

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

June 30, 2007 and 2006

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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	Trustee	January 2010
Dick Davis	Trustee	January 2012
Rosemarie McDuffie	Secretary	Indefinite

November 5, 2007

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, 2007 and 2006. 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, 2007 and 2006, 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 November 5, 2007, 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...

November 5, 2007
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, 2007. 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 decreased \$(51,361), from fiscal 2006 to fiscal 2007.
- The Utilities total water and sewer operating expenses decreased \$(92,906), from fiscal 2006 to fiscal 2007.
- The Utilities net assets increased \$32,682, from fiscal year end 2006 to fiscal year end 2007.
- The Utilities total water and sewer operating income increased \$41,545, from fiscal 2006 to fiscal 2007.

In fiscal 2007, operating revenues decreased by \$(51,361), primarily a result of decreased sales and volume. Operating expenses decreased by \$(92,906), primarily a result of improvements from 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 2007 totaled approximately \$7,177,213. This compares to approximately \$6,767,916 for fiscal 2006. A summary of the Utilities net assets is presented below.

	Net Assets	
	June 30,	
	<u>2007</u>	<u>2006</u>
Invested in capital assets, net of related debt	\$ 3,746,061	\$ 3,751,231
Restricted for: Customer Deposits	115,385	115,771
Debt Service Requirements	626,975	511,552
Unrestricted	4,488,421	21,941
Contributed Capital	<u>2,367,451</u>	<u>2,367,451</u>
Net Assets	\$ <u>7,177,213</u>	\$ <u>6,767,916</u>

The largest portion of the Utilities net assets is invested in capital assets – (52 %, 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 - (37 %, e.g., with contributed capital) that can be used to meet the Utilities obligations as they come due, followed by restricted (11 %, e.g., customer water/sewer deposits and debt service requirements).

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, 2007 is presented below:

	Changes in Net Assets	
	Year ended June 30,	
	2007	2006
Operating revenues		
Water Sales	\$ 776,210	\$ 798,893
Sewer Sales	916,575	929,337
Charges for services	52,945	68,861
Total operating revenues	<u>1,745,730</u>	<u>1,797,091</u>
Operating expenses		
Salaries	355,551	256,013
Employee benefits	131,221	95,359
Contracted services	-	179,035
Utilities	114,407	123,342
Telephone	17,745	15,485
Chemicals	69,501	55,168
Supplies	20,628	14,796
Computer expenses	6,818	8,038
Office supplies	12,077	14,326
Postage and freight	13,085	12,595
Insurance	39,416	45,600
Repairs and maintenance	117,284	82,290
Legal and accounting	4,645	4,478
Board member fees	2,160	1,600
Engineering	9,525	7,783
Leak detection	-	-
Miscellaneous	17,492	16,522
Depreciation	461,020	553,051
Total operating expenses	<u>1,392,575</u>	<u>1,485,481</u>
Operating income	353,155	311,610
Non-operating expenses		
Interest income	32,235	23,861
Interest expense	(28,597)	(27,597)
Rent	14,016	13,368
Miscellaneous	4,694	6,133
Collection fees	6,725	4,856
Surcharges	3,130	3,065
Penalty charges	21,844	35,002
Gain on sale of assets	-	800
Merchandise and parts sales	17,099	20,728
Cost of merchandise and parts	(15,004)	(15,211)
Net non-operating revenues (expenses)	<u>56,142</u>	<u> </u>
Changes in net assets	409,297	376,615
Net assets, beginning of year	<u>6,767,916</u>	<u>6,391,301</u>
Net assets, end of year	<u>\$ 7,177,213</u>	<u>\$ 6,767,916</u>

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, 2007, the Utilities had approximately \$4,196,857 invested in capital assets, net of accumulated depreciation of approximately \$17,858,086. Depreciation charges totaled \$461,020 for fiscal 2007. More detailed information about the Utilities capital assets is presented in Schedule 3 of the Audit Report ending fiscal June 30, 2007.

Long-Term Debt

At June 30, 2007, the Utilities had \$450,796 in debt outstanding, a decrease of \$84,054 from 2006. The table below summarizes outstanding debt.

