

**Glenwood Municipal Utilities  
Independent Auditors' Report  
Basic Financial Statements and  
Supplementary Information  
Schedule of Findings**

**June 30, 2006 and 2005**

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**Glenwood Municipal Utilities  
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Dean	Trustee/Chairperson	January 2011
Darrell Mayberry	Trustee	January 2009
Doug Meggison	Trustee	January 2007
Lonnie Mayberry (Appointed April 1, 2006)	Trustee	January 2010
Dick Davis (Appointed April 1, 2006)	Trustee	January 2012
Rosemarie McDuffie	Secretary	Indefinite

September 27, 2006

Independent Auditors' Report

To the Board of Trustees  
Glenwood Municipal Utilities  
Glenwood, IA 51534

We have audited the accompanying financial statements of the business type activities and each major fund of the Glenwood Municipal Utilities, a component unit of the City of Glenwood, as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Glenwood Municipal Utilities management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities and each major fund of the Glenwood Municipal Utilities at June 30, 2006 and 2005, and the changes in its financial position and the cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued our report dated September 27, 2006, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, and 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...

September 27, 2006  
Glenwood Municipal Utilities  
Independent Auditors' Report

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 9, and pages 25 through 26, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 through 8 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Information in Schedules 1, 2 and 3 has been subjected to the auditing procedures applied in the 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. Information in Schedules 4, 5, 6, 7 and 8, relating to gallons pumped, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

# Glenwood Municipal Utilities

## Management's discussion and analysis

Glenwood Municipal Utilities 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 Utilities financial statements, which follow.

### Financial Highlights

- The Utilities total water and sewer operating revenues increased \$10,581, from fiscal 2005 to fiscal 2006.
- The Utilities total water and sewer operating expenses increased \$45,276, from fiscal 2005 to fiscal 2006.
- The Utilities net assets increased \$376,615, from fiscal year end 2005 to fiscal year end 2006.
- The Utilities total water and sewer operating income decreased \$34,695, from fiscal 2005 to fiscal 2006.

In fiscal 2006, operating revenues increased by \$10,581, primarily a result of increased sales and volume. Operating expenses increased by \$45,276, primarily a result of operations and infrastructure repairs.

### Using This Annual Report

The Glenwood Municipal Utilities has variable funds and presents its financial statements using accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Glenwood Municipal Utilities basic financial statements. 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 Utilities financial activities.

The Statement of Net Assets presents information on the Utilities assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Utilities operating revenues and expenses, non-operating revenues and expenses and whether the Utilities financial position has improved or deteriorated as a result of the years activities.

The Statement of Cash Flows presents the change in the Utilities cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utilities financed its activities and how it met its cash requirements.

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

## Financial Analysis of the Utilities

### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Utilities financial position. The Utilities net assets for fiscal 2006 totaled approximately \$6,767,916. This compares to approximately \$6,152,169 for fiscal 2005. A summary of the Utilities net assets is presented below.

	Net Assets	
	June 30,	
	<u>2006</u>	<u>2005</u>
Invested in capital assets, net of related debt	\$3,751,231	\$4,066,233
Restricted	\$ 627,323	\$ 497,351
Unrestricted	\$ 21,941	\$(539,734)
Contributed Capital	<u>\$2,367,451</u>	<u>\$2,367,451</u>
Net Assets	<u>\$6,767,916</u>	<u>\$6,391,301</u>

The largest portion of the Utilities net assets is invested in capital assets – (55 %, e.g., land, buildings, equipment and machinery), less the related debt portion of net asset are resources allocated to capital assets. The next is unrestricted - (43 %) that can be used to meet the Utilities obligations as they come due, followed by restricted (2 %, e.g., customer water/sewer deposits).

### Statement of Revenues, Expenses and changes in Net Assets

Operating revenues are received for water and sewer sales and charges for services for customers attached to the appropriate systems including Glenwood, Pacific Junction and outlying areas. Operating expenses are expenses paid to operate the appropriate water and sewer systems and facilities. Non-operating revenues and expenses are for interest income and expense, rent, fees and penalties and parts sales. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ending June 30, 2006 is presented below:

	Changes in Net Assets	
	Year ended June 30,	
	<u>2006</u>	<u>Restated 2005</u>
Operating revenues		
Water Sales	\$ 798,893	\$ 788,394
Sewer Sales	\$ 929,337	\$ 944,157
Charges for services	<u>\$ 68,861</u>	<u>\$ 53,959</u>
Total operating revenues	\$1,797,091	\$1,786,510
Operating expenses		
Salaries	\$ 256,013	\$ 254,261
Employee benefits	\$ 95,359	\$ 85,140
Contracted services	\$ 179,035	\$ 189,661
Utilities	\$ 123,342	\$ 110,300
Telephone	\$ 15,485	\$ 15,471
Chemicals	\$ 55,168	\$ 50,675
Supplies	\$ 14,796	\$ 15,263
Computer expenses	\$ 8,038	\$ 8,031
Office supplies	\$ 14,326	\$ 13,207
Postage and freight	\$ 12,595	\$ 12,115
Insurance	\$ 45,600	\$ 42,591
Repairs and maintenance	\$ 82,294	\$ 91,144
Legal and accounting	\$ 4,478	\$ 5,050
Board member fees	\$ 1,600	\$ 1,500

Engineering	\$ 7,783	\$ 10,733
Leak detection	\$ 0	\$ 0
Miscellaneous	\$ 16,522	\$ 15,054
Depreciation	<u>\$ 553,051</u>	<u>\$ 520,009</u>
Total operating expenses	\$1,485,481	\$1,440,205
Operating income	\$ 311,610	\$ 346,305
Non-operating expenses		
Interest income	\$ 23,861	\$ 12,653
Interest expense	\$ (27,597)	\$ (58,660)
Rent	\$ 13,368	\$ 13,368
Miscellaneous	\$ 6,133	\$ 2,014
Collection fees	\$ 4,856	\$ 4,841
Surcharges	\$ 3,065	\$ 3,190
Penalty charges	\$ 35,002	\$ 27,379
Gain on sale of assets	\$ 800	\$ 0
Merchandise and parts sales	\$ 20,728	\$ 16,211
Cost of merchandise and parts	<u>\$ (15,211)</u>	<u>\$ (9,297)</u>
Net non-operating revenues (expenses)	<u>\$ 65,005</u>	<u>\$ 11,699</u>
Changes in net assets	<u>\$ 376,615</u>	<u>\$ 358,004</u>
	Year ended June 30,	
	Restated	
	2006	2005
Net assets, beginning of year	\$6,391,301	\$6,033,297
Net assets, end of year	\$6,767,916	\$6,391,301

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

#### Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes water and sewer sales and assessments reduced by payments for operations and to suppliers. Cash used from capital includes interest income. Cash used by invested activities includes penalties, charges and rent payments.

