

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

**JUNE 30, 2006**

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## City of Glenwood

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dyle Downing	Mayor	January 2008
Ron Bales	Council Member	January 2008
Allan Christiansen	Council Member	January 2008
Craig Florian	Council Member	January 2008
Kim Clark	Council Member	January 2010
Clare Bangs	Council Member	January 2010
Mary J. Smith	City Administrator / Clerk	Indefinite
Matt Woods	Attorney	January 2008
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
Gary Newman	Park Board Chairman	January 2007
Larry Hurst	Park Commissioner	January 2008
Bill Magnuson	Park Commissioner	January 2008
Laura Buckholz	Park Commissioner	January 2009
Wayne Phipps	Park Commissioner	January 2009
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 27, 2006

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, 2006, 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, 2006, 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 27, 2006 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 36 through 37 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, 2005 (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.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- **Receipts** of the City's governmental activities increased 51.28%, or approximately \$1,530,141 from FY2005 to FY2006. The major increases were in the intergovernmental receipts by \$1,226,235; miscellaneous by \$128,774; and property tax by \$151,743. This was due to the community recreation center project.
- **Disbursements** of the City's governmental activities increased 109.89%, or approximately \$3,324,093 from FY2005 to FY2006. The debt service fund increased by \$200,771 and the capital projects fund by \$3,131,087 due to the community recreation center project.
- **Cash Basis Net Assets** of the City decreased 38.57% or \$1,833,629 from FY2005 to FY2006. This was due to the community recreation center project.

### 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 decreased from a year ago from \$4.753 million to \$2.919 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)

RECEIPTS/TRANSFERS:	Year Ended June 30,			
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Charges for Services	186	215	238	278
Charges for Services-Sewer	0	0	0	383 *
Operating grants, contrib & restricted interest	810	852	674	643
Capital grants, contrib & restricted interest	1577	133		
General Receipts:				
Property Tax	1526	1374	1398	1349
Other City Tax, Local Option Sales Tax	306	287	351	213
Grants, contrib not restricted to specific purpose	4	5	12	0
Tax Increment Financing	80	103	86	70
Unrestricted interest	25	14	14	0
Other General Receipts	0	0	0	119
Bond Proceeds		3019		
Sale of Assets	1	28	13	2
<b>TOTAL RECEIPTS/TRANSFERS:</b>	<b>4515</b>	<b>6030</b>	<b>2786</b>	<b>3057</b>
DISBURSEMENTS:				
Public Safety	824	789	822	930
Public Works	567	634	458	433
Culture & Recreation	478	439	450	537
Community & Economic Development	59	55	12	7
General Government	298	316	337	335
Debt Service	424	224	213	240
Sewer	0	0	0	248 *
Capital Projects	3699	568	42	22
<b>TOTAL DISBURSEMENTS:</b>	<b>6349</b>	<b>3025</b>	<b>2334</b>	<b>2752</b>
Increase in Cash basis net assets	-1834	3005	452	305
Transfer of Equity(Sewer to GMU)	0	0	0	-425 *
Cash basis net assets beginning of year 7/1/2005	4753	1748	1296	1416
Cash basis net assets end of year 6/30/2006	<b>\$2919</b>	<b>\$4753</b>	<b>\$1748</b>	<b>\$1296</b>

\* - 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 \$1,530,141 or 51.28% over last year, due to intergovernmental, miscellaneous and property tax receipts. The FY2006 tax levy was \$14.802 compared to FY2005 tax levy of \$14.162. The community recreation center project was the reason for the intergovernmental & miscellaneous increases.

Property Tax	151,743
TIF	-22,832
Other City Tax/Local Opt Tax	19,009
License/Permits	28,613
Use of Money	41,492
Intergovernmental	1,226,235
Charges for Service	-41,140
Special Assessments	-1,753
Miscellaneous	<u>128,774</u>
TOTAL INCREASE RECEIPTS:	<u>\$1,530,141</u>

## DISBURSEMENTS FOR ALL FUNDS

The disbursements of the City of Glenwood's governmental activities increased 109.89% or \$3,324,093 from FY2005 to FY2006, due to the community recreation center project for \$3,131,087 and the debt service fund for \$200,771

Public Safety	34,836
Public Works	-66,654
Culture & Recreation	38,726
Comm & Ec Development	3,799
General Governmental	-18,472
Debt Service	200,771
Capital Projects	<u>3,131,087</u>
TOTAL INCREASE DISBURSEMENTS:	<u>\$3,324,093</u>

## CASH BASIS NET ASSET INCREASES/DECREASES BY FUND

The City of Glenwood's total cash basis net assets decreased 38.57% or \$1,833,629 from FY2005 to FY2006 largely due to the community recreation center project.