	June 30,	
	2007	2006
Long-Term Liabilities		
Sewer revenue notes	\$ 450,796	\$ 534,850

Additional information about the Utilities long-term debt is presented in Note 4, of the Audit Report ending fiscal June 30, 2007.

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, 2007
(With Comparative Totals for 2006)**

ASSETS

	Water	Sewer	Total 2007	Total 2006
Current Assets				
Unrestricted				
Cash	\$ 857,285	599,825	1,457,110	1,296,329
Investments	535,516	-	535,516	517,924
Accounts receivable - City of Glenwood	88,999	74,656	163,655	178,910
Accounts receivable - City of Pacific Junction	15,903	-	15,903	16,981
Accounts receivable - repairs	6,151	-	6,151	4,349
Unbilled usage	42,994	39,372	82,366	75,444
Inventory	34,743	5,607	40,350	28,460
Refund receivable	-	-	-	7,000
Total unrestricted current assets	1,581,591	719,460	2,301,051	2,125,397
Restricted				
Customer deposits	115,385	-	115,385	115,771
Revenue notes, sinking fund	-	355,684	355,684	240,261
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	115,385	626,975	742,360	627,323
Total current assets	1,696,976	1,346,435	3,043,411	2,752,720
Property and Equipment				
Land	71,621	-	71,621	71,621
Buildings	1,794,438	5,704,590	7,499,028	7,365,898
Machinery	5,354,926	8,395,855	13,750,781	13,616,432
Equipment	281,022	452,491	733,513	649,972
	7,502,007	14,552,936	22,054,943	21,703,923
Less accumulated depreciation	4,916,383	12,941,703	17,858,086	17,417,842
	2,585,624	1,611,233	4,196,857	4,286,081
Other Assets				
Contract receivable – Pacific Junction	13,766	-	13,766	19,992
Construction in progress	43,950	496,973	540,923	412,638
	57,716	496,973	554,689	432,630
	\$ 4,340,316	3,454,641	7,794,957	7,471,431

Glenwood Municipal Utilities
Combining Statement of Net Assets
June 30, 2007
(With Comparative Totals for 2006)

LIABILITIES AND EQUITY

	Water	Sewer	Total 2007	Total 2006
Current Liabilities				
Payable from unrestricted current assets:				
Accounts payable	\$ 6,221	11,734	17,955	28,931
Recycling fees payable - City of Glenwood	2,703	-	2,703	2,728
Sewer fees payable - City of Pacific Junction	7,305	-	7,305	6,810
Sales tax payable	4,785	786	5,571	-
Accrued wages and vacation payable	9,938	8,091	18,029	14,425
Current portion of long-term debt	-	90,248	90,248	85,951
Total payables from unrestricted current assets	30,952	110,859	141,811	138,845
Payable from restricted current assets:				
Customer deposits	115,385	-	115,385	115,771
Total current liabilities	146,337	110,859	257,196	254,616
Long-Term Liabilities				
Sewer revenue notes, less current portion	-	360,548	360,548	448,899
Net Assets				
Invested in capital assets, net of related debt	2,585,624	1,160,437	3,746,061	3,751,231
Restricted for:				
Customer deposits	115,385	-	115,385	115,771
Debt service requirements	-	626,975	626,975	511,552
Unrestricted	1,492,970	(1,171,629)	321,341	21,941
Contributed Capital	-	2,367,451	2,367,451	2,367,451
	4,193,979	2,983,234	7,177,213	6,767,916
	\$ 4,340,316	3,454,641	7,794,957	7,471,431

See accompanying notes to financial statements

Glenwood Municipal Utilities
Combining Statement of Revenues, Expenses and
Changes in Net Assets
June 30, 2007
(With Comparative Totals for 2006)

