from the Road Use Tax Fund in 2004. In previous years they had been expended in the General Fund.
- The Debt Service Fund cash balance remained approximately the same from 2003. This fund is used to pay off general obligation bonds and notes. In 2004, the City transferred funds from the General Fund to pay the debt. In 2005, the City has approved a debt service levy to pay the bonds and interest.
- Capital Projects Fund cash balance also remained approximately the same. The City completed the City Center project and the Main Street Pavement project in 2004.

#### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$25,281 to \$138,222, due primarily to repair on a well in the amount of \$24,000.
- The Sewer Fund cash balance increased by \$22,669 to \$64,783, due primarily to the connection fee paid by Central Iowa Rural Water Association in the amount of \$25,000. This fee will be used to link the town of Lincoln to the City's new sewer system.
- The City Center cash balance decreased by \$7,306 due primarily to start up costs for the movie theater and the Matchstick Marvels museum

#### BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 31, 2004 and resulted in an increase in operating disbursements related to the approval of the Main Street Project. The City has sufficient cash balances to absorb these additional costs.

#### DEBT ADMINISTRATION

At June 30, 2004, the City had \$931,635 in bonds and other long-term debt, compared to approximately \$577,670 last year as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2004	2003
General obligation bonds	\$ 532,377	150,413
Revenue notes	<u>399,258</u>	<u>427,257</u>
Total	\$ <u>931,635</u>	<u>577,670</u>

Debt increased as a result of issuing general purpose corporate notes for the Main Street Paving project.

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 \$532,377 is below its constitutional debt limit of \$828,453.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Gladbrook City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities.

Amounts available for appropriation in the operating budget are \$1,504,723, an increase of 21% over the final 2004 budget. Property tax (benefiting from a debt service levy and an increase in the general fund levy) is expected to lead this increase. The City will use these increases to pay down general obligation debts. Budgeted disbursements are expected to rise by approximately \$212,800. A three percent wage and cost of living adjustment and payments on general obligation debt represent the largest increases. The City has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$20,000 by the close of 2005.

## **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 Pat Clausen, City Clerk or Mark Fink, Mayor, at 319 2<sup>nd</sup> Street, Gladbrook, Iowa 50635.

**CITY OF GLADBROOK**  
**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 and Contributions
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 146,763	-	119,801	-
Public works	100,335	-	84,537	-
Health and social services	260	-	-	-
Culture and recreation	44,434	420	8,578	-
Community and economic development	71,212	-	15,490	-
General government	73,800	2,310	-	-
Debt service	39,218	-	69	-
Capital projects	464,341	-	-	28,270
<b>Total governmental activities</b>	<b>940,363</b>	<b>2,730</b>	<b>228,475</b>	<b>28,270</b>
Business type activities:				
Water	105,127	79,158	-	-
Sewer	88,773	111,075	-	-
City center	120,916	110,760	2,850	-
<b>Total business type activities</b>	<b>314,816</b>	<b>300,993</b>	<b>2,850</b>	<b>-</b>
<b>Total</b>	<b>\$ 1,255,179</b>	<b>303,723</b>	<b>231,325</b>	<b>28,270</b>

**General receipts:**

Property tax levied for:  
 General purposes  
 Local option sales tax  
 Franchise tax  
 Unrestricted investment earnings  
 Note proceeds  
 Miscellaneous

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  
 Debt service  
 Other purposes

Unrestricted

Total cash basis net assets

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(26,962)	-	(26,962)
(15,798)	-	(15,798)
(260)	-	(260)
(35,436)	-	(35,436)
(55,722)	-	(55,722)
(71,490)	-	(71,490)
(39,149)	-	(39,149)
(436,071)	-	(436,071)
(680,888)	-	(680,888)
-	(25,969)	(25,969)
-	22,302	22,302
-	(7,306)	(7,306)
-	(10,973)	(10,973)
(680,888)	(10,973)	(691,861)
173,949	-	173,949
42,440	-	42,440
3,586	-	3,586
4,979	1,055	6,034
413,643	-	413,643
20,611	-	20,611
659,208	1,055	660,263
(21,680)	(9,918)	(31,598)
431,245	209,390	640,635
\$ 409,565	199,472	609,037
\$ 76,826	-	76,826
925	53,579	54,504
17,822	-	17,822
313,992	145,893	459,885
\$ 409,565	199,472	609,037