General Fund	59,050
Road Use Fund	67,150
Employee Benefits	63,933
Local Option Sales Tax	-538,212
Tax Increment Financing	-41,172
Sidewalk	709
Asset Forfeitures	-1,485
Library Trust	6
Debt Service	2,934
Comm Rec Center	-1,474,112
Cemetery	26,032
Cem. Perpetual Care	3,263
Revolving Loan Fund	<u>-1,725</u>
TOTAL DECREASE ALL FUNDS:	<u>-\$1,833,629</u>

The total cost of all governmental activities this year was \$6.349 million compared to \$3.025 million last year. However, the amount that the tax payers ultimately financed for these activities was only \$3.776 million. The costs paid from those directly benefited from programs and services were \$185,999. The costs paid from operating grants, contributions and restricted interest were \$809,694. The costs paid from capital grants, contributions and restricted interest were \$1.577 million.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Glenwood completed the year, the total governmental funds reported a combined fund balance of \$2,919,430; a decrease of \$1,833,629 from last year's total of \$4,753,059. The following are the changes in the major fund balances from the prior year:

**General Fund** – Increased \$59,050 over last year.

**Road Use Fund (Special Revenue)** – Increased \$67,150 over last year.

**Recreation Center Project (Capital Projects)** – Decreased \$1,474,112 for the community recreation center project.

**Amphitheater Trust (Permanent Fund)** – Increased \$6 over last year.

**Local Option Sales Tax (Other Non-program)** – Decreased \$538,212 over last year.

## **THREE YEAR COMPARISONS**

(Insert Charts 1, 2, 3, 4)

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(Insert Charts 1, 2, 3, 4)

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(Insert Charts 1, 2, 3, 4)

## **THREE YEAR COMPARISONS**

(Insert Charts 1, 2, 3, 4)

## BUDGETARY HIGHLIGHTS

The City of Glenwood amended its budget in March 2006, which resulted in an increase in disbursements of \$394,479 and an increase in receipts of \$722,864. There were a number of amendments, but the major changes were due to the community recreation center project.

The receipts projected in the final budget compared to the actual receipts taken in at the end of FY2006 increased \$167,287. The disbursements anticipated in the final budget compared to the actual disbursements decreased \$954,227. The major changes were due to the community recreation center project.

## DEBT ADMINISTRATION

At June 30, 2006, the City had \$3,609,402 in bonds and other long-term debt, compared to \$3,846,489 last year, as shown below:

Outstanding Debt at Year End (Expressed in Thousands)			
	2006	2005	2004
G.O. bonds & notes	3,596	3,775	863
TIF bonds, rebate agreements	13	71	125
	<u>\$3,609</u>	<u>\$3,846</u>	<u>\$988</u>

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 \$3,586 thousand is within this debt limit. The City has TIF rebate agreement debt of \$13 thousand 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 55% of the total program receipts for all funds in FY2007. 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 FY2006 Actual compared to FY2007 Budget decreased by \$1,499,777 largely due to the grants and contributions associated with the community recreation center project.

Total disbursements of FY2006 Actual compared to FY2007 Budget decreased by \$3,100,520, largely due to the community recreation center project.

