

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

JUNE 30, 2005

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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
Barbara Taenzler	Library Trustee	June 2007
Betty Bales	Library Trustee	June 2008
Martha Cheyney	Library Trustee	June 2008
Kristel Mayberry	Library Trustee	June 2011
Willard Stivers	Library Trustee	June 2011
Gregg Aistrope	Park Commissioner	January 2006
Laura Buchholz	Park Commissioner	January 2006
Gary Newman	Park Commissioner	January 2007
Larry Hurst	Park Commissioner	January 2008
Jean Jaskierny	Park Commissioner	January 2008
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 2008
Hugh Trask	Cemetery Board Member	March 2008
Don Burwell	Cemetery Board Member	March 2008

City of Glenwood

September 21, 2005

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 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, 2005, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2005 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, grant agreements 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 considered in assessing the results of our audit.

Continued...

City of Glenwood
Independent Auditors' Report

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 17 and 35 through 36 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, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, 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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- **Receipts** of the City's governmental activities increased 7.56%, or approximately \$209,839 from FY2004 to FY2005. The major increases were in the intergovernmental receipts by \$96,704 and in miscellaneous by \$220,584. This was due to the community recreation center project.
- **Disbursements** of the City's governmental activities increased 29.55%, or approximately \$689,949 from FY2004 to FY2005. The public works fund increased due to street projects and the capital projects fund increased due to the community recreation center project.
- **Cash Basis Net Assets** of the City increased 172% or \$3,005,379 from FY2004 to FY2005. This was due to the community recreation center project. Bond proceeds were received and will be paid out by the end of FY2006.

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 \$1.748 million to \$4.753 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,		
RECEIPTS/TRANSFERS:	2005	2004	2003
Charges for Services	215	238	278
Charges for Services-Sewer	0	0	383 *
Operating grants, contrib & restricted interest	852	674	643
Capital grants, contrib & restricted interest	133	0	0
General Receipts:			
Property Tax	1374	1398	1349
Other City Tax, Local Option Sales Tax	287	351	213
Grants and contributions not restricted to specific purpose	5	12	0
Tax Increment Financing	103	86	70
Unrestricted interest	14	14	0
Other General Receipts	0	0	119
Bond Proceeds	3019	0	0
Sale of Assets	28	13	2
TOTAL RECEIPTS/TRANSFERS:	6030	2786	3057
 DISBURSEMENTS:			
Public Safety	789	822	930
Public Works	634	458	433
Culture & Recreation	438	450	537
Community & Economic Development	55	12	7
General Government	316	337	335
Debt Service	224	213	240
Sewer	0	0	248 *
Capital Projects	568	42	22
TOTAL DISBURSEMENTS:	3025	2334	2752
 Increase in Cash basis net assets	 3005	 452	 305
Transfer of Equity(Sewer to GMU)	0	0	-425 *
Cash basis net assets beginning of year 7/1/2004	1748	1296	1416
 Cash basis net assets end of year 6/30/2005	\$4753	\$1748	\$1296

* - 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.

RECEIPTS FOR ALL FUNDS

The City's receipts increased \$209,839 or 7.56% over last year, largely due to miscellaneous receipts for the community recreation center project. The FY2005 tax levy was \$14.162 compared to FY2004 tax levy of \$13.997.

Property Tax	-23,987
TIF	16,679
Other City Tax/Local Opt Tax	-63,370
License/Permits	919
Use of Money	6,891
Intergovernmental	96,704
Charges for Service	-43,190
Special Assessments	-1,391
Miscellaneous	<u>220,584</u>
TOTAL RECEIPTS:	<u>\$209,839</u>

DISBURSEMENTS FOR ALL FUNDS

The disbursements of the City of Glenwood's governmental activities increased 29.55% or \$689,949 from FY2004 to FY2005, due to street projects for \$176,132 and the community recreation center project for \$525,981.