#### Capital Assets

At June 30, 2006, the Utilities had approximately \$4,286,081 invested in capital assets, net of accumulated depreciation of approximately \$17,417,842. Depreciation charges totaled \$553,051 for fiscal 2006. More detailed information about the Utilities capital assets is presented in Schedule 3 of the Audit Report ending fiscal June 30, 2006.

## Long-Term Debt

At June 30, 2006, the Utilities had \$534,850 in debt outstanding, a decrease of \$85,054 from 2005. The table below summarizes outstanding debt by type.

	Year ended June 30,	
	<u>2006</u>	<u>2005</u>
Long-Term Liabilities		
Sewer revenue notes	\$ 534,850	\$ 619,904

Additional information about the Utilities long-term debt is presented in Note 4 of the Audit Report ending fiscal June 30, 2006.

## Economic Factors

Glenwood Municipal Utilities continued to improve its financial position during the current fiscal year. However, the current condition of the economy continues to be a concern for Utilities officials. Some of the realities that may potentially become challenges for the Utilities to meet are:

- Facilities of the Utilities require constant maintenance and upkeep with infrastructure.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain operational and efficient technology at a reasonable cost.
- Continuing the productive and efficient operations for the Utilities as well as the sound business decisions needed with an outlook to the futures demands and community betterment.

The Utilities anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Utilities ability to react to unknown issues.

## Contacting the Utilities Financial Management

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Utilities finances and to show the Utilities accountability for the money it receives. If you have questions about this report or financial information, contact Glenwood Municipal Utilities, 107 ½ South Locust Street, Glenwood, Iowa.

## **Basic Financial Statements**

**Glenwood Municipal Utilities  
Combining Statement of Net Assets  
June 30, 2006  
(With Comparative Totals for 2005 Restated)**

ASSETS

	Water	Sewer	Total 2006	Restated Total 2005
<b>Current Assets</b>				
Unrestricted				
Cash	\$ 685,412	610,917	1,296,329	700,326
Investments	517,924	-	517,924	505,159
Accounts receivable - City of Glenwood	103,530	75,380	178,910	160,683
Accounts receivable - City of Pacific Junction	16,981	-	16,981	15,830
Accounts receivable - repairs	4,349	-	4,349	4,943
Unbilled usage	38,222	37,222	75,444	84,865
Inventory	27,237	1,223	28,460	18,006
Refund receivable	7,000	-	7,000	11,497
Total unrestricted current assets	1,400,655	724,742	2,125,397	1,501,309
Restricted				
Customer deposits	115,771	-	115,771	100,660
Revenue notes, sinking fund	-	240,261	240,261	125,400
Principal and interest reserve fund	-	112,651	112,651	112,651
Replacement and maintenance reserve fund	-	158,640	158,640	158,640
Total restricted current assets	115,771	511,552	627,323	497,351
Total current assets	1,516,426	1,236,294	2,752,719	1,998,660
<b>Property and Equipment</b>				
Land	71,621	-	71,621	71,621
Buildings	1,702,698	5,663,200	7,365,898	7,352,675
Machinery	5,355,795	8,260,637	13,616,432	13,553,168
Equipment	257,801	392,171	649,972	621,072
	7,387,915	14,316,008	21,703,923	21,598,537
Less accumulated depreciation	4,758,143	12,659,699	17,417,842	16,912,400
	2,629,772	1,656,309	4,286,081	4,686,137
<b>Other Assets</b>				
Contract receivable - Pacific Junction	19,992	-	19,992	26,521
Construction in progress	3,896	408,742	412,638	496,387
	23,888	408,742	432,630	522,908
	\$ 4,170,086	3,301,345	7,471,431	7,207,705

**Glenwood Municipal Utilities  
Combining Statement of Net Assets  
June 30, 2006  
(With Comparative Totals for 2005 Restated)**

LIABILITIES AND EQUITY

	Water	Sewer	Total 2006	Restated Total 2005
<b>Current Liabilities</b>				
Payable from unrestricted current assets:				
Accounts payable	\$ 21,031	7,900	28,931	54,505
Recycling fees payable - City of Glenwood	2,728	-	2,728	5,423
Sewer fees payable - City of Pacific Junction	6,810	-	6,810	13,645
Sales tax payable	-	-	-	4,869
Accrued wages and vacation payable	10,252	4,173	14,425	17,398
Current portion of long-term debt	-	85,951	85,951	81,858
Total payables from unrestricted current assets	40,821	98,024	138,845	177,698
Payable from restricted current assets:				
Customer deposits	115,771	-	115,771	100,660
Total current liabilities	156,592	98,024	254,616	278,358
<b>Long-Term Liabilities</b>				
Sewer revenue notes, less current portion	-	448,899	448,899	538,046
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,629,772	1,121,459	3,751,231	4,066,233
Restricted for:				
Customer deposits	115,771	-	115,771	100,660
Debt service requirements		511,552	511,552	396,691
Unrestricted	1,267,951	(1,246,040)	21,941	(539,734)
Contributed Capital	-	2,367,451	2,367,451	2,367,451
	4,013,494	2,754,422	6,767,916	6,391,301
	\$ 4,170,086	3,301,345	7,471,431	7,207,705

See accompanying notes to financial statements

**Glenwood Municipal Utilities**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Net Assets**  
**June 30, 2006**  
**(With Comparative Totals for 2005 Restated)**