## **TAX LEVY HISTORY**

FY2000	11.954
FY2001	13.039
FY2002	13.535
FY2003	13.688
FY2004	13.997
FY2005	14.162
FY2006	14.802
FY2007	14.408

## **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, 2006

	Disbursements	Charges for Service		Program Operating Grants Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 823,700	19,405		71,465
Public works	567,186	67,887		463,408
Culture and recreation	477,647	66,478		245,803
Community and economic development	59,025	28,552		3,900
General government	297,993	3,677		25,118
Debt service	424,435	-		-
Capital projects	3,698,967	-		-
Total governmental activities	6,348,953	185,999		809,694
<b>Total Primary Government</b>	<b>\$ 6,348,953</b>	<b>185,999</b>		<b>809,694</b>
 <b>Component Unit:</b>				
Glenwood Municipal Utilities	\$ 1,148,852	1,768,224		-

**General Receipts:**

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

Change in cash basis net assets

Cash basis net assets beginning of year,

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:  
  Streets  
  Capital projects  
  Amphitheater endowment  
  Debt service  
  Replacement and maintenance  
  Other purposes  
Unrestricted

    Total cash basis net assets

See notes to financial statements

Receipts	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets	
	<b>Primary Government</b>	<b>Component Unit</b>
Capital Contributions and Restricted Interest	Governmental Activities	Glenwood Municipal Utilities
-	(732,830)	-
-	(35,891)	-
-	(165,366)	-
-	(26,573)	-
-	(269,198)	-
-	(424,435)	-
<u>1,577,119</u>	<u>(2,121,848)</u>	<u>-</u>
<u>1,577,119</u>	<u>(3,776,141)</u>	<u>-</u>
<u>1,577,119</u>	<u>(7,552,282)</u>	<u>-</u>
-	-	619,372
\$	1,035,034	-
	429,379	-
	28,564	-
	91,157	-
	79,780	-
	248,122	-
	4,110	-
	24,866	112,839
	-	6,529
	1,500	-
	<u>1,942,512</u>	<u>119,368</u>
	(1,833,629)	738,740
	<u>4,753,059</u>	<u>1,702,836</u>
\$	<u>2,919,430</u>	<u>2,441,576</u>
\$	411,378	-
	1,386,402	-
	299,912	-
	-	352,912
	-	158,540
	346,984	115,771
	<u>474,754</u>	<u>1,814,353</u>
\$	<u>2,919,430</u>	<u>2,441,576</u>

City of Glenwood  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2006

	Special Revenue		
	General	Road Use Tax	Capital Projects
Receipts			
Property tax	\$ 990,907	-	-
Tax increment financing collections	-	-	-
Other city tax	44,127	-	-
Licenses and permits	32,613	-	-
Use of money and property	48,825	-	28,106
Intergovernmental	93,914	448,601	1,300,000
Charges for service	99,178	-	-
Special assessments	2,253	-	-
Miscellaneous	147,919	-	249,013
Total receipts	1,459,736	448,601	1,577,119
Disbursements			
Operating:			
Public safety	666,626	-	-
Public works	280,835	183,849	-
Culture and recreation	372,620	-	-
Community and economic development	42,636	-	-
General government	260,913	16,500	-
Debt service	-	-	-
Capital projects	-	-	3,698,967
Total disbursements	1,623,630	200,349	3,698,967
Excess (deficiency) of receipts over (under) disbursements	(163,894)	248,252	(2,121,848)
Other financing sources (uses):			
Bond proceeds net of premium	-	-	-
Sale of capital assets	1,500	-	-
Operating transfers in	230,306	21,670	647,736
Operating transfers out	(8,862)	(202,772)	-
Total other financing sources (uses)	222,944	(181,102)	647,736
Net change in cash balances	59,050	67,150	(1,474,112)
Cash balances beginning of year	415,704	344,228	2,860,514
Cash balances end of year	\$ 474,754	411,378	1,386,402
<b>Cash Basis Fund Balances</b>			
Unreserved:			
General fund	\$ 474,754	-	-
Special revenue funds	-	411,378	-
Capital projects fund	-	-	1,386,402
Permanent fund	-	-	-
Total cash basis fund balances	\$ 474,754	411,378	1,386,402