Public Safety	-32,959
Public Works	176,132
Culture & Recreation	-11,809
Comm & Ec Development	43,462
General Governmental	-21,197
Debt Service	10,339
Capital Projects	<u>525,981</u>
TOTAL DISBURSEMENTS:	<u>\$689,949</u>

CASH BASIS NET ASSET INCREASES/DECREASES BY FUND

The City of Glenwood's total cash basis net assets increased 172% or \$3,005,379 from FY2004 to FY2005 largely due to bond proceeds for the community recreation center project.

General Fund	91,440
Road Use Fund	16,344
Employee Benefits	-10,865
Local Option Sales Tax	-29,081
Tax Increment Financing	10,928
Sidewalk	-105
Asset Forfeitures	382
Library Trust	8,284
Debt Service	-1,451
Comm Rec Center	2,912,969
Cemetery	9
Cem. Perpetual Care	6,525
Revolving Loan Fund	<u>0</u>
TOTAL INCREASE ALL FUNDS:	<u>\$3,005,379</u>

The total cost of all governmental activities this year was \$3.025 million compared to \$2.334 million last year. However, the amount that the tax payers ultimately financed for these activities was only \$1.825 million. The costs paid from those directly benefited from programs and services were \$215,169. The costs paid from operating grants, contributions and restricted interest were \$852,235. The costs paid from capital grants, contributions and restricted interest were \$132,396.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Glenwood completed the year, the total governmental funds reported a combined fund balance of \$4,753,059; an increase of \$3,005,379 above last year's total of \$1,747,680. The following are the changes in fund balances from the prior year:

General Fund – Increased \$91,440 over last year.

Road Use Fund – Increased \$16,344 over last year.

Employee Benefits – Decreased \$10,865 over last year.

Local Option Sales Tax Fund – Decreased \$29,081 over last year.

Capital Projects – Increased \$2,912,978 from the bond proceeds for the community recreation center project. Construction began in 2005 and will be completed by May 1, 2006.

THREE YEAR COMPARISONS

THREE YEAR COMPARISONS

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THREE YEAR COMPARISONS

BUDGETARY HIGHLIGHTS

The City of Glenwood amended its budget in March 2005, which resulted in a decrease in disbursements of \$1,798,744 and an increase in receipts of \$101,460. There were a number of amendments, but the result of the decrease was due to the community recreation center project. The construction did not begin as soon as anticipated when the budget was certified in March 2004. The major disbursements were delayed to the next fiscal year.

The receipts projected in the final budget compared to the actual receipts taken in at the end of FY2005 decreased \$804,796. The disbursements anticipated in the final budget compared to the actual disbursements made decreased \$941,229. 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.

DEBT ADMINISTRATION

At June 30, 2005, the City had \$3,846,489 in bonds and other long-term debt, compared to \$988,159 last year, as shown below:

Outstanding Debt at Year End (Expressed in Thousands)		
	2005	2004
General obligation bonds and notes	3,775	863
TIF bonds, rebate agreements	71	125
TOTAL	<u>\$3,846</u>	<u>\$988</u>

Debt increased because of the \$3,000,000 Local Option Sales Tax General Obligation Bonds for the community recreation center project. General obligation bonds and notes were paid off in the amount of \$87,670 and the TIF bonds and rebate agreements were paid of in the amount of \$54,000. The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,775 is within this debt limit. The City has TIF rebate agreements and the 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.

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. General fund disbursements have to be reduced as the receipts reduce since the City can not levy over the 8.10 levy limit to make up for the decrease of receipts or for any increase in inflation.

While property taxes are important to the City, they represent only 35% of the total program receipts for all funds in FY2006. The City monitors all receipts and determines the need for program adjustments or fee increases accordingly. The City considers public safety the top priority when considering budget adjustments.

Total receipts of FY2005 Actual compared to FY2006 Budget increased by \$639,990, largely due to the grants and contributions associated with the community recreation center project.