	<u>Water</u>	<u>Sewer</u>	<u>Total 2007</u>	<u>Total 2006</u>
Operating Revenues				
Water sales	\$ 776,210	-	776,210	798,893
Sewer sales	-	916,575	916,575	929,337
Charges for services	26,150	26,795	52,945	68,861
Total operating revenues	<u>802,360</u>	<u>943,370</u>	<u>1,745,730</u>	<u>1,797,091</u>
Operating Expenses				
Salaries	166,057	189,494	355,551	256,013
Employee benefits	72,312	58,909	131,221	95,359
Contracted services	-	-	-	179,035
Utilities	65,653	48,754	114,407	123,342
Telephone	13,371	4,374	17,745	15,485
Chemicals	66,542	2,959	69,501	55,168
Supplies	13,558	7,070	20,628	14,796
Computer expenses	3,409	3,409	6,818	8,038
Office supplies	6,052	6,025	12,077	14,326
Postage and freight	6,550	6,535	13,085	12,595
Insurance	20,859	18,557	39,416	45,600
Repairs and maintenance	74,488	42,796	117,284	82,290
Legal and accounting	2,795	1,850	4,645	4,478
Board member fees	1,080	1,080	2,160	1,600
Engineering	4,441	5,084	9,525	7,783
Miscellaneous	8,374	9,118	17,492	16,522
Depreciation	158,240	302,780	461,020	553,051
Total operating expenses	<u>683,781</u>	<u>708,794</u>	<u>1,392,575</u>	<u>1,485,481</u>
Operating income	118,579	234,576	353,155	311,610
Non-operating Revenues (Expenses)				
Interest income	25,708	6,527	32,235	23,861
Interest expense	-	(28,597)	(28,597)	(27,597)
Rent	12,940	1,076	14,016	13,368
Miscellaneous	4,123	571	4,694	6,133
Collection fees	6,725	-	6,725	4,856
Surcharges	3,130	-	3,130	3,065
Penalty charges	7,174	14,670	21,844	35,002
Gain on sale of assets	-	-	-	800
Merchandise and part sales	16,639	460	17,099	20,728
Cost of merchandise and parts	(14,533)	(471)	(15,004)	(15,211)
Net non-operating revenues (expenses)	<u>61,906</u>	<u>(5,764)</u>	<u>56,142</u>	<u>65,005</u>
Changes in net assets	180,485	228,812	409,297	376,615
Net assets, beginning of year	<u>4,013,494</u>	<u>2,754,422</u>	<u>6,767,916</u>	<u>6,391,301</u>
Net assets, end of year	<u>\$ 4,193,979</u>	<u>2,983,234</u>	<u>7,177,213</u>	<u>6,767,916</u>

See accompanying notes to financial statements

**Glenwood Municipal Utilities
Combining Statements of Cash Flows
June 30, 2007
(With Comparative Totals for 2006)**

	<u>Water</u>	<u>Sewer</u>	<u>Total 2007</u>	<u>Total 2006</u>
Cash Flows From Operating Activities:				
Cash received from customers	\$ 799,505	941,944	1,741,449	1,777,274
Cash payments for goods and services	(365,040)	(216,285)	(581,325)	(701,279)
Cash payments to employees	<u>(166,371)</u>	<u>(185,576)</u>	<u>(351,947)</u>	<u>(258,986)</u>
Net cash provided by operating activities	268,094	540,083	808,177	817,009
Cash Flows From Capital and Related Financial Activities:				
Acquisition and construction of capital assets	(154,146)	(345,935)	(500,081)	(69,246)
Principal paid on revenue notes	-	(84,054)	(84,054)	(85,054)
Interest paid on revenue notes	<u>-</u>	<u>(28,597)</u>	<u>(28,597)</u>	<u>(27,597)</u>
Net cash used for capital and related financing activities	(154,146)	(458,586)	(612,732)	(181,897)
Cash Flows From Investing Activities:				
Interest received on investments	8,115	6,528	14,643	11,096
Other investment income received	43,198	16,306	59,504	73,238
Payments received on contract receivable	<u>6,226</u>	<u>-</u>	<u>6,226</u>	<u>6,529</u>
Net cash provided by investing activities	<u>57,539</u>	<u>22,834</u>	<u>80,373</u>	<u>90,863</u>
Net increase in cash	171,487	104,331	275,818	725,975
Cash, Beginning of Year	<u>801,183</u>	<u>1,122,469</u>	<u>1,923,652</u>	<u>1,197,677</u>
Cash, End of Year	<u>\$ 972,670</u>	<u>1,226,800</u>	<u>2,199,470</u>	<u>1,923,652</u>
Cash Consists of the Following Amounts:				
Unrestricted:				
Cash	\$ 857,285	599,825	1,457,110	1,296,329
Restricted:				
Customer deposits	115,385	-	115,385	115,771
Revenue notes sinking fund	-	112,651	112,651	112,651
Principal and interest reserve account	-	355,684	355,684	240,261
Replacement and maintenance fund	<u>-</u>	<u>158,640</u>	<u>158,640</u>	<u>158,640</u>
	<u>\$ 972,670</u>	<u>1,226,800</u>	<u>2,199,470</u>	<u>1,923,652</u>