See notes to financial statements

**Exhibit B**

<u>Permanent</u> Amphitheater Trust	Other Nonmajor Governmental Funds	<u>Total</u>
-	535,126	1,526,033
-	79,780	79,780
-	262,096	306,223
-	-	32,613
6	-	76,937
-	66,545	1,909,060
-	2,042	101,220
-	21,670	23,923
-	61,103	458,035
<u>6</u>	<u>1,028,362</u>	<u>4,513,824</u>
-	157,074	823,700
-	102,502	567,186
-	105,027	477,647
-	16,389	59,025
-	20,580	297,993
-	424,435	424,435
-	-	3,698,967
<u>-</u>	<u>826,007</u>	<u>6,348,953</u>
6	202,355	(1,835,129)
-	-	-
-	-	1,500
-	216,760	1,116,472
<u>-</u>	<u>(904,838)</u>	<u>(1,116,472)</u>
<u>-</u>	<u>(688,078)</u>	<u>1,500</u>
6	(485,723)	(1,833,629)
<u>299,906</u>	<u>832,707</u>	<u>4,753,059</u>
<u>299,912</u>	<u>346,984</u>	<u>2,919,430</u>
-	-	474,754
-	299,408	710,786
-	-	1,386,402
<u>299,912</u>	<u>47,576</u>	<u>347,488</u>
<u>299,912</u>	<u>346,984</u>	<u>2,919,430</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, 2006

<b>Total governmental funds cash balances</b>	\$	2,919,430
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>		
None		-
<b>Cash basis net assets of governmental activities</b>	\$	2,919,430
 <b>Net change in cash balances</b>	 \$	 (1,833,629)
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>		
None		-
<b>Change in cash balance of governmental activities</b>	\$	(1,833,629)

See notes to financial statements

City of Glenwood  
Notes to Financial Statements  
June 30, 2006

**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, 2006

**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, 2006

**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 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.

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the budgeted amounts.

City of Glenwood  
Notes to Financial Statements  
June 30, 2006

**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, 2004, to compute the amounts which became liens on property on July 1, 2005. These taxes were due and payable in two installments on September 30, 2005 and March 31, 2006, 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, 2006 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.

At June 30, 2006, the City had the following investments:

<u>Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Maturity</u>
U.S. Treasury Note	\$ 99,782	\$ 100,000	October 2005
U.S. Treasury Note	49,951	50,000	January 2008
U.S. Treasury Note	99,769	100,000	January 2008
	<u>\$ 249,502</u>	<u>\$ 250,000</u>	

The City's cash and investments at June 30, 2006 totaled \$2,919,430.

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.

City of Glenwood  
Notes to Financial Statements  
June 30, 2006

**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 \$9,000 at June 30, 2006.

**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,	<b>General Obligation Bonds</b> Principal	<b>Urban Renewal Tax Increment Financing (TIF) Revenue Bonds</b> Principal	<b>Total</b> Principal
2007	\$ 205,219	\$ 12,833	\$ 218,052
2008	216,289	-	216,289
2009	222,471	-	222,471
2010	233,777	-	233,777
2011	240,219	-	240,219
2012-2016	1,138,594	-	1,138,594
2017-2021	1,090,000	-	1,090,000
2022	250,000	-	250,000
<b>Total</b>	<b>\$ 3,596,569</b>	<b>\$ 12,833</b>	<b>\$ 3,609,402</b>

Year Ended June 30,	<b>General Obligation Bonds</b> Interest	<b>Urban Renewal Tax Increment Financing (TIF) Revenue Bonds</b> Interest	<b>Total</b> Interest
2007	\$ 149,790	\$ 641	\$ 150,431
2008	141,247	-	141,247
2009	132,031	-	132,031
2010	122,427	-	122,427
2011	112,251	-	112,251
2012-2016	405,532	-	405,532
2017-2021	193,282	-	193,282
2022	10,625	-	10,625
<b>Total</b>	<b>\$ 1,267,185</b>	<b>\$ 641</b>	<b>\$ 1,267,826</b>

Interest paid on long term debt during the year totaled \$156,401.

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, 2006

**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 \$9,300,000 which was not exceeded during the year ended June 30, 2006.

**NOTE (5) Lease Agreement**

The City leases copy machines under operating lease agreements. Rent expense for the year ended June 30, 2006 was \$1,430. The future required minimum lease payments are as follows:

Year ending June 30,	Amount
2007	\$ 1,560
2008	1,560
2009	520
	\$ 3,640

**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 salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004, were \$65,787, \$67,146, and \$66,537, respectively, equal to the required contributions for each year.

City of Glenwood  
Notes to Financial Statements  
June 30, 2006

**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 payable to employees at June 30, 2006, primarily relating to the General Fund is \$40,305. This liability is computed on rates of pay effective as of June 30, 2006.

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 are nine employees eligible for this termination benefit. The approximate liability at June 30, 2006 for sick leave conversion payable upon retirement to these employees is \$74,180.