Total disbursements of FY2005 Actual compared to FY2006 Budget increased by \$3,883,841, largely due to the community recreation center project which is within the debt service fund and the capital projects fund.

TAX LEVY HISTORY

FY2000	11.954
FY2001	13.039
FY2002	13.535
FY2003	13.688
FY2004	13.997
FY2005	14.162
FY2006	14.802

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, 2005

	Disbursements	Charges for Service		Program Operating Grants Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 788,864	29,239		33,212
Public works	633,840	66,663		567,330
Culture and recreation	438,921	104,988		196,524
Community and economic development	55,226	10,583		5,250
General government	316,465	3,696		49,919
Debt service	223,664	-		-
Capital projects	567,880	-		-
Total governmental activities	3,024,860	215,169		852,235
Total Primary Government	\$ 3,024,860	215,169		852,235
Component Unit:				
Glenwood Municipal Utilities	\$ 1,564,967	1,763,024		-
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				
Bond proceeds				
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				
Local option sales tax debt service				
Capital projects				
Debt service				
Replacement and maintenance				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

City of Glenwood
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2005

	General	Special Revenue		
		Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts				
Property tax	\$ 914,138	-	346,015	-
Tax increment financing collections	-	-	-	-
Other city tax	44,308	-	9,750	230,004
Licenses and permits	4,000	-	-	-
Use of money and property	32,547	-	-	-
Intergovernmental	167,006	445,496	-	70,323
Charges for service	138,344	-	-	-
Special assessments	2,071	-	-	-
Miscellaneous	166,463	-	5,932	-
Total receipts	1,468,877	445,496	5,932	300,327
Disbursements				
Operating:				
Public safety	623,506	-	161,723	-
Public works	321,737	218,736	93,262	-
Culture and recreation	355,312	-	71,050	-
Community and economic development	43,133	-	12,093	-
General government	256,281	25,750	34,434	-
Debt service	40,133	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,640,102	224,486	372,562	-
Excess (deficiency) of receipts over (under) disbursements	(171,225)	201,010	(10,865)	300,327
Other financing sources (uses):				
Bond proceeds net of premium	-	-	-	-
Sale of capital assets	27,511	-	-	-
Operating transfers in	235,163	23,605	-	-
Operating transfers out	(9)	(208,271)	-	(329,408)
Total other financing sources (uses)	262,665	(184,666)	-	(29,081)
Net change in cash balances	91,440	16,344	(10,865)	(29,081)
Cash balances beginning of year	324,264	327,884	65,329	574,248
Cash balances end of year	\$ 415,704	344,228	54,464	545,167
Cash Basis Fund Balances				
Unreserved:				
General fund	\$ 415,704	-	-	-
Special revenue funds	-	344,228	54,464	545,167
Debt service	-	-	-	-
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 415,704	344,228	54,464	545,167

See notes to financial statements

Exhibit B

Capital Projects	Other Nonmajor Governmental Funds	Total
-	114,137	1,374,290
-	102,612	102,612
-	3,152	287,214
-	-	4,000
2,898	-	35,445
-	-	682,825
-	4,016	142,360
-	23,605	25,676
129,498	27,368	329,261
<u>132,396</u>	<u>274,890</u>	<u>2,983,683</u>
-	3,635	788,864
-	105	633,840
-	12,559	438,921
-	-	55,226
-	-	316,465
-	183,531	223,664
567,880	-	567,880
<u>567,880</u>	<u>199,830</u>	<u>3,024,860</u>
(435,484)	75,060	(41,177)
3,019,045	-	3,019,045
-	-	27,511
329,417	-	588,185
-	(50,497)	(588,185)
<u>3,348,462</u>	<u>(50,497)</u>	<u>3,046,556</u>
2,912,978	24,563	3,005,379
(52,464)	508,419	1,747,680
<u>2,860,514</u>	<u>532,982</u>	<u>4,753,059</u>
-	-	415,704
-	191,697	1,135,556
-	(2,934)	(2,934)
2,860,514	-	2,860,514
-	344,219	344,219
<u>2,860,514</u>	<u>532,982</u>	<u>4,753,059</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, 2005