	<u>Water</u>	<u>Sewer</u>	<u>Total 2006</u>	<u>Restated Total 2005</u>
Operating Revenues				
Water sales	\$ 798,893	-	798,893	788,394
Sewer sales	-	929,337	929,337	944,157
Charges for services	<u>29,601</u>	<u>39,260</u>	<u>68,861</u>	<u>53,959</u>
Total operating revenues	828,494	968,597	1,797,091	1,786,510
Operating Expenses				
Salaries	171,704	84,309	256,013	254,261
Employee benefits	61,424	33,935	95,359	85,140
Contracted services	-	179,035	179,035	189,661
Utilities	71,394	51,948	123,342	110,300
Telephone	12,277	3,208	15,485	15,471
Chemicals	53,605	1,563	55,168	50,675
Supplies	9,517	5,279	14,796	15,263
Computer expenses	4,048	3,990	8,038	8,031
Office supplies	7,434	6,892	14,326	13,207
Postage and freight	6,317	6,278	12,595	12,115
Insurance	24,795	20,805	45,600	42,591
Repairs and maintenance	63,589	18,701	82,290	91,144
Legal and accounting	1,989	2,489	4,478	5,050
Board member fees	800	800	1,600	1,500
Engineering	4,353	3,430	7,783	10,733
Miscellaneous	8,639	7,883	16,522	15,054
Depreciation	<u>184,542</u>	<u>368,509</u>	<u>553,051</u>	<u>520,009</u>
Total operating expenses	686,427	799,054	1,485,481	1,440,205
Operating income	142,067	169,543	311,610	346,305
Non-operating Revenues (Expenses)				
Interest income	19,005	4,856	23,861	12,653
Interest expense	-	(27,597)	(27,597)	(58,660)
Rent	12,370	998	13,368	13,368
Miscellaneous	3,235	2,898	6,133	2,014
Collection fees	4,856	-	4,856	4,841
Surcharges	3,065	-	3,065	3,190
Penalty charges	22,263	12,739	35,002	27,379
Gain on sale of assets	800	-	800	-
Merchandise and part sales	20,629	99	20,728	16,211
Cost of merchandise and parts	<u>(14,234)</u>	<u>(977)</u>	<u>(15,211)</u>	<u>(9,297)</u>
Net non-operating revenues (expenses)	71,989	(6,984)	65,005	11,699
Changes in net assets	214,056	162,559	376,615	358,004
Net assets, beginning of year, restated	<u>3,799,438</u>	<u>2,591,863</u>	<u>6,391,301</u>	<u>6,033,297</u>
Net assets, end of year	\$ <u>4,013,494</u>	<u>2,754,422</u>	<u>6,767,916</u>	<u>6,391,301</u>

See accompanying notes to financial statements

**Glenwood Municipal Utilities  
Combining Statements of Cash Flows  
June 30, 2006  
(With Comparative Totals for 2005 Restated)**

	<u>Water</u>	<u>Sewer</u>	<u>Total 2006</u>	<u>Restated Total 2005</u>
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers	\$ 790,602	986,672	1,777,274	1,763,024
Cash payments for goods and services	(317,957)	(383,322)	(701,279)	(547,131)
Cash payments to employees	(173,212)	(85,774)	(258,986)	(246,245)
Net cash provided by operating activities	<u>299,433</u>	<u>517,576</u>	<u>817,009</u>	<u>969,648</u>
<b>Cash Flows From Capital and Related Financial Activities:</b>				
Acquisition and construction of capital assets	(71,024)	1,778	(69,246)	(183,658)
Principal paid on revenue notes	-	(85,054)	(85,054)	(531,003)
Interest paid on revenue notes	-	(27,597)	(27,597)	(56,930)
Net cash used for capital and related financing activities	<u>(71,024)</u>	<u>(110,873)</u>	<u>(181,897)</u>	<u>(771,591)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest received on investments	6,240	4,856	11,096	12,653
Other investment income received	57,481	15,757	73,238	57,705
Payments received on contract receivable	6,529	-	6,529	6,428
Purchase of investments	-	-	-	(505,159)
Net cash provided (used) by investing activities	<u>70,250</u>	<u>20,613</u>	<u>90,863</u>	<u>(428,373)</u>
Net increase (decrease) in Cash	298,659	427,316	725,975	(230,316)
Cash, Beginning of Year	<u>502,524</u>	<u>695,153</u>	<u>1,197,677</u>	<u>1,427,993</u>
Cash, End of Year	<u>\$ 801,183</u>	<u>1,122,469</u>	<u>1,923,652</u>	<u>1,197,677</u>
<b>Cash Consists of the Following Amounts:</b>				
Unrestricted:				
Cash	\$ 685,412	610,917	1,296,329	700,326
Restricted:				
Customer deposits	115,771	-	115,771	100,660
Revenue notes sinking fund	-	112,651	112,651	125,400
Principal and interest reserve account	-	240,261	240,261	112,651
Replacement and maintenance fund	-	158,640	158,640	158,640
	<u>\$ 801,183</u>	<u>1,122,469</u>	<u>1,923,652</u>	<u>1,197,677</u>

**Glenwood Municipal Utilities  
Combining Statements of Cash Flows  
June 30, 2006  
(With Comparative Totals for 2005 Restated)**

	Water	Sewer	Total 2006	Restated Total 2005
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 142,067	169,543	311,610	346,305
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	184,542	368,509	553,051	520,009
Net (increase) decrease in:				
Accounts receivable	(21,160)	2,377	(18,783)	(8,711)
Unbilled usage	4,726	4,695	9,421	(2,906)
Inventories	(10,509)	54	(10,455)	(372)
Prepaid insurance	-	-	-	40,774
Refund receivable	-	-	-	(11,497)
Net increase (decrease) in:				
Accounts payable	(9,722)	(25,382)	(35,104)	61,731
Accrued wages and vacation payable	(1,508)	(1,465)	(2,973)	8,016
Sales tax payable	(4,114)	(755)	(4,869)	4,869
Customer deposits	15,111	-	15,111	11,430
Net cash provided by operating activities	\$ 299,433	517,576	817,009	969,648

See accompanying notes to financial statements

**Glenwood Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2006 and 2005**

**NOTE 1 Summary of Significant Accounting Policies**

The Glenwood Municipal Utilities is a municipal utility. The utility produces and distributes water and provides sewer services to the residents of Glenwood, Pacific Junction and nearby rural areas.