**CITY OF GLADBROOK**  
**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	Debt Service	Capital Projects
<b>Receipts:</b>				
Property tax	\$ 173,949	-	-	-
Other city tax	46,026	-	-	-
Intergovernmental	119,730	84,537	-	-
Licenses and permits	1,010	-	-	-
Charges for service	17,104	-	-	-
Use of money and property	6,353	-	69	-
Miscellaneous	24,892	-	-	28,270
Total revenues	389,064	84,537	69	28,270
<b>Disbursements:</b>				
Operating:				
Public safety	146,763	-	-	-
Public works	7,405	92,930	-	-
Health and social services	260	-	-	-
Culture and recreation	42,651	-	-	-
Community and economic development	71,212	-	-	-
General government	73,800	-	-	-
Debt service	-	-	39,218	-
Capital projects	-	-	-	464,341
Total disbursements	342,091	92,930	39,218	464,341
Excess (deficiency) of receipts over (under) disbursements	46,973	(8,393)	(39,149)	(436,071)
<b>Other financing sources (uses):</b>				
Note proceeds	-	-	-	413,643
Operating transfers in	715	-	40,000	30,000
Operating transfers out	(70,000)	-	-	-
Total other financing sources (uses):	(69,285)	-	40,000	443,643
Net change in cash balances	(22,312)	(8,393)	851	7,572
Cash balances beginning of year	334,153	85,219	74	(5,421)
Cash balances end of year	\$ 311,841	76,826	925	2,151
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	-	-	925	-
Unreserved:				
General fund	311,841	-	-	-
Special revenue funds	-	76,826	-	-
Capital projects fund	-	-	-	2,151
Total cash basis fund balances	\$ 311,841	76,826	925	2,151

Other Nonmajor Governmental Funds	Total
-	173,949
-	46,026
996	205,263
-	1,010
-	17,104
117	6,539
1,987	55,149
<u>3,100</u>	<u>505,040</u>

-	146,763
-	100,335
-	260
1,783	44,434
-	71,212
-	73,800
-	39,218
-	464,341
<u>1,783</u>	<u>940,363</u>
<u>1,317</u>	<u>(435,323)</u>

-	413,643
-	70,715
(715)	(70,715)
<u>(715)</u>	<u>413,643</u>
602	(21,680)
17,220	431,245
<u>17,822</u>	<u>409,565</u>

-	925
-	311,841
17,822	94,648
-	2,151
<u>17,822</u>	<u>409,565</u>

**CITY OF GLADBROOK**

Exhibit C

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2004

	Water	Sewer Rental	City Center	Total
<b>Operating receipts:</b>				
Charges for service	\$ 79,158	111,075	110,760	300,993
Total operating receipts	<u>79,158</u>	<u>111,075</u>	<u>110,760</u>	<u>300,993</u>
<b>Operating disbursements:</b>				
Business type activities	105,127	46,323	120,916	272,366
Total operating disbursements	<u>105,127</u>	<u>46,323</u>	<u>120,916</u>	<u>272,366</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(25,969)	64,752	(10,156)	28,627
<b>Non-operating receipts (disbursements):</b>				
Interest on investments	688	367	-	1,055
Contributions	-	-	2,850	2,850
Debt service	-	(42,450)	-	(42,450)
Total non-operating receipts (disbursements)	<u>688</u>	<u>(42,083)</u>	<u>2,850</u>	<u>(38,545)</u>
Net change in cash balances	(25,281)	22,669	(7,306)	(9,918)
Cash balances beginning of year	163,503	42,114	3,773	209,390
Cash balances end of year	\$ <u>138,222</u>	<u>64,783</u>	<u>(3,533)</u>	<u>199,472</u>
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	53,579	-	53,579
Unreserved	138,222	11,204	(3,533)	145,893
	\$ <u>138,222</u>	<u>64,783</u>	<u>(3,533)</u>	<u>199,472</u>

**CITY OF GLADBROOK**  
Notes to Financial Statements  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies

The City of Gladbrook is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Gladbrook 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. The City of Gladbrook has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also 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: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Landfill Commission, Tama County Joint E911 Service Board, Region Six Planning Commission and Tama County Economic Development 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, 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 services.

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.

**CITY OF GLADBROOK**  
**Notes to Financial Statements (Continued)**  
**June 30, 2004**

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

*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 and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 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 used to account for all resources used in the acquisition and construction of capital facilities.

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.

The City Center accounts for the operation and maintenance of the City's movie theater and Matchstick Marvels museum.

**CITY OF GLADBROOK**  
**Notes to Financial Statements (Continued)**  
**June 30, 2004**

**C. Measurement Focus and Basis of Accounting**

The City of Gladbrook 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 accounting principles generally accepted in the United States of America.