Total governmental funds cash balances	\$ 4,753,059
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
None	-
Cash basis net assets of governmental activities	\$ <u>4,753,059</u>
Net change in cash balances	\$ 3,005,379
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
None	-
Change in cash balance of governmental activities	\$ <u>3,005,379</u>

See notes to financial statements

City of Glenwood
Notes to Financial Statements
June 30, 2005

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, 2005

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, 2005

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 Employee Benefit Fund is used to account for property taxes levied to pay employee benefits.

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 Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those financed through enterprise funds.

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, 2005, disbursements did not exceed the budgeted amounts.

City of Glenwood
Notes to Financial Statements
June 30, 2005

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, 2003, to compute the amounts which became liens on property on July 1, 2004. These taxes were due and payable in two installments on September 30, 2004 and March 31, 2005, 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, 2005 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 \$4,753,059.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the need and use of the City.

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 \$10,500 at June 30, 2005.

City of Glenwood
Notes to Financial Statements
June 30, 2005

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 Bonds Principal	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds Principal	Total Principal
2006	\$ 179,087	\$ 58,000	\$ 237,087
2007	205,219	12,833	218,052
2008	216,289	-	216,289
2009	222,471	-	222,471
2010	233,777	-	233,777
2011-2015	1,188,813	-	1,188,813
2016-2020	1,040,000	-	1,040,000
2021-2022	490,000	-	490,000
Total	\$ 3,775,656	\$ 70,833	\$ 3,846,489

Year Ended June 30,	General Obligation Bonds Interest	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds Interest	Total Interest
2006	\$ 157,470	\$ 6,541	\$ 164,011
2007	149,790	641	150,431
2008	141,247	-	141,247
2009	132,031	-	132,031
2010	122,427	-	122,427
2011-2015	454,795	-	454,795
2016-2020	235,565	-	235,565
2021-2022	31,330	-	31,330
Total	\$ 1,424,655	\$ 7,182	\$ 1,431,837

Interest paid on long term debt during the year totaled \$50,153.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund. The principal and interest on general obligation sales tax bonds are to be paid from the local option sales tax funds collected.

City of Glenwood
Notes to Financial Statements
June 30, 2005

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 \$9,100,000 which was not exceeded during the year ended June 30, 2005.

NOTE (5) Lease Agreement

The City leases copy machines under operating lease agreements. Rent expense for the year ended June 30, 2005 was \$1,560. The future required minimum lease payments are as follows:

Year ending June 30,	Amount
2006	\$ 1,560
2007	1,560
2008	1,560
2009	390
	\$ 5,070

NOTE (6) 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 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$67,146, \$66,537, and \$71,675, respectively, equal to the required contributions for each year.

City of Glenwood
Notes to Financial Statements
June 30, 2005

NOTE (7) 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, 2005, primarily relating to the General Fund is as follows:

<u>Type of Benefit</u>	<u>Amount</u> <u>June 30, 2005</u>
Vacation	\$ <u>32,967</u>

This liability is computed on rates of pay effective as of June 30, 2005.

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, 2005.

NOTE (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Special Tax Road Use Tax	\$ 26,892 <u>208,271</u> 235,163
Special Revenue: Road Use	Special Revenue: Special Tax	23,605
Capital Project:: Community Recreation Center Cemetery	Special Revenue: Local Option Sales Tax General	329,408 <u>9</u> <u>329,417</u>
		<u>\$ 588,185</u>

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

City of Glenwood
Notes to Financial Statements
June 30, 2005

NOTE (9) 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 509 members include 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.

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, 2005 were \$53,877.