Glenwood Municipal Utilities is a component unit of the City of Glenwood. The Utility is legally separate from the City but is financially accountable to the City. The Utility is governed by a five-member board appointed by the Mayor subject to approval by the City Council, and the Utilities' budget is approved by the City Council.

The Utilities' financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Glenwood Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. The Utility Board 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 Utility Board are such that exclusion would cause the Utility Board'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 Utility Board 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 Utility Board. Glenwood Municipal Utilities has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of Glenwood Municipal Utilities are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fund Financial Statements – Major individual enterprise funds are reported as separate columns in the fund financial statements.

**Glenwood Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2006 and 2005**

**NOTE 1 Summary of Significant Accounting Policies – Continued**

B. Basis of Presentation - Continued

Measurement Focus and Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Utility Board applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility Board distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility Board's principal ongoing operations. Water and sewer revenues are based on billing rates that are applied to customers' accounts based on their consumption of water. The Glenwood Municipal Utilities records estimated unbilled revenues at the end of accounting periods. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash and Cash Equivalents – The Glenwood Municipal Utilities considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, have a maturity date no longer than three months.

Investments – Investments are stated at cost, which approximates market value.

Accounts Receivable - Accounts receivable are presented at their net realizable values.

Inventory – Materials and supplies are valued at the lower of cost or market on a per item basis.

**Glenwood Municipal Utilities  
Notes to Financial Statements  
June 30, 2006 and 2005**

**NOTE 1 Summary of Significant Accounting Policies – Continued**

C. Assets, Liabilities and Net Investments - Continued

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Capital assets are defined by the Utilities Board as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Water towers and system	2,000
Sewer system	2,000
Equipment	2,000
Vehicles	2,000

Capital assets of the Utility Board are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Water towers	40 years
Buildings	30 years
Water mains and hydrants	30 Years
Sewer system	30 Years
Equipment	5-10 years
Vehicles	7 years

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 amounts budgeted.

**Glenwood Municipal Utilities  
Notes to Financial Statements  
June 30, 2006 and 2005**

**NOTE 2 Cash and Investments**

The Utility Board'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 depositories to insure there will be no loss of public funds.

The Utility Board 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 Utility Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trust; and warrants or improvement certificates of a drainage district.

Interest rate risk

The Utility'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 needs and use of the Utility.

**NOTE 3 Restricted Assets**

Restricted assets represent monies set aside for customer deposits, capital improvements, and revenue note requirements.

<u>Water:</u>	<u>Balance 06-30-05</u>	<u>Net Change</u>	<u>Balance 06-30-06</u>
Customer Deposits	\$ 100,660	\$ 15,111	\$ 115,771
<u>Sewer:</u>	<u>Balance 06-30-05</u>	<u>Net Change</u>	<u>Balance 06-30-06</u>
Revenue Notes, Sinking Fund	\$ 125,400	\$ 114,861	\$ 240,261
Principal and Interest Reserve Fund	112,651	-	112,651
Replacement and Maintenance Reserve Fund	158,640	-	158,640

**Glenwood Municipal Utilities  
Notes to Financial Statements  
June 30, 2006 and 2005**

**NOTE 4 Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	Balance 06-30-05	Additions	Reductions	Balance 06-30-06
Sewer Revenue Notes	\$ 619,905	\$ 0	\$ 85,054	\$ 534,851

The annual debt service requirements to maturity for revenue notes are as follows:

Year Ending June 30,	Revenue Notes		
	Principal	Interest	Total
2007	\$ 85,951	\$ 26,700	\$ 112,651
2008	90,248	22,403	112,651
2009	94,761	17,890	112,651
2010	99,499	13,152	112,651
2011	104,474	8,177	112,651
2012	59,918	2,953	62,871
	\$ 534,851	\$ 91,275	\$ 626,126

The resolution providing for the issuance of a \$1,900,000 sewer revenue bond includes the following provisions:

- (a) The bond will only be redeemed from the future earnings of the enterprise activity.
- (b) The Board shall make annual payments of \$112,651, including interest at 5% per year, to GMAC Commercial Mortgage through the year 2012.
- (c) Sufficient monthly transfers shall be made to a sinking fund account for the purpose of making the above payment when due.
- (d) Additional monthly transfers of 10% of the required annual debt service shall be made to a reserve account until the balance is at least equal to the maximum principal and interest due in any succeeding fiscal year. This account is restricted for making the annual principal and interest payments whenever there is insufficient money in the sinking fund account.

The Board has complied with the above provisions. In addition, the Board is making additional transfers to the Sinking Fund for possible early retirement of the bonds.

**Glenwood Municipal Utilities  
Notes to Financial Statements  
June 30, 2006 and 2005**

**NOTE 5 Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the Department is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Department's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004, were 14,892, \$14,191, and \$15,682, respectively, equal to the required contributions for each year.

**NOTE 6 Compensated Absences**

Glenwood Municipal Utilities' employees accumulate a limited amount of earned but unused vacation hours for subsequent use, or for payment upon termination, retirement or death. The accumulated liability for accrued vacation totaled \$9,748 and \$13,541 as of June 30, 2006 and 2005, respectively. This liability has been computed based on rates of pay as of June 30, 2006.

Sick leave may be accumulated up to 100 days. The Glenwood Municipal Utilities has a policy that sick leave is lost upon termination, retirement or death. Therefore, these accumulations are not recognized as expenditures until used or paid.

**NOTE 7 Recycling and Sewer Fees Payable**

The Glenwood Municipal Utilities acts as a collecting agent for the City of Glenwood for recycling fees. Customer bills include allocations for water, recycling and sewer. Collected fees are deposited and then monthly totals are remitted to the City.