**Glenwood Municipal Utilities
Combining Statements of Cash Flows
June 30, 2007
(With Comparative Totals for 2006)**

	Water	Sewer	Total 2007	Total 2006
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 118,579	234,576	353,155	311,610
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	158,240	302,780	461,020	553,051
Net (increase) decrease in:				
Accounts receivable	13,807	724	14,531	(18,783)
Unbilled usage	(4,772)	(2,150)	(6,922)	9,421
Inventories	(7,506)	(4,384)	(11,890)	(10,455)
Net increase (decrease) in:				
Accounts payable	(14,340)	3,834	(10,506)	(35,104)
Accrued wages and vacation payable	(314)	3,918	3,604	(2,973)
Sales tax payable	4,786	785	5,571	(4,869)
Customer deposits	(386)	-	(386)	15,111
Net cash provided by operating activities	\$ 268,094	540,083	808,177	817,009

See accompanying notes to financial statements

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2007 and 2006**

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 Enterprise Funds. 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, 2007 and 2006**

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, 2007 and 2006**

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, 2007, disbursements did not exceed the amounts budgeted.

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2007 and 2006**

NOTE 2 Cash and Investments

The Utility Board's deposits in banks at June 30, 2007 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 06-30-06</u>	<u>Net Change</u>	<u>Balance 06-30-07</u>
Customer Deposits	\$ 115,771	\$ (386)	\$ 115,385

<u>Sewer:</u>	<u>Balance 06-30-06</u>	<u>Net Change</u>	<u>Balance 06-30-07</u>
Revenue Notes, Sinking Fund	\$ 240,261	\$ 115,423	\$ 355,684
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, 2007 and 2006**

NOTE 4 Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	Balance 06-30-06	Additions	Reductions	Balance 06-30-07
Sewer Revenue Notes	\$ 534,850	\$ -	\$ 85,054	\$ 450,796

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

Year Ending June 30,	Revenue Notes		
	Principal	Interest	Total
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	61,814	1,057	62,871
	\$ 450,796	\$ 62,679	\$ 513,475

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, 2007 and 2006**

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, 2007, 2006, and 2005, were \$20,107, 14,892, and \$14,191, 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 \$11,297 and \$9,748 as of June 30, 2007 and 2006, respectively. This liability has been computed based on rates of pay as of June 30, 2007.

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		573
Total	\$	<u>33,585</u>

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

		<u>2007</u>		<u>2006</u>
Recycling fees and penalties	\$	<u>2,703</u>	\$	<u>2,729</u>

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2007 and 2006**

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, 2007, the Board paid \$28,596 in interest, and abandoned \$21,672 in equipment and lines.

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 \$13,766 and \$19,992 as of June 30, 2007 and 2006 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, 2007 and 2006**

NOTE 11 Construction Contract Commitments

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

As of June 30, 2007, the following amounts have been paid in connection with this project:

	<u>Contract Amount</u>		<u>Prior Year Costs</u>		<u>Current Year Costs</u>		<u>Balance to be Paid</u>
Construction	\$ 342,979	\$	308,682	\$	34,297	\$	-
Miscellaneous costs			8,649		-		
Engineering fees			3,563		3,773		
Legal fees			-		3,618		
Consulting fees			<u>80,058</u>		<u>2,810</u>		
Total		\$	<u>400,952</u>	\$	<u>44,498</u>		

Project costs of \$445,450 are reported as Construction in Progress on the Balance Sheet. In addition, the water plant and sewer plant have several other projects started with costs totaling \$43,950 and \$51,523, respectively, which are also reported as Construction in Progress.