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 \$100,000 each occurrence, each location, with excess coverage 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

City of Glenwood
Notes to Financial Statements
June 30, 2005

NOTE (9) Risk Management – Continued

obligation of the respective individual member. As of June 30, 2005, 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.

NOTE (10) Construction Commitments

The City has been awarded a Vision Iowa Grant of \$1,300,000, an Iowa West Foundation Grant of \$75,000, and has issued a \$3,000,000 general obligation sales tax bond to finance the construction of a community recreation center to be jointly operated with the YMCA. The City has the following commitments on the project:

		Contracted Amount		Paid to Date		Remaining Commitment		Retainage Payable
Construction	\$	4,107,510	\$	270,750	\$	3,836,760	\$	14,250
Architect		225,000		182,250		42,750		0
					\$	3,879,510	\$	14,250

NOTE (11) 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 \$97,030 as their share of the costs for the year ended June 30, 2005. The City's share is based on a percentage of costs for the year. Future costs should approximate that amount.

City of Glenwood
Notes to Financial Statements
June 30, 2005

NOTE (11) Commitments - Continued

Rescue Service

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

NOTE (12) 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.

Gotschall Agreement

The City has agreed to pay the developer a total of \$277,222 plus interest at 7% per annum. Principal and interest payments are due December 1 and June 1, with final payment due June 2011. The City paid the developer \$28,416 in interest during the year ended June 30, 2005.

Mintle Agreement

The City has agreed to pay the developer a total of \$400,000 plus interest at 7% per annum. Thereafter, principal and interest are due December 1 and June 1, with final payment due June 2013. The City paid the developer \$3,026 in interest during the year ended June 30, 2005.

NOTE (13) Deficit Fund Balances

The Debt Service Fund, General Obligation Debt Account had a deficit fund balance of \$2,934 at June 30, 2005. The deficit will be eliminated with the transfer of special assessments collected.

NOTE (14) Subsequent Events

The City entered into an urban renewal development rebate agreement dated August, 2005 for \$362,250.

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, 2005

	Governmental Funds Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts				
Property tax	\$ 1,374,290	1,421,668	1,421,668	(47,378)
Tax increment financing collections	102,612	96,330	96,330	6,282
Other city tax	287,214	334,067	270,443	16,771
Licenses and permits	4,000	29,125	34,270	(30,270)
Use of money and property	35,445	32,807	33,875	1,570
Intergovernmental	682,825	1,088,898	1,172,950	(490,125)
Charges for service	142,360	84,630	103,073	39,287
Special assessments	25,676	24,955	22,955	2,721
Miscellaneous	329,261	574,539	632,915	(303,654)
Total receipts	<u>2,983,683</u>	<u>3,687,019</u>	<u>3,788,479</u>	<u>(804,796)</u>
Disbursements				
Public safety	788,864	870,092	873,841	84,977
Public works	633,840	611,793	635,338	1,498
Culture and recreation	438,921	441,799	468,002	29,081
Community and economic development	55,226	6,800	55,294	68
General government	316,465	374,031	342,195	25,730
Debt service	223,664	536,058	536,058	312,394
Capital projects	567,880	2,924,260	1,055,361	487,481
Total disbursements	<u>3,024,860</u>	<u>5,764,833</u>	<u>3,966,089</u>	<u>941,229</u>
Excess (deficiency) of receipts over (under) disbursements	(41,177)	(2,077,814)	(177,610)	136,433
Other financing sources, net	<u>3,046,556</u>	<u>5,000</u>	<u>2,732,512</u>	<u>314,044</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,005,379	(2,072,814)	2,554,902	450,477
Balances beginning of year	<u>1,747,680</u>	<u>3,090,763</u>	<u>1,747,681</u>	<u>(1)</u>
Balances end of year	<u>\$ 4,753,059</u>	<u>1,017,949</u>	<u>4,302,583</u>	<u>450,476</u>

See accompanying independent auditor's report.