During the current period the Board remitted the following amounts to the City of Glenwood:

Recycling fees	\$	33,012
Penalty on Recycling fees		576
Total	\$	<u>33,588</u>

As of June 30, the following amounts are payable to the City of Glenwood:

		<u>2006</u>		<u>2005</u>
Recycling fees and penalties	\$	<u>2,729</u>	\$	<u>5,423</u>

**Glenwood Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2006 and 2005**

**NOTE 8 Cash Flow Information**

During the period ended June 30, 2006, the Board paid \$27,597 in interest, and abandoned \$16,058 of equipment and lines.

During the period ended June 30, 2005, the Board paid \$27,597 in interest.

**NOTE 9 Purchase of Water Distribution System**

On July 1, 1993, the Municipal Utility entered into an agreement with an adjoining municipality for a non-exclusive franchise to construct and operate a distribution system within the municipality. The Glenwood Municipal Utilities assumed an obligation of the municipality with Farmer's Home Administration. This obligation was paid in full on August 18, 1993 with payment of principal of \$96,000 and interest of \$3,025. The Board is imposing a surcharge on the customers within the municipality to reimburse the Board for payment of this obligation.

The balance of this contract receivable was \$19,992 and \$26,521 as of June 30, 2006 and 2005 respectively, and is reflected as an asset on the balance sheet.

**NOTE 10 Risk Management**

Glenwood Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Municipal Utility assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Glenwood Municipal Utilities  
Notes to Financial Statements  
June 30, 2006 and 2005**

**NOTE 11 Construction Contract Commitments**

The Municipal Utility has entered into a contract for repairs at the wastewater treatment plant.

As of June 30, 2006, the following amounts have been paid in connection with this project:

	Contract Amount	Prior Year Costs	Current Year Costs	Balance to be Paid
Construction	\$ <u>342,979</u>	\$ 308,682	\$ -	\$ <u>34,297</u>
Miscellaneous costs		8,649	-	
Engineering fees		3,563	-	
Consulting fees		<u>69,722</u>	<u>10,356</u>	
Total		\$ <u>390,616</u>	\$ <u>10,356</u>	

The balance to be paid includes \$34,297 in retainage. The Utility has not paid the retainage due to a conflict over the workmanship of the project. Total project costs of \$400,972 are reported as Construction in Progress on the Balance Sheet. In addition, the water plant and sewer plant have several other small projects started with costs totaling \$3,896 and \$7,771, respectively, which are also reported as Construction in Progress.

**NOTE 12 Commitments**

The Utility Board signed a construction contract for \$44,472 for sanitary sewer improvements. As of June 30, 2006, no payments have been made on this contract.

**NOTE 13 Restatement**

The Net Assets for the Utility have been restated at June 30, 2005 to reflect corrections to depreciation expense and accumulated depreciation.

Net Assets as originally stated	\$ 6,152,169
Adjustment	<u>239,132</u>
Net Assets as restated	<u>\$ 6,391,301</u>

The effect of the restatement increased the change in net assets for the year ended June 30, 2006, by \$239,132 and increased net assets by that same amount at June 30, 2005.

**Glenwood Municipal Utilities  
Notes to Financial Statements  
June 30, 2006 and 2005**

**Required Supplementary Information**

**Glenwood Municipal Utilities**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2006**

**Glenwood Municipal Utilities**  
**Combining Budgetary Comparison Schedule of**  
**Revenues and Expenditures – Actual to Budget**  
**Required Supplementary Information**  
**Year Ended June 30, 2006**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Budget</u>	<u>Budget to Total Variance</u>
<b>Revenues:</b>					
Water sales	\$ 798,893	-	798,893	822,500	(23,607)
Sewer sales	-	929,337	929,337	970,000	(40,663)
Charges for service	29,601	39,260	68,861	43,400	25,461
Interest	19,005	4,856	23,861	12,400	11,461
Rent	12,370	998	13,368	13,368	-
Merchandise and parts sales (net)	6,395	(878)	5,517	1,100	4,417
Miscellaneous	34,219	15,637	49,856	43,450	6,406
Total revenues	<u>900,483</u>	<u>989,210</u>	<u>1,889,693</u>	<u>1,906,218</u>	<u>(16,525)</u>
<b>Expenditures:</b>					
<b>Production Expense:</b>					
Fixed costs	247,073	567,655	814,728	812,397	(2,331)
Variable costs	5,229	4,258	9,487	13,600	4,113
Interest	-	27,597	27,597	32,000	4,403
Supplies	6,609	2,584	9,193	13,100	3,907
Chemicals and freight	53,605	1,563	55,168	53,600	(1,568)
Maintenance and repairs	16,404	15,660	32,064	73,750	41,686
Total production expense	<u>328,920</u>	<u>619,317</u>	<u>948,237</u>	<u>998,447</u>	<u>50,210</u>
<b>Distribution Expense:</b>					
Fixed costs	237,414	132,277	369,691	350,913	(18,778)
Variable costs	1,080	2,570	3,650	27,200	23,550
Supplies	2,908	2,695	5,603	7,000	1,397
Maintenance and repairs	47,836	2,474	50,310	60,500	10,190
Total distribution expense	<u>289,238</u>	<u>140,016</u>	<u>429,254</u>	<u>445,613</u>	<u>16,359</u>
<b>Administrative:</b>					
Fixed costs	42,449	41,670	84,119	81,786	(2,333)
Variable costs	25,820	25,648	51,468	63,300	11,832
Total administrative	<u>68,269</u>	<u>67,318</u>	<u>135,587</u>	<u>145,086</u>	<u>9,499</u>
Total expenditures	<u>686,427</u>	<u>826,651</u>	<u>1,513,078</u>	<u>1,589,146</u>	<u>76,068</u>
Excess of revenues over expenditures	<u>\$ 214,056</u>	<u>162,559</u>	<u>376,615</u>	<u>317,072</u>	<u>59,543</u>

In accordance with the Code of Iowa, the Utility Board annually adopts a budget on the accrual basis following required public notice and hearing. The budget is subject to approval by the City of Glenwood. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The budget was not amended during the year.