NOTE 12 Commitments

The Utility Board signed two construction contracts for \$184,731 and \$237,157 for water and sanitary sewer improvements at the site of the new high school building. As of June 30, 2007, no payments have been made on these contracts.

NOTE 13 Subsequent Events

On September 4, 2007, the Utility signed a construction contract for wastewater digester cover repairs and a contract for the replacement of roofing systems on various buildings owned by the Utility.

Required Supplementary Information

**Glenwood Municipal Utilities
Combining Budgetary Comparison Schedule of
Revenues and Expenditures – Actual to Budget
Required Supplementary Information
Year Ended June 30, 2007**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Budget</u>	<u>Budget to Total Variance</u>
Revenues:					
Water sales	\$ 776,210	-	776,210	850,000	(73,790)
Sewer sales	-	916,575	916,575	950,000	(33,425)
Charges for service	26,150	26,795	52,945	55,750	(2,805)
Interest	25,708	6,527	32,235	20,500	11,735
Rent	12,940	1,076	14,016	13,368	648
Merchandise and parts sales (net)	2,106	(11)	2,095	4,200	(2,105)
Miscellaneous	21,152	15,241	36,393	38,705	(2,312)
Total revenues	<u>864,266</u>	<u>966,203</u>	<u>1,830,469</u>	<u>1,932,523</u>	<u>(102,054)</u>
Expenditures:					
Production Expense:					
Fixed costs	233,348	469,375	702,723	941,743	239,020
Variable costs	2,723	2,005	4,728	17,550	12,822
Interest	-	28,597	28,597	31,000	2,403
Supplies	6,432	4,344	10,776	13,000	2,224
Chemicals and freight	66,542	2,959	69,501	70,829	1,328
Maintenance and repairs	42,464	27,049	69,513	71,750	2,237
Total production expense	<u>351,509</u>	<u>534,329</u>	<u>885,838</u>	<u>1,145,872</u>	<u>260,034</u>
Distribution Expense:					
Fixed costs	223,686	113,647	337,333	373,273	35,940
Variable costs	10,979	4,351	15,330	26,425	11,095
Supplies	3,051	2,726	5,777	8,400	2,623
Maintenance and repairs	22,694	11,346	34,040	68,250	34,210
Total distribution expense	<u>260,410</u>	<u>132,070</u>	<u>392,480</u>	<u>476,348</u>	<u>83,868</u>
Administrative:					
Fixed costs	45,464	46,825	92,289	100,537	8,248
Variable costs	26,398	24,167	50,565	64,078	13,513
Total administrative	<u>71,862</u>	<u>70,992</u>	<u>142,854</u>	<u>164,615</u>	<u>21,761</u>
Total expenditures	<u>683,781</u>	<u>737,391</u>	<u>1,421,172</u>	<u>1,786,835</u>	<u>365,663</u>
Excess of revenues over Expenditures	<u>\$ 180,485</u>	<u>228,812</u>	<u>409,297</u>	<u>145,688</u>	<u>263,609</u>

See accompanying independent auditors' report

Glenwood Municipal Utilities
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2007

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, 2007, disbursements did not exceed the amounts budgeted.