**NOTE (8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Road Use Tax	\$ 201,272
	Special Tax	29,034
		<u>230,306</u>
Special Revenue: Road Use	Special Revenue: Special Tax	21,670
Special Revenue: Sidewalk	Special Revenue: Road Use	1,500
Debt Service:	Special Revenue: Special Tax	1,255
	Local Option Sales Tax	214,005
		<u>215,260</u>
Capital Project:	General	8,862
	Special Revenue: Local Option Sales Tax	638,874
		<u>647,736</u>
		<u>\$ 1,116,472</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, 2006

**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 531 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, 2006 were \$51,393.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 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, 2006

**NOTE (9) Risk Management – Continued**

obligation of the respective individual member. As of June 30, 2006, 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 the following commitments on contracts for a community recreation center as of June 30, 2006:

		Contracted Amount		Paid to Date		Remaining Commitment		Retainage Payable
	\$		\$		\$		\$	
Construction	\$	4,302,598	\$	3,695,267	\$	607,331	\$	194,488
Architect		225,000		224,550		450		-
					\$	<u>607,781</u>	\$	<u>194,488</u>

**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 \$104,064 as their share of the costs for the year ended June 30, 2006. The City's share is based on a percentage of costs for the year. The City is in the process of negotiating the current contract.

City of Glenwood  
Notes to Financial Statements  
June 30, 2006

**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 \$32,000 a year through June 2011.

YMCA Operating Agreement

The YMCA and the City of Glenwood have a joint operating agreement regarding a recreation facility for a period of 15 years. The YMCA is responsible for operation, maintenance, utilities and insurance of the facility. The City of Glenwood will contribute before July 15 of the following year \$50,000 each year for the first three years, up to \$50,000 each year for the next two years for operating deficits, and up to \$50,000 for each year for the next five years for operating deficits to the extent of one half of the excess revenue received by the City for local option sales tax estimated to be \$288,000 a year. A full year is defined as January 1 through December 1 effective January 1, 2007.

**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 \$43,727 in interest during the year ended June 30, 2006.

Mintle Agreement

The City has agreed to pay the developer a total of \$400,000 plus interest at 7% per annum. Principal and interest are due December 1 and June 1, with final payment due June 2013. The City paid the developer \$13,757 in interest during the year ended June 30, 2006.

City of Glenwood  
Notes to Financial Statements  
June 30, 2006

**NOTE (12) Urban Renewal Development Agreements - Continued**

Hughes Agreement

The City has agreed to pay a developer a total of \$369,669 plus interest at 5% per annum. Principal and interest payments are due December 1 and June 1, with final payment due June 2016. No payments were made during the year ended June 30, 2006.

**NOTE (13) Subsequent Events**

In February 2006, the City authorized \$150,000 general obligation notes for police equipment that will be issued after June 30, 2006.

In July 2006, the City signed a contract for replacement of the armory roof for \$99,872, and a contract for street repairs for \$27,368.

In July 2006, the City agreed to a litigation settlement of \$6,403 on the square renovation project.

The City has signed a letter of intent with the Glenwood Community School District to exchange property. The City has agreed to donate the loss on the exchange of approximately \$40,000 as an "in kind" contribution to the School District.

**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, 2006

	Governmental Funds Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts				
Property tax	\$ 1,526,033	1,505,709	1,505,709	20,324
Tax increment financing collections	79,780	79,278	88,347	(8,567)
Other city tax	306,223	271,110	284,322	21,901
Licenses and permits	32,613	34,270	42,611	(9,998)
Use of money and property	76,937	32,125	51,345	25,592
Intergovernmental	1,909,060	665,484	1,904,457	4,603
Charges for service	101,220	89,429	101,275	(55)
Special assessments	23,923	22,707	24,093	(170)
Miscellaneous	458,035	923,561	344,378	113,657
Total receipts	<u>4,513,824</u>	<u>3,623,673</u>	<u>4,346,537</u>	<u>167,287</u>
Disbursements				
Public safety	823,700	933,675	906,444	82,744
Public works	567,186	635,853	637,113	69,927
Culture and recreation	477,647	494,671	510,166	32,519
Community and economic development	59,025	63,904	65,404	6,379
General government	297,993	359,456	316,040	18,047
Debt service	424,435	558,984	432,776	8,341
Capital projects	3,698,967	3,862,158	4,435,237	736,270
Total disbursements	<u>6,348,953</u>	<u>6,908,701</u>	<u>7,303,180</u>	<u>954,227</u>
Excess (deficiency) of receipts over (under) disbursements	(1,835,129)	(3,285,028)	(2,956,643)	1,121,514
Other financing sources, net	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,833,629)	(3,285,028)	(2,956,643)	1,123,014
Balances beginning of year	<u>4,753,059</u>	<u>4,302,583</u>	<u>4,753,059</u>	<u>-</u>
Balances end of year	<u>\$ 2,919,430</u>	<u>1,017,555</u>	<u>1,796,416</u>	<u>1,123,014</u>