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

**Glenwood Municipal Utilities  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2006**

**Glenwood Municipal Utilities  
Other Supplementary Information**

**Glenwood Municipal Utilities  
Schedule of Operating Expenses for Water Service by Department  
June 30, 2006 and Restated 2005**

	<u>2006</u>	<u>Restated 2005</u>
Production:		
Salaries	\$ 101,418	\$ 108,554
FICA	7,491	7,595
IPERS	5,839	6,117
Unemployment taxes	82	109
Health and dental insurance	24,616	31,154
Utilities	54,117	47,355
Telephone	3,511	3,435
Chemicals	53,605	49,664
Supplies	6,609	3,836
Liability and casualty insurance	8,806	8,967
Workmen's compensation insurance	3,765	7,714
Repairs – building	2,743	7,591
Repairs – machinery	6,556	14,211
Repairs – equipment	3,432	1,005
Repairs – lagoon	-	5,270
Repairs - street and system	3,388	564
Engineering	285	285
Miscellaneous	5,229	6,522
Depreciation	<u>37,428</u>	<u>51,400</u>
	328,920	361,348
Distribution:		
Salaries	40,977	39,286
FICA	3,176	3,132
IPERS	2,435	2,450
Unemployment taxes	42	40
Health and dental insurance	9,319	8,187
Utilities	17,277	14,775
Telephone	6,883	7,207
Supplies	2,908	1,482
Liability and casualty insurance	8,286	5,461
Workmen's compensation insurance	1,905	2,922
Repairs – building	10,509	530
Repairs – machinery	34,290	29,731
Repairs – equipment	1,106	1,144
Repairs – street and system	998	2,431
Engineering	933	1,105
Miscellaneous	1,080	2,199
Depreciation	<u>147,114</u>	<u>116,381</u>
	289,238	238,463

**Glenwood Municipal Utilities**  
**Schedule of Operating Expenses for Water Service by Department**  
**June 30, 2006 and Restated 2005**

	<u>2006</u>	<u>Restated 2005</u>
Administrative and Accounting:		
Salaries	29,309	28,882
FICA	2,286	2,167
IPERS	1,686	1,586
Unemployment taxes	32	38
Health and dental insurance	4,420	1,481
Telephone	1,883	1,830
Computer programs and maintenance	4,048	3,899
Office supplies and publications	7,434	6,764
Postage and freight	6,317	6,057
Repairs	567	1,561
Liability insurance	1,811	1,826
Workmen's compensation insurance	222	240
Legal and accounting	1,989	1,750
Engineering	3,135	1,619
Board member fees	800	750
Miscellaneous	2,330	2,096
Depreciation	-	1,325
	<u>68,269</u>	<u>63,871</u>
	\$ <u>686,427</u>	\$ <u>663,682</u>

See accompanying auditors' report

**Glenwood Municipal Utilities**  
**Schedule of Operating Expenses for Sewer Service by Department**  
**June 30, 2006 and Restated 2005**

	<u>2006</u>	<u>Restated 2005</u>
Production:		
Salaries	\$ 14,190	-
FICA	1,079	-
IPERS	811	-
Health and dental insurance	8,460	-
Contracted services	179,035	189,661
Telephone	735	628
Utilities	44,767	42,484
Liability insurance	8,842	7,170
Workman's compensation insurance	1,263	-
Supplies	2,584	3,890
Chemicals	1,563	1,011
Repairs - building	859	8,992
Repairs - machinery	2,681	5,281
Repairs - equipment	12,120	375
Waste disposal	147	-
Engineering	95	285
Miscellaneous	4,016	1,964
Depreciation	<u>308,473</u>	<u>302,541</u>
	591,720	564,282
Distribution:		
Salaries	40,977	48,657
FICA	3,175	3,131
IPERS	2,435	2,449
Unemployment taxes	1	40
Health and dental insurance	9,318	10,193
Telephone	634	665
Utilities	7,034	5,686
Liability insurance	6,763	3,386
Workman's compensation insurance	1,904	2,922
Supplies	2,695	6,055
Repairs - building	614	-
Repairs - machinery	1,714	1,566
Repairs - equipment	146	7,418
Repairs - street and system	-	1,914
Engineering	618	2,550
Miscellaneous	1,952	1,030
Depreciation	<u>60,036</u>	<u>48,362</u>
	140,016	146,024

**Glenwood Municipal Utilities  
Schedule of Operating Expenses for Sewer Service by Department  
June 30, 2006 and Restated 2005**

	2006	Restated 2005
Administrative and Accounting:		
Salaries	29,142	28,882
FICA	2,285	2,167
IPERS	1,685	1,585
Unemployment taxes	32	38
Health and dental insurance	4,654	1,481
Telephone	1,839	1,706
Computer programs and maintenance	3,990	4,132
Office supplies and publications	6,892	6,443
Postage and freight	6,278	6,058
Repairs	567	1,560
Liability insurance	1,811	1,743
Workman's compensation insurance	222	240
Legal and accounting	2,489	3,300
Engineering	2,717	4,889
Board member fees	800	750
Miscellaneous	1,915	1,243
	<u>67,318</u>	<u>66,217</u>
	<u>\$ 799,054</u>	<u>776,523</u>

See accompanying auditors' report

**Glenwood Municipal Utilities**  
**Schedule of Property, Plant and Equipment**  
**June 30, 2006**

	<b>COST</b>			<b>WATER</b>
	Balance			Balance
	06-30-05	Additions	Disposals	06-30-06
Production Plant				
Land	\$ 45,648	\$ -	\$ -	\$ 45,648
Buildings	457,412	15,422	6,000	466,834
Machinery	1,052,623	-	-	1,052,623
Equipment	99,697	13,611	25,543	87,765
Total production plant	1,655,380	29,033	31,543	1,652,870
Distribution Plant				
Land	25,973	-	-	25,973
Buildings	1,232,064	3,800	-	1,235,864
Machinery	4,284,784	18,389	-	4,303,173
Equipment	56,013	13,610	-	69,623
Total distribution plant	5,598,834	35,799	-	5,634,633
General Plant				
Equipment	100,412	-	-	100,412
Total	\$ 7,354,626	\$ 64,832	\$ 34,543	\$ 7,387,915