City of Glenwood
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board (GASB) Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except 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 \$1,798,744. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, 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, 2005

			Special
	Special Tax Fund	Urban Renewal Tax Increment	Sidewalk Fund
Receipts:			
Property tax	\$ 26,155	-	-
Tax increment financing collections	-	102,612	-
Other city tax	738	-	-
Charges for services	-	-	-
Special assessments	23,605	-	-
Miscellaneous	-	-	-
Total receipts	50,498	102,612	-
Disbursements:			
Operating:			
Public safety	-	-	-
Public works	-	-	105
Culture and recreation	-	-	-
Debt service	-	91,684	-
Total disbursements	-	91,684	105
Excess (deficiency) of receipts over (under) disbursements	50,498	10,928	(105)
Other financing uses:			
Operating transfers out	(50,497)	-	-
Net change in cash balances	1	10,928	(105)
Cash balances beginning of year	1,724	148,756	2,814
Cash balances end of year	\$ 1,725	159,684	2,709
 Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 1,725	159,684	2,709
Debt service fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 1,725	159,684	2,709

See accompanying independent auditor's report

Schedule 1

Revenue		Debt Service	Permanent		Total
Asset Forfeitures	Library Building Trust	General Obligation Notes	Amphitheater Trust	Cemetery Perpetual Care	
-	-	87,982	-	-	114,137
-	-	-	-	-	102,612
-	-	2,414	-	-	3,152
4,016	-	-	-	-	4,016
-	-	-	-	-	23,605
-	20,843	-	-	6,525	27,368
<u>4,016</u>	<u>20,843</u>	<u>90,396</u>	<u>-</u>	<u>6,525</u>	<u>274,890</u>
3,635	-	-	-	-	3,635
-	-	-	-	-	105
-	12,559	-	-	-	12,559
-	-	91,847	-	-	183,531
<u>3,635</u>	<u>12,559</u>	<u>91,847</u>	<u>-</u>	<u>-</u>	<u>199,830</u>
381	8,284	(1,451)	-	6,525	75,060
-	-	-	-	-	(50,497)
381	8,284	(1,451)	-	6,525	24,563
<u>1,407</u>	<u>17,507</u>	<u>(1,483)</u>	<u>299,906</u>	<u>37,788</u>	<u>508,419</u>
<u>1,788</u>	<u>25,791</u>	<u>(2,934)</u>	<u>299,906</u>	<u>44,313</u>	<u>532,982</u>
1,788	25,791	-	-	-	191,697
-	-	(2,934)	-	-	(2,934)
-	-	-	299,906	44,313	344,219
<u>1,788</u>	<u>25,791</u>	<u>(2,934)</u>	<u>299,906</u>	<u>44,313</u>	<u>532,982</u>

City of Glenwood
Combining Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Capital Projects Fund
As of and for the year ended June 30, 2005

	Community Recreation Center	Cemetery	Total
Receipts:			
Use of money and property	\$ 2,898	-	2,898
Miscellaneous	129,498	-	129,498
Total receipts	<u>132,396</u>	-	<u>132,396</u>
Disbursements:			
Capital projects	567,880	-	567,880
Deficiency of receipts under disbursements	(435,484)	-	(435,484)
Other financing sources:			
Bond proceeds net of premium	3,019,045	-	3,019,045
Operating transfers in	329,408	9	329,417
	<u>3,348,453</u>	<u>9</u>	<u>3,348,462</u>
Net change in cash balances	2,912,969	9	2,912,978
Cash balances beginning of year	<u>(53,639)</u>	<u>1,175</u>	<u>(52,464)</u>
Cash balances end of year	\$ <u>2,859,330</u>	<u>1,184</u>	<u>2,860,514</u>
Cash Basis Fund Balances			
Unreserved:			
Capital projects fund	\$ <u>2,859,330</u>	<u>1,184</u>	<u>2,860,514</u>