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 culture and recreation and general government functions.

**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.

**Note 3 – 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, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% 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 6.04% and 9.07%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$6,863, \$4,593 and \$4,166 respectively equal to the required contributions for each year.

**CITY OF GLADBROOK**  
**Notes to Financial Statements (Continued)**  
**June 30, 2004**

**Note 4 – Notes Payable**

Annual debt service requirements to maturity for general obligation notes and sewer revenue capital loan note are as follows:

Year Ending June 30,	General Obligation Notes		Sewer Revenue Capital Loan Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 446,758	10,130	26,000	13,041	472,758	23,171
2006	12,462	4,232	27,000	12,228	39,462	16,460
2007	13,219	3,496	28,000	11,351	41,219	14,847
2008	13,975	2,761	30,000	10,441	43,975	13,202
2009	14,732	2,025	31,000	9,466	45,732	11,491
2010	15,489	1,289	32,000	8,458	47,489	9,747
2011	15,743	369	34,000	7,418	49,743	7,787
2012	-	-	35,000	6,313	35,000	6,313
2013	-	-	37,000	5,176	37,000	5,176
2014	-	-	38,000	3,973	38,000	3,973
2015	-	-	39,000	2,738	39,000	2,738
2016	-	-	42,257	1,471	42,257	1,471
<b>Total</b>	<b>\$ 532,378</b>	<b>24,302</b>	<b>399,257</b>	<b>92,074</b>	<b>931,635</b>	<b>116,376</b>

The sewer revenue capital loan note was issued for the purpose of defraying a portion of the costs of carrying out a sewer project of the City. The resolution providing for the issuance of the revenue note include the following provisions: (a) The note will only be redeemed from the future earnings of the enterprise activity fund and the note holders hold a lien on the future earnings of the fund. (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.

**Note 5 – Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation 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 had no liability for earned vacation termination payments payable to employees at June 30, 2004,

**Note 6 – Risk Management**

The City of Gladbrook 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.

**CITY OF GLADBROOK**  
**Notes to Financial Statements (Continued)**  
**June 30, 2004**

Note 7 – Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt service	General fund	\$40,000
Capital projects	General fund	30,000
General fund	Special Revenue: Tax Increment Financing	<u>715</u>
Total		<u>\$70,715</u>

Note 8 – Deficit Fund Balance

The City Center Fund had a deficit balance of \$3,533 at June 30, 2004. The deficit balance in the City Fund was a result of start up costs related to the movie theater.

Note 9 – Accounting Change

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 report the City’s governmental and business type activities.

**CITY OF GLADBROOK**  
**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	\$ 173,949	-
Other city tax	46,026	-
Intergovernmental	205,263	-
Licenses and permits	1,010	-
Charges for service	17,104	294,746
Use of money and property	6,539	1,055
Miscellaneous	55,149	9,097
Total receipts	505,040	304,898
Disbursements:		
Public safety	146,763	-
Public works	100,335	-
Health and social services	260	-
Culture and recreation	44,434	-
Community and economic development	71,212	-
General government	73,800	-
Debt service	39,218	-
Capital projects	464,341	-
Business type activities	-	314,816
Total disbursements	940,363	314,816
Excess (deficiency) of receipts over (under) disbursements	(435,323)	(9,918)
Other financing sources, net	413,643	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(21,680)	(9,918)
Balance beginning of year	431,245	209,390
Balance end of year	\$ 409,565	199,472

Total	Budgeted Amounts		Final to Net Variance
	Original	Final	
173,949	167,261	167,261	6,688
46,026	38,154	38,154	7,872
205,263	127,710	189,410	15,853
1,010	2,000	2,000	(990)
311,850	269,700	304,700	7,150
7,594	16,025	16,025	(8,431)
64,246	6,127	6,127	58,119
809,938	626,977	723,677	86,261
146,763	97,398	162,508	(15,745)
100,335	121,817	100,717	(382)
260	625	825	(565)
44,434	126,949	40,517	3,917
71,212	24,500	75,625	(4,413)
73,800	49,189	73,689	111
39,218	39,218	39,268	(50)
464,341	-	498,150	(33,809)
314,816	154,748	316,853	(2,037)
1,255,179	614,444	1,308,152	(52,973)
(445,241)	12,533	(584,475)	139,234
413,643	-	470,000	(56,357)
(31,598)	12,533	(114,475)	82,877
640,635	494,408	640,637	(2)
609,037	506,941	526,162	82,875

## Supplementary Information

## CITY OF GLADBROOK

### 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 ten major classes of disbursements known as functions, not by fund or fund type. 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and 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 \$693,708. The budget amendment is reflected in the final budget amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation and general government functions.