See accompanying independent auditors' report.

City of Glenwood  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2006

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 increased budgeted disbursements by \$394,479. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, 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, 2006

	Special Revenue			
	Employee Benefits	Special Tax Fund	Urban Renewal Tax Increment	Sidewalk Fund
Receipts:				
Property tax	\$ 418,405	27,837	-	-
Tax increment financing collections	-	-	79,780	-
Other city tax	10,974	727	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessments	-	21,670	-	-
Miscellaneous	13,261	-	-	-
Total receipts	442,640	50,234	79,780	-
Disbursements:				
Operating:				
Public safety	153,547	-	-	-
Public works	101,711	-	-	791
Culture and recreation	86,480	-	-	-
Community and economic development	16,389	-	-	-
General government	20,580	-	-	-
Debt service	-	-	120,952	-
Total disbursements	378,707	-	120,952	791
Excess (deficiency) of receipts over (under) disbursements	63,933	50,234	(41,172)	(791)
Other financing uses:				
Operating transfers in	-	-	-	1,500
Operating transfers out	-	(51,959)	-	-
	-	(51,959)	-	1,500
Net change in cash balances	63,933	(1,725)	(41,172)	709
Cash balances beginning of year	54,464	1,725	159,684	2,709
Cash balances end of year	\$ 118,397	-	118,512	3,418
 <b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ 118,397	-	118,512	3,418
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 118,397	-	118,512	3,418

See accompanying independent auditors' report

**Schedule 1**

Asset Forfeitures	Local Option Sales Tax	Library Building Trust	Debt Service General Obligation Notes	Permanent Cemetery Perpetual Care	Total
-	-	-	88,884	-	535,126
-	-	-	-	-	79,780
-	248,122	-	2,273	-	262,096
-	66,545	-	-	-	66,545
2,042	-	-	-	-	2,042
-	-	-	-	-	21,670
-	-	44,579	-	3,263	61,103
<u>2,042</u>	<u>314,667</u>	<u>44,579</u>	<u>91,157</u>	<u>3,263</u>	<u>1,028,362</u>
3,527	-	-	-	-	157,074
-	-	-	-	-	102,502
-	-	18,547	-	-	105,027
-	-	-	-	-	16,389
-	-	-	-	-	20,580
-	-	-	303,483	-	424,435
<u>3,527</u>	<u>-</u>	<u>18,547</u>	<u>303,483</u>	<u>-</u>	<u>826,007</u>
(1,485)	314,667	26,032	(212,326)	3,263	202,355
-	-	-	215,260	-	216,760
-	(852,879)	-	-	-	(904,838)
-	(852,879)	-	215,260	-	(688,078)
(1,485)	(538,212)	26,032	2,934	3,263	(485,723)
<u>1,788</u>	<u>545,167</u>	<u>25,791</u>	<u>(2,934)</u>	<u>44,313</u>	<u>832,707</u>
<u>303</u>	<u>6,955</u>	<u>51,823</u>	<u>-</u>	<u>47,576</u>	<u>346,984</u>
303	6,955	51,823	-	-	299,408
-	-	-	-	47,576	47,576
<u>303</u>	<u>6,955</u>	<u>51,823</u>	<u>-</u>	<u>47,576</u>	<u>346,984</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, 2006