**Glenwood Municipal Utilities
Other Supplementary Information**

Glenwood Municipal Utilities
Schedule of Operating Expenses for Water Service by Department
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Production:		
Salaries	\$ 90,784	\$ 101,418
FICA	6,704	7,491
IPERS	5,220	5,839
Unemployment taxes	64	82
Health and dental insurance	27,098	24,616
Utilities	48,756	54,117
Telephone	3,701	3,511
Chemicals	66,542	53,605
Supplies	6,432	6,609
Liability and casualty insurance	7,298	8,806
Workmen's compensation insurance	2,708	3,765
Repairs – building	13,513	2,743
Repairs – machinery	20,387	6,556
Repairs – equipment	2,407	3,432
Repairs - street and system	-	3,388
Waste disposal	6,157	-
Engineering	-	285
Miscellaneous	4,715	5,229
Depreciation	<u>39,023</u>	<u>37,428</u>
	351,509	361,348
Distribution:		
Salaries	46,651	40,977
FICA	3,509	3,176
IPERS	2,683	2,435
Unemployment taxes	52	42
Health and dental insurance	17,828	9,319
Utilities	16,897	17,277
Telephone	7,426	6,883
Supplies	7,126	2,908
Liability and casualty insurance	8,008	8,286
Workmen's compensation insurance	1,416	1,905
Repairs – building	5,718	10,509
Repairs – machinery	16,114	34,290
Repairs – equipment	862	1,106
Repairs – street and system	5,264	998
Engineering	428	933
Miscellaneous	1,211	1,080
Depreciation	<u>119,217</u>	<u>147,114</u>
	260,410	289,238

**Glenwood Municipal Utilities
Schedule of Operating Expenses for Water Service by Department
June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Administrative and Accounting:		
Salaries	28,622	29,309
FICA	2,272	2,286
IPERS	1,599	1,686
Unemployment taxes	26	32
Health and dental insurance	5,257	4,420
Telephone	2,244	1,883
Computer programs and maintenance	3,409	4,048
Office supplies and publications	6,052	7,434
Postage and freight	6,550	6,317
Repairs	4,066	567
Liability insurance	1,207	1,811
Workmen's compensation insurance	222	222
Legal and accounting	2,795	1,989
Engineering	4,013	3,135
Board member fees	1,080	800
Miscellaneous	2,448	2,330
	<u>71,862</u>	<u>68,269</u>
	\$ <u>683,781</u>	\$ <u>686,427</u>

See accompanying independent auditors' report

**Glenwood Municipal Utilities
Schedule of Operating Expenses for Sewer Service by Department
June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Production:		
Salaries	\$ 113,295	14,190
FICA	8,165	1,079
IPERS	6,325	811
Unemployment taxes	98	-
Health and dental insurance	28,627	8,460
Contracted services	-	179,035
Telephone	1,530	735
Utilities	42,449	44,767
Liability insurance	9,058	8,842
Workman's compensation insurance	3,281	1,263
Supplies	4,344	2,584
Chemicals	2,959	1,563
Repairs – building	8,094	859
Repairs – machinery	16,328	2,681
Repairs – equipment	2,627	12,120
Repairs – street and system	28	-
Waste disposal	-	147
Engineering	-	95
Miscellaneous	3,828	4,016
Depreciation	<u>254,696</u>	<u>308,473</u>
	505,732	591,720
Distribution:		
Salaries	47,265	40,977
FICA	3,508	3,175
IPERS	2,682	2,435
Unemployment taxes	-	1
Health and dental insurance	415	9,318
Telephone	600	634
Utilities	6,305	7,034
Liability insurance	3,373	6,763
Workman's compensation insurance	1,416	1,904
Supplies	2,726	2,695
Repairs – building	2,570	614
Repairs – machinery	6,789	1,714
Repairs – equipment	1,987	146
Repairs – street and system	402	-
Engineering	1,431	618
Miscellaneous	2,517	1,952
Depreciation	<u>48,084</u>	<u>60,036</u>
	132,070	140,016

Glenwood Municipal Utilities
Schedule of Operating Expenses for Sewer Service by Department
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Administrative and Accounting:		
Salaries	28,934	29,142
FICA	2,271	2,285
IPERS	1,599	1,685
Unemployment taxes	26	32
Health and dental insurance	5,193	4,654
Telephone	2,244	1,839
Computer programs and maintenance	3,409	3,990
Office supplies and publications	6,025	6,892
Postage and freight	6,535	6,278
Repairs	3,971	567
Liability insurance	1,207	1,811
Workman's compensation insurance	222	222
Legal and accounting	1,850	2,489
Engineering	3,653	2,717
Board member fees	1,080	800
Miscellaneous	2,773	1,915
	<u>70,992</u>	<u>67,318</u>
	\$ <u>708,794</u>	<u>799,054</u>