**CITY OF GLADBROOK**

Schedule 1

**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			
	Urban			Total
	Renewal Tax Increment	Employee Benefits	Library	
Receipts:				
Intergovernmental	\$ -	-	996	996
Use of money and property	-	-	117	117
Miscellaneous	-	-	1,987	1,987
Total receipts	-	-	3,100	3,100
Disbursements:				
Operating:				
Culture and recreation	-	-	1,783	1,783
Total disbursements	-	-	1,783	1,783
Excess of receipts over disbursements	-	-	1,317	1,317
Other financing uses:				
Operating transfers out	(715)	-	-	(715)
Net change in cash balances	(715)	-	1,317	602
Cash balances at beginning of year	715	6,130	10,375	17,220
Cash balances at end of year	\$ -	6,130	11,692	17,822

**CITY OF GLADBROOK**  
**Schedule of Indebtedness**  
**Year Ended June 30, 2004**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Storm sewer improvement	Mar 15, 2001	5.25%	\$ 128,000
Corporate purpose note	Dec 15, 2000	5.25%	89,000
Corporate purpose note	Jan 15, 2004	2.23%	413,643
Total			
Sewer revenue capital loan note:			
Sewer improvement	Sept 15, 2001	3.25%	\$ 706,000

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
108,552	-	11,227	97,325	5,573	-
41,861	-	20,451	21,410	1,968	-
-	413,643	-	413,643	-	-
150,413	413,643	31,678	532,378	7,541	-
427,257	-	28,000	399,257	14,450	-

**CITY OF GLADBROOK**  
**Bond and Note Maturities**  
**June 30, 2004**

<u>Year</u> <u>Ending</u> June 30,	General Obligation Bonds			
	Sanitary Sewer		Corporate Purpose	
	Issued Mar 15, 2001		Issued Dec 15, 2000	
	Interest Rates	Amount	Interest Rates	Amount
2005	5.25%	11,705	5.25%	21,410
2006	5.25%	12,462	-	-
2007	5.25%	13,219	-	-
2008	5.25%	13,975	-	-
2009	5.25%	14,732	-	-
2010	5.25%	15,489	-	-
2011	5.25%	15,743	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
<b>Total</b>		<b>\$ 97,325</b>		<b>21,410</b>

Sewer Revenue Capital Loan Note  
(TIF) Revenue Bonds  
Issued Sept 15, 2001

<u>Year</u> <u>Ending</u> June 30,	Interest Rates	Amount	Total
2005	3.25%	26,000	472,758
2006	3.25%	27,000	39,462
2007	3.25%	28,000	41,219
2008	3.25%	30,000	43,975
2009	3.25%	31,000	45,732
2010	3.25%	32,000	47,489
2011	3.25%	34,000	49,743
2012	3.25%	35,000	35,000
2013	3.25%	37,000	37,000
2014	3.25%	38,000	38,000
2015	3.25%	39,000	39,000
2016	3.25%	42,257	42,257
<b>Total</b>		<b>\$ 399,257</b>	<b>931,635</b>

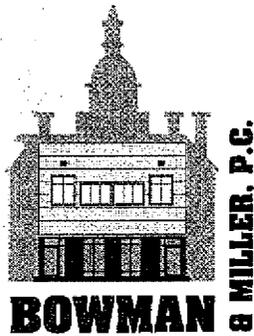


# CITY OF GLADBROOK

Schedule 4

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

	Years ended June 30,			
	2004	2003	2002	2001
<b>Receipts:</b>				
Property tax	\$ 173,949	177,067	153,517	137,680
Other city tax	46,026	715	61,823	148,437
Intergovernmental	205,263	130,053	179,367	185,816
Licenses and permits	1,010	2,448	2,253	1,648
Use of money and property	17,104	9,441	19,515	36,155
Charges for services	6,539	17,041	13,108	5,792
Special assessments	-	-	575	583
Miscellaneous	55,149	422,490	337,537	19,486
Total	\$ 505,040	759,255	767,695	535,597
<b>Disbursements:</b>				
Operating:				
Public safety	\$ 146,763	82,585	194,385	71,694
Public works	100,335	102,955	81,614	130,310
Health and social services	260	103	31	-
Culture and recreation	44,434	37,934	39,474	33,409
Community and economic development	71,212	24,184	53,438	68,396
General government	73,800	53,600	42,681	55,448
Debt service	39,218	39,218	128,188	434,031
Capital projects	464,341	420,061	423,925	158,966
Total	\$ 940,363	760,640	963,736	952,254



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' 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 Gladbrook, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated August 30, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether the City of Gladbrook'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.