	<b>COST</b>			<b>SEWER</b>
	Balance			Balance
	06-30-05	Additions	Disposals	06-30-06
Production Plant				
Buildings	\$ 5,158,200	\$ -	\$ -	\$ 5,158,200
Machinery	4,018,885	20,845	5,000	4,034,730
Equipment	262,050	13,610	-	275,660
Total production plant	9,439,135	34,455	5,000	9,468,590
Distribution Plant				
Buildings	505,000	-	-	505,000
Machinery	4,196,876	40,089	11,058	4,225,907
Equipment	102,900	13,611	-	116,511
Total distribution plant	4,804,776	53,700	11,058	4,847,418
Total	\$ 14,243,911	\$ 88,155	\$ 16,058	\$ 14,316,008

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**ACCUMULATED DEPRECIATION**

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Restated Balance 06-30-05	Additions	Disposals	Balance 06-30-06
\$ -	\$ -	\$ -	\$ -
441,210	3,525	6,000	438,735
948,510	33,104	-	981,614
97,112	799	25,547	72,364
<u>1,486,832</u>	<u>37,428</u>	<u>31,547</u>	<u>1,492,713</u>
-	-	-	-
363,333	39,448	-	402,781
2,598,558	106,986	-	2,705,544
56,013	680	-	56,693
<u>3,017,904</u>	<u>147,114</u>	<u>-</u>	<u>3,165,018</u>
100,412	-	-	100,412
<u>\$ 4,605,148</u>	<u>\$ 184,542</u>	<u>\$ 31,547</u>	<u>\$ 4,758,143</u>

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**ACCUMULATED DEPRECIATION**

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Restated Balance 06-30-05	Additions	Disposals	Balance 06-30-06
\$ 4,109,190	\$ 182,617	\$ -	\$ 4,291,807
3,481,024	113,015	5,000	3,589,039
235,790	12,841	-	248,631
<u>7,826,004</u>	<u>308,473</u>	<u>5,000</u>	<u>8,129,477</u>
505,000	-	-	505,000
3,873,344	60,036	11,058	3,922,322
102,900	-	-	102,900
<u>4,481,244</u>	<u>60,036</u>	<u>11,058</u>	<u>4,530,222</u>
<u>\$ 12,307,248</u>	<u>\$ 368,509</u>	<u>\$ 16,058</u>	<u>\$ 12,659,699</u>

See accompanying auditors' report

**Glenwood Municipal Utilities**  
**Schedule of Water Expenses Per 1,000 Gallons of Water Pumped**  
**For the Year Ended June 30, 2006**

	<b>Expenses per 1000 Gallons</b>		
	Total Expenses	Sold	Finished
Operating Expenses			
Chemicals	\$ 53,605	.19	.18
Depreciation	184,542	.66	.62
Insurance	24,795	.09	.08
Professional services	6,342	.02	.02
Miscellaneous	8,639	.03	.03
Office supplies	7,434	.03	.03
Postage and freight	6,317	.02	.02
Repairs and maintenance	63,589	.22	.22
Supplies	9,517	.03	.03
Computer expenses	4,048	.01	.01
Telephone	12,277	.04	.04
Utilities	71,394	.25	.24
Wages and benefits	233,928	.84	.81
Total expenses	686,427	2.43	2.33
Total Gallons Pumped	315,731,000	100.0 %	
Total Gallons Finished	294,012,000	93.1 %	
Gallons Used in Processing	21,719,000	6.9 %	
Total Gallons Finished	294,012,000	93.1 %	
Total Gallons Billed and City Use	282,424,405	89.4 %	
Gallons Unaccounted For	11,587,595	3.7 %	

See accompanying auditors' report

**Glenwood Municipal Utilities**  
**Schedule of Water Expenses Per 1,000 Gallons of Water Sold**  
**For the Year Ended June 30, 2005 Restated**

	<u>Total Expenses</u>	<u>Sold</u>
Operating Expenses		
Chemicals	\$ 49,664	.19
Depreciation	169,106	.64
Insurance	27,130	.10
Professional services	4,759	.02
Miscellaneous	11,567	.04
Office supplies	6,764	.03
Postage and freight	6,057	.02
Repairs and maintenance	64,038	.24
Supplies	5,318	.02
Computer expenses	3,899	.01
Telephone	12,472	.05
Utilities	62,130	.23
Wages and benefits	240,778	.90
Total operating expenses	<u>663,682</u>	<u>2.499</u>
Other Expenses		
Interest	22,011	.08
Total expenses	<u>\$ 685,693</u>	<u>2.57</u>

Total Gallons Billed and City Use                      266,343,640

Due to problems with the meters at the water plant, accurate figures are not available for gallons pumped or finished. These meters were replaced in September, 2004.

See accompanying auditors' report

**Glenwood Municipal Utilities**  
**Schedule of Sewer Expenses Per 1,000 Gallons of Wastewater Flow**  
**For the Year Ended June 30, 2006**

	<u>Total Expenses</u>	<u>Expenses per 1,000 Gallons</u>
Operating Expenses		
Contracted services	\$ 179,035	1.09
Depreciation	368,509	2.24
Insurance	20,805	.13
Professional services	5,919	.04
Miscellaneous	7,883	.05
Office supplies	6,892	.04
Postage and freight	6,278	.04
Repairs and maintenance	18,701	.11
Supplies	5,279	.03
Chemicals	1,563	.01
Computer expenses	3,990	.02
Telephone	3,208	.02
Utilities	51,948	.32
Wages and benefits	119,044	.73
Total operating expenses	<u>799,054</u>	<u>4.87</u>
Other Expenses		
Interest	27,597	.17
Total expenses	<u>\$ 826,651</u>	<u>5.04</u>
Total Gallons Wastewater Flow July 1, 2005 through June 30, 2006		<u><u>164,028,000</u></u>

See accompanying auditors' report

**Glenwood Municipal Utilities**  
**Schedule of Sewer Expenses Per 1,000 Gallons of Wastewater Flow**  
**For the Year Ended June 30, 2005 Restated**