See accompanying independent auditor's report

City of Glenwood
 Schedule of Indebtedness
 Year ended June 30, 2005

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	4.00 – 4.60 %	995,000
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
Local Option Sales Tax	Jun 15, 2005	3.70-4.25 %	3,000,000
Urban renewal tax increment financing (TIF) revenue bonds:	Jul 1, 1998	5.00 %	\$ 275,833

See accompanying independent auditor's report

	<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>
\$	104,192	-	8,373	95,819	10,042	-
	730,000	-	60,000	670,000	31,447	-
	8,013	-	8,013	-	517	-
	3,027	-	2,092	935	457	-
	3,294	-	2,016	1,278	522	-
	14,800	-	7,176	7,624	925	-
	<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>
\$	<u>863,326</u>	<u>3,000,000</u>	<u>87,670</u>	<u>3,775,656</u>	<u>43,910</u>	<u>-</u>
\$	<u>124,833</u>	<u>-</u>	<u>54,000</u>	<u>70,833</u>	<u>6,242</u>	<u>-</u>

City of Glenwood
Bond and Note Maturities
June 30, 2005

Year Ending June 30,	General Obligation					
	Building Issued Aug 12, 1997		Street Improvement and Refunding Notes Issued Mar 1, 1999		Equipment Issued Oct 23, 2002	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2006	10.00 %	\$ 9,250	4.00 %	\$ 60,000	20.00 %	\$ 935
2007	10.00 %	10,219	4.10 %	65,000	-	-
2008	10.00 %	11,289	4.15 %	70,000	-	-
2009	10.00 %	12,471	4.25 %	70,000	-	-
2010	10.00 %	13,777	4.30 %	75,000	-	-
2011	10.00 %	15,219	4.40 %	75,000	-	-
2012	10.00 %	16,812	4.50 %	80,000	-	-
2013	10.00 %	6,782	4.55 %	85,000	-	-
2014	-	-	4.60 %	90,000	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
Total		\$ 95,819		\$ 670,000		\$ 935

**Urban Renewal Tax Increment
Financing (TIF) Revenue Bonds**

Year Ending June 30,	Gateway Addition Issued Jul 1, 1998	
	Interest Rate	Amount
2006	5.00 %	\$ 58,000
2007	5.00 %	12,833
Total		\$ 70,833

See accompanying independent auditor's report.

Bonds and Notes

Equipment Issued Dec 4, 2002		Equipment Issued Aug 7, 2003		Local Option Sales Tax Issued Jun 15, 2005		Total
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
20.00 %	\$ 1,278	6.25 %	\$ 7,624	3.70 %	\$ 100,000	\$ 179,087
-	-	-	-	3.70 %	130,000	205,219
-	-	-	-	3.80 %	135,000	216,289
-	-	-	-	3.80 %	140,000	222,471
-	-	-	-	3.80 %	145,000	233,777
-	-	-	-	3.80 %	150,000	240,219
-	-	-	-	3.80 %	155,000	251,812
-	-	-	-	3.80 %	165,000	256,782
-	-	-	-	3.80 %	170,000	260,000
-	-	-	-	3.80 %	180,000	180,000
-	-	-	-	3.90 %	190,000	190,000
-	-	-	-	4.00 %	200,000	200,000
-	-	-	-	4.10 %	205,000	205,000
-	-	-	-	4.15 %	215,000	215,000
-	-	-	-	4.15 %	230,000	230,000
-	-	-	-	4.20 %	240,000	240,000
-	-	-	-	4.25 %	250,000	250,000
	<u>\$ 1,278</u>		<u>\$ 7,624</u>		<u>\$ 3,000,000</u>	<u>\$ 3,775,656</u>