Comments involving statutory and other legal matters about the City's operation 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 III-I-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gladbrook'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 certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. 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 Gladbrook's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of 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 the 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, of the reportable conditions described above, we believe Items II-A-04 and II-B-04 are material weaknesses. Prior year reportable conditions have been resolved except for Item II-A-04 and II-B-04.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Gladbrook and other parties to whom the City of Gladbrook 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 Gladbrook 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.

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
August 30, 2004

**CITY OF GLADBROOK**  
Schedule of Findings  
Year Ended June 30, 2004

**Part I: Summary of the Independent Auditors' Results:**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**CITY OF GLADBROOK**  
Schedule of Findings (Continued)  
Year Ended June 30, 2004

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-04 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Disbursements - check writing, signing, and reconciling.
- (3) Payroll preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. In instances where it is not possible to segregate duties the City should utilize administrative personnel to provide additional internal control through review of financial transactions and report.

Response – The noted areas will be reviewed to identify duties that could be handled by other personnel or council members. Checks require two signatures and a process to have reconciliations performed throughout the year will be implemented.

Conclusion – Response accepted.

II-B-04 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period.

Response – Procedures using reports from the utility software are being developed and will be implemented to reconcile utility billings, collections and delinquencies for each billing period.

Conclusion – Response accepted.

**Part III: Other Findings Related to Statutory Reporting:**

III-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.

**CITY OF GLADBROOK**  
**Schedule of Findings (Continued)**  
**Year Ended June 30, 2004**

III-B-04 Certified Budget – Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the culture and recreation and the general government 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Improvements to fund balance reports are being made to help the City monitor balances in a more timely and accurate manner.

Conclusion – Response accepted.

III-C-04 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 24, 1979.

III-D-04 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-E-04 Business Transactions – The following business transactions between the City and City officials or employees were noted.

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Wentzien, Council member Owner, Wentzien Hardware	Supplies	<u>\$ 138</u>

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

III-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.

III-G-04 Council Minutes – No transactions were found that we believe should have been approved in the council minutes but were not.

Interfund transfers were not approved by the City Council by resolution in accordance with Chapter 331.432 of the Code of Iowa.

Recommendation – Interfund transfers should be approved by a resolution by the City Council in accordance with Chapter 331.432 of the Code of Iowa.

Response – The council will approve resolutions for interfund transfers that occurred.

**CITY OF GLADBROOK**  
**Schedule of Findings (Continued)**  
**Year Ended June 30, 2004**

Conclusion – Response accepted.

III-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.

III-I-04 Financial Condition-- The City Center Fund had a deficit balance at June 30, 2004 of \$3,533.

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

Response – The deficit was due mainly to initial start-up expenses that should be absorbed by revenues in subsequent years. A committee meets regularly and will review the City Center Fund balance to determine if any changes in prices charged or reductions in expenses need to take place.

Conclusion – Response accepted.

III-J-04 Revenue Bonds – The City was in compliance with all applicable revenue bond provisions.

## **CITY OF GLADBROOK**

Staff

This audit was performed by:

Bowman & Miller, P.C.  
Certified Public Accountants  
Marshalltown, IA 50158

Personnel:  
Elizabeth A. Miller, C.P.A.  
Suzanne M. Mead, C.P.A.

## NEWS RELEASE

FOR RELEASE \_\_\_\_\_

**Bowman and Miller, P.C. today released an audit report on the City of Gladbrook, 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 \$918,683 for the year ended June 30, 2004, an 11.75 percent decrease from 2003. The receipts included \$173,949 in property tax, \$42,440 in local option sales tax, \$2,730 from charges for services, \$228,475 from operating grants, contributions, and restricted interest, \$28,270 from capital grants and contributions, \$6,034 in unrestricted investment earnings, \$413,643 in noted proceeds, and \$24,198 from other general receipts.**

**Disbursements for the year totaled \$1,255,180 a 23 percent increase from the prior year, and included \$464,341 for capital projects, \$146,763 public safety and \$100,335 for public works.**

**The significant increase in disbursements is due to the main street paving project done in 2004.**

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