	Community Recreation Center	Pool	Cemetery	Total
Receipts:				
Use of money and property	\$ 28,106	-	-	28,106
Intergovernmental	1,300,000	-	-	1,300,000
Miscellaneous	248,713	300	-	249,013
Total receipts	<u>1,576,819</u>	<u>300</u>	<u>-</u>	<u>1,577,119</u>
Disbursements:				
Capital projects	<u>3,698,967</u>	<u>-</u>	<u>-</u>	<u>3,698,967</u>
Excess (deficiency) of receipts over (under) disbursements	(2,122,148)	300	-	(2,121,848)
Other financing sources:				
Operating transfers in	<u>638,874</u>	<u>6,949</u>	<u>1,913</u>	<u>647,736</u>
Net change in cash balances	(1,483,274)	7,249	1,913	(1,474,112)
Cash balances beginning of year	<u>2,859,330</u>	<u>-</u>	<u>1,184</u>	<u>2,860,514</u>
Cash balances end of year	<u>\$ 1,376,056</u>	<u>7,249</u>	<u>3,097</u>	<u>1,386,402</u>
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Capital projects fund	<u>\$ 1,376,056</u>	<u>7,249</u>	<u>3,097</u>	<u>1,386,402</u>

See accompanying independent auditors' report

City of Glenwood  
Schedule of Indebtedness  
Year ended June 30, 2006

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	4.10 – 4.60 %	995,000
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 auditors' report

**Schedule 3**

	<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>
\$	95,819	-	9,250	86,569	9,165	-
	670,000	-	60,000	610,000	29,078	-
	935	-	935	-	46	-
	1,278	-	1,278	-	88	-
	7,624	-	7,624	-	477	-
	<u>3,000,000</u>	<u>-</u>	<u>100,000</u>	<u>2,900,000</u>	<u>114,005</u>	<u>-</u>
\$	<u>3,775,656</u>	<u>-</u>	<u>179,087</u>	<u>3,596,569</u>	<u>152,859</u>	<u>-</u>
\$	<u>70,833</u>	<u>-</u>	<u>58,000</u>	<u>12,833</u>	<u>3,542</u>	<u>-</u>

City of Glenwood  
Bond and Note Maturities  
June 30, 2006

<b>General Obligation Bonds and Notes</b>							
Year Ending June 30,	Building Issued Aug 12, 1997		Street Improvement and Refunding Notes Issued Mar 1, 1999		Local Option Sales Tax Issued Jun 15, 2005		Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2007	10.00 %	\$ 10,219	4.10 %	\$ 65,000	3.70 %	\$ 130,000	205,219
2008	10.00 %	11,289	4.15 %	70,000	3.80 %	135,000	216,289
2009	10.00 %	12,471	4.25 %	70,000	3.80 %	140,000	222,471
2010	10.00 %	13,777	4.30 %	75,000	3.80 %	145,000	233,777
2011	10.00 %	15,219	4.40 %	75,000	3.80 %	150,000	240,219
2012	10.00 %	16,812	4.50 %	80,000	3.80 %	155,000	251,812
2013	10.00 %	6,782	4.55 %	85,000	3.80 %	165,000	256,782
2014	-	-	4.60 %	90,000	3.80 %	170,000	260,000
2015	-	-	-	-	3.80 %	180,000	180,000
2016	-	-	-	-	3.90 %	190,000	190,000
2017	-	-	-	-	4.00 %	200,000	200,000
2018	-	-	-	-	4.10 %	205,000	205,000
2019	-	-	-	-	4.15 %	215,000	215,000
2020	-	-	-	-	4.15 %	230,000	230,000
2021	-	-	-	-	4.20 %	240,000	240,000
2022	-	-	-	-	4.25 %	250,000	250,000
<b>Total</b>		<b>\$ 86,569</b>		<b>\$ 610,000</b>		<b>\$ 2,900,000</b>	<b>\$ 3,596,569</b>

<b>Urban Renewal Tax Increment Financing (TIF) Revenue Bonds</b>		
Gateway Addition Issued Jul 1, 1998		
Year Ending June 30,	Interest Rate	Amount
2007	5.00 %	\$ 12,833