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Receipts				
Property tax	\$ 1,374,290	1,398,277	1,348,924	1,394,894
Tax increment financing collections	102,612	85,933	70,144	66,814
Other city tax	287,214	350,584	213,031	103,006
Licenses and permits	4,000	3,081	11,172	13,141
Use of money and property	35,445	28,554	44,699	64,140
Intergovernmental	682,825	586,121	643,363	618,704
Charges for service	142,360	185,550	145,141	129,367
Special assessments	25,676	27,067	47,601	27,575
Miscellaneous	<u>329,261</u>	<u>108,677</u>	<u>133,950</u>	<u>107,547</u>
Total	<u>\$ 2,983,683</u>	<u>2,773,844</u>	<u>2,658,025</u>	<u>2,525,188</u>
Disbursements				
Operating:				
Public safety	\$ 788,864	821,823	930,159	972,407
Public works	633,840	457,708	433,486	600,775
Culture and recreation	438,921	450,730	536,796	592,406
Community and economic development	55,226	11,764	7,133	63,824
General government	316,465	337,662	334,742	259,029
Debt service	223,664	213,325	239,573	92,745
Capital projects	<u>567,880</u>	<u>41,899</u>	<u>22,367</u>	<u>39,613</u>
Total	<u>\$ 3,024,860</u>	<u>2,334,911</u>	<u>2,504,256</u>	<u>2,620,799</u>

See accompanying independent auditor's report.

City of Glenwood

September 21, 2005

Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the City of Glenwood, Iowa, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 21, 2005. 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 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.

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 grant agreements, 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 Auditors' Report on Internal Control

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 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.

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, 2005

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, 2005

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories

Comment - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2005.

Recommendation - The City should amend the resolution to increase the maximum deposit amounts allowed.

Response - A new depository resolution was approved in July 2005.

Conclusion - Response accepted.

II-B-05 Certified Budget

Disbursements during the year ended June 30, 2005 did not exceed the budgeted amounts.

II-C-05 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-05 Travel Expense

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

II-E-05 Business Transactions

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

II-F-05 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-05 Council Minutes

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

City of Glenwood
Schedule of Findings
Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting Continued:

II-H-05 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.

II-I-05 Revenue Note

The City has no revenue debt.

II-J-05 Financial Condition

Comment – The Debt Service Fund, General Obligation Account had a deficit fund balance at June 30, 2005.

Recommendation – The City should transfer monies collected from special assessments to eliminate the deficit.

Response – We will do this.

Conclusion – Response accepted.

II-K-05 Excess Balances

Comment – The cash balances in the Special Revenue Fund, Urban Renewal Tax Increment Account and Local Option Sales Tax Account at June 30, 2005 were in excess of the disbursements made from each fund during the year.

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

Response – The excess balances are 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's receipts totaled \$6,030,239 for the year ended June 30, 2005, a 116 percent increase from 2004. The receipts included \$1,431,500 in property tax, \$102,612 from tax increment financing collections, \$215,169 from charges for service, \$852,235 from operating grants, contributions and restricted interest, \$132,396 from capital contributions and restricted interest, \$230,004 from local option sales tax, \$14,336 from unrestricted investment earnings, \$32,942 from other general receipts, and \$3,019,045 in bond proceeds.

Disbursements for the year totaled \$3,024,860, a 30 percent increase from the prior year, and included \$788,864 for public safety, \$633,840 for public works, and \$567,880 for capital projects.

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

November 17, 2005

David Vautt
Office of State Auditor
State Capitol Building
Des Moines, IA 50319

Dear Sir:

We have enclosed for your records the following information regarding the audit of the City of Glenwood for the year ended June 30, 2005.

- 2 copies of the audit report
- 1 copy of the news release
- 1 copy of the number of hours worked
- 1 copy of the invoice

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain
Shareholder

DM/sh
Enc.

September 21, 2005

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, 2005, 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 were compiled by us from financial statements for that same period that we previously audited, as indicated in our report dated September 21, 2005.

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.

City of Glenwood

Hours Worked: 42.50