	<u>Total Expenses</u>	<u>Expenses per 1,000 Gallons</u>
Operating Expenses		
Contracted services	\$ 189,661	1.21
Depreciation	350,903	2.24
Insurance	15,461	.10
Professional services	11,024	.07
Miscellaneous	5,998	.04
Office supplies	6,443	.04
Postage and freight	6,058	.04
Repairs and maintenance	27,106	.17
Supplies	9,945	.06
Computer expenses	4,132	.03
Telephone	2,999	.02
Utilities	48,170	.31
Wages and benefits	98,623	.63
Total operating expenses	<u>776,523</u>	<u>4.96</u>
Other Expenses		
Interest	36,649	.23
Total expenses	<u>\$ 813,172</u>	<u>5.19</u>
Total Gallons Wastewater Flow July 1, 2004 through June 30, 2005		<u><u>156,619,500</u></u>

See accompanying auditors' report

**Glenwood Municipal Utilities**  
**Schedule of Water and Sewer Sales and Expenses Per 1,000 Gallons**  
**For the Periods Ended June 30, 2006 and Restated 2005**

<b>WATER</b>				
<b>06-30-06</b>			Restated <b>06-30-05</b>	
	Total	Cost Per 1,000 Gallons Sold	Total	Cost Per 1,000 Gallons Sold
Water sales	\$ 798,893	\$ 2.83	\$ 788,394	\$ 2.96
Operating expenses	<u>686,427</u>	<u>2.43</u>	<u>663,682</u>	<u>2.49</u>
Net	<u>\$ 112,466</u>	<u>\$ .40</u>	<u>\$ 124,712</u>	<u>\$ .47</u>
Total Gallons Billed and City Use				
		282,424,405		266,343,640

<b>SEWER</b>				
<b>06-30-06</b>			Restated <b>06-30-05</b>	
	Total	Cost Per 1,000 Gallons	Total	Cost Per 1,000 Gallons
Sewer sales	\$ 929,337	\$ 5.67	\$ 944,157	\$ 6.03
Operating expenses	<u>799,054</u>	<u>4.87</u>	<u>776,523</u>	<u>4.96</u>
Net	<u>\$ 130,283</u>	<u>\$ .80</u>	<u>\$ 167,634</u>	<u>\$ 1.07</u>
Total Gallons Wastewater Flow				
	<u>164,028,000</u>		<u>156,619,500</u>	

See accompanying auditors' report

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

September 27, 2006

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

To the Board of Trustees of the  
Glenwood Municipal Utilities

We have audited the financial statements of Glenwood Municipal Utilities, a component unit of the City of Glenwood, for the year ended June 30, 2006, and have issued our report thereon dated September 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Glenwood Municipal Utilities' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 conditions 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 operations that we consider to be material weaknesses.

Continued. . .

September 27, 2006  
Glenwood Municipal Utilities  
Independent Auditors' Report on Compliance

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Board'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 Board. 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 customers of the Glenwood Municipal Utilities and other parties to whom the Board 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 Glenwood Municipal Utilities 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.

**Glenwood Municipal Utilities  
Schedule of Findings  
Year Ended June 30, 2006**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

No matters were noted.

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

II-A-06 Certified Budget – Total disbursements during the year ended June 30, 2006, did not exceed the amounts budgeted.

II-B-06 Questionable Disbursements - We noted no disbursements for parties, banquets, or other entertainment for employees that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-06 Travel Expense - No disbursements of Municipal Utilities’ money for travel expenses of spouses of Municipal Utilities’ officials or employees were noted.

II-D-06 Business Transactions - We noted no business transactions between the Glenwood Municipal Utilities and Glenwood Municipal Utilities’ officials or employees.

II-E-06 Bond Coverage - Surety bond coverage of Municipal Utilities’ officials and employees is in accordance with statutory provisions. However, the amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-06 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-06 Revenue Notes - The Municipal Utility is in compliance with the requirements of the Sewer Revenue Bond Resolution.

II-H-06 Deposits and Investments - We noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Municipal Utility’s investment policy.

II-I-06 Statistical Information

<u>Description</u>	<u>Amount</u>
Water Customers served at June 30, 2006	2,360
Gallons of water pumped during the year ended June 30, 2006	315,731,000
Gallons of water sold during the year ended June 30, 2006	282,424,406

# **NEWS RELEASE**

## **GLENWOOD MUNICIPAL UTILITIES**

Glenwood, Iowa 51534

Auditors for Schroer & Associates, P.C., 300 West Broadway, Suite 41, Council Bluffs, Iowa today released an audit report on the Glenwood Municipal Utilities of Glenwood, Iowa.

Schroer & Associates, P.C. reported that the Utility Board's revenues totaled \$1,904,904 for the year ended June 30, 2006, a 2 percent increase from 2005. The revenues included \$798,893 in water sales, \$929,337 in sewer sales, \$23,861 in interest income, \$13,368 in rent income, and \$139,445 in other revenues.

Expenses for the year totaled \$1,500,692, a 3.5 percent increase from 2005. The expenses included \$935,851 for production, \$429,254 for distribution, \$135,587 for administrative and accounting and \$27,597 for interest expense.

A copy of the audit report is available for review in the office of the Auditor of State and the Glenwood Municipal Utilities Secretary's office.

January 3, 2007

Rosemarie McDuffie  
Glenwood Municipal Utilities  
107 S. Locust  
Glenwood, IA 51534

Dear Rosemarie:

Enclosed is a Draft copy of the audit report for Glenwood Municipal Utilities. Please review and let me know if there are any changes.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass  
Shareholder

BM/sh  
Enc.

January 9, 2007

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 Glenwood Municipal Utilities for the year ended June 30, 2006.

- 1 copy 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.

Glenwood Municipal Utilities

Hours Worked: 73.25

January 9, 2007

Rosemarie McDuffie  
Glenwood Municipal Utilities  
107 S. Locust  
Glenwood, IA 51534

Dear Rosemarie:

We have filed the required copy 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, 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