See accompanying independent auditors' report

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts				
Property tax	\$ 1,526,033	1,374,290	1,398,277	1,348,924
Tax increment financing collections	79,780	102,612	85,933	70,144
Other city tax	306,223	287,214	350,584	213,031
Licenses and permits	32,613	4,000	3,081	11,172
Use of money and property	76,937	35,445	28,554	44,699
Intergovernmental	1,909,060	682,825	586,121	643,363
Charges for service	101,220	142,360	185,550	145,141
Special assessments	23,923	25,676	27,067	47,601
Miscellaneous	458,035	329,261	108,677	133,950
	<u>458,035</u>	<u>329,261</u>	<u>108,677</u>	<u>133,950</u>
Total	\$ <u>4,513,824</u>	<u>2,983,683</u>	<u>2,773,844</u>	<u>2,658,025</u>
Disbursements				
Operating:				
Public safety	\$ 823,700	788,864	821,823	930,159
Public works	567,186	633,840	457,708	433,486
Culture and recreation	477,647	438,921	450,730	536,796
Community and economic development	59,025	55,226	11,764	7,133
General government	297,993	316,465	337,662	334,742
Debt service	424,435	223,664	213,325	239,573
Capital projects	3,698,967	567,880	41,899	22,367
	<u>3,698,967</u>	<u>567,880</u>	<u>41,899</u>	<u>22,367</u>
Total	\$ <u>6,348,953</u>	<u>3,024,860</u>	<u>2,334,911</u>	<u>2,504,256</u>

See accompanying independent auditors' report.

**City of Glenwood**

September 27, 2006

Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited 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, 2006, and have issued our report thereon dated September 27, 2006. 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 a certain immaterial instance of non-compliance that is 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, 2006 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, 2006

**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, 2006

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

II-A-06     Certified Budget

Disbursements during the year ended June 30, 2006 did not exceed the budgeted amounts.

II-B-06     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-C-06     Travel Expense

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

II-D-06     Business Transactions

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

II-E-06     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-F-06     Council Minutes

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

II-G-06     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-H-06     Revenue Note

The City has no revenue debt.

City of Glenwood  
Schedule of Findings  
Year Ended June 30, 2006

**Part II: Other Findings Related to Statutory Reporting Continued:**

II-I-06      Excess Balances

Comment – The cash balance in the Special Revenue Fund, Road Use Tax Account at June 30, 2006 was in excess of the disbursements made from the 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 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 \$4,515,324 for the year ended June 30, 2006, a 25 percent decrease from 2005. The receipts included \$1,584,134 in property tax, \$79,780 from tax increment financing collections, \$185,999 from charges for service, \$809,694 from operating grants, contributions and restricted interest, \$1,577,119 from capital contributions and restricted interest, \$248,122 from local option sales tax, \$24,866 from unrestricted investment earnings, \$4,110 from other general receipts, and \$1,500 in sale of assets.

Disbursements for the year totaled \$6,348,953, a 1.10 percent increase from the prior year, and included \$823,700 for public safety, \$567,186 for public works, and \$3,698,967 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 Vaudt  
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, 2006.

- 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 27, 2006

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, 2006, 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 27, 2006.

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

November 13, 2006

Mary Smith  
City of Glenwood  
107 Locust  
Glenwood, IA 51534

Dear Mary:

Enclosed are draft copies of the audit for the City of Glenwood. Please review and let me know if we need to make any changes. We will need to insert your MD & A before we issue.

Also, enclosed are copies of the City of Glenwood's Annual Report for publication.

Please sign and forward to the State Auditor in the envelope provided.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/sh  
Enc.

November 28, 2006

David Vaudt  
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, 2006.

- 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 27, 2006

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

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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: 39.50

November 28, 2006

Mary Smith  
City of Glenwood  
107 S. Locust  
Glenwood, IA 51534

Dear Mary:

We have filed the required copies of your audit report with the Office of Auditor of State. A filing fee is required to be paid based on your final amended budget according to the following schedule:

<u>Budgeted Expenditures (In millions of dollars)</u>	<u>Fee Amount</u>
Under 1	\$100.00
At least 1, but less than 3	\$175.00
At least 3, but less than 5	\$250.00
At least 5, but less than 10	\$425.00
At least 10, but less than 25	\$625.00
25 and over	\$850.00

You are required to send the appropriate filing fee. The check should be made payable to "Auditor of State" and mailed to Office of Auditor of State, State Capitol Building, Des Moines, IA 50319-0004.

If you have any questions, please do not hesitate to call me at 712-322-8734.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/sh