See accompanying independent auditors' report

**Glenwood Municipal Utilities
Schedule of Property, Plant and Equipment
June 30, 2007**

	COST			WATER
	Balance	Additions	Disposals	Balance
	06-30-06			06-30-07
Production Plant				
Land	\$ 45,648	-	-	45,648
Buildings	466,834	3,548	-	470,382
Machinery	1,052,623	-	-	1,052,623
Equipment	87,765	2,329	-	90,094
Total production plant	<u>1,652,870</u>	<u>5,877</u>	<u>-</u>	<u>1,658,747</u>
Distribution Plant				
Land	25,973	-	-	25,973
Buildings	1,235,864	88,191	-	1,324,055
Machinery	4,303,173	27	896	4,302,304
Equipment	69,623	18,222	-	87,845
Total distribution plant	<u>5,634,633</u>	<u>106,440</u>	<u>896</u>	<u>5,740,177</u>
Administration				
Equipment	100,412	2,671	-	103,083
Total	<u>\$ 7,387,915</u>	<u>114,988</u>	<u>896</u>	<u>7,502,007</u>

	COST			SEWER
	Balance	Additions	Disposals	Balance
	06-30-06			06-30-07
Production Plant				
Buildings	\$ 5,158,200	41,390	-	5,199,590
Machinery	4,034,730	80,526	10,000	4,105,256
Equipment	275,660	9,268	-	284,928
Total production plant	<u>9,468,590</u>	<u>131,184</u>	<u>10,000</u>	<u>9,589,774</u>
Distribution Plant				
Buildings	505,000	-	-	505,000
Machinery	4,225,907	75,467	10,776	4,290,598
Equipment	116,511	48,382	-	164,893
Total distribution plant	<u>4,847,418</u>	<u>123,849</u>	<u>10,776</u>	<u>4,960,491</u>
Administration				
Equipment	-	2,671	-	2,671

Schedule 3

Total	\$ <u>14,316,008</u>	<u>257,704</u>	<u>20,776</u>	<u>14,552,936</u>
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ACCUMULATED DEPRECIATION

	<u>Balance</u> <u>06-30-06</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06-30-07</u>
\$	-	-	-	-
	438,735	4,427	-	443,162
	981,614	31,873	-	1,013,487
	72,364	2,723	-	75,087
	<u>1,492,713</u>	<u>39,023</u>	<u>-</u>	<u>1,531,736</u>
	-	-	-	-
	402,781	31,342	-	434,123
	2,705,544	85,153	-	2,790,697
	56,693	2,722	-	59,415
	<u>3,165,018</u>	<u>119,217</u>	<u>-</u>	<u>3,284,235</u>
	100,412	-	-	100,412
\$	<u>4,758,143</u>	<u>158,240</u>	<u>-</u>	<u>4,916,383</u>

ACCUMULATED DEPRECIATION

	<u>Balance</u> <u>06-30-06</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06-30-07</u>
\$	4,291,807	174,795	-	4,466,602
	3,589,039	71,346	10,000	3,650,385
	248,631	8,555	-	257,186
	<u>8,129,477</u>	<u>254,696</u>	<u>10,000</u>	<u>8,374,173</u>
	505,000	-	-	505,000
	3,922,322	48,084	10,776	3,959,630
	102,900	-	-	102,900
	<u>4,530,222</u>	<u>48,084</u>	<u>10,776</u>	<u>4,567,530</u>
	-	-	-	-
\$	<u>12,659,699</u>	<u>302,780</u>	<u>20,776</u>	<u>12,941,703</u>

See accompanying independent auditors' report

Glenwood Municipal Utilities
Schedule of Water Expenses Per 1,000 Gallons of Water Pumped
For the Year Ended June 30, 2007

	Expenses per 1000 Gallons		
	Total Expenses	Sold	Finished
Operating Expenses			
Chemicals	\$ 66,542	.26	.25
Depreciation	158,240	.63	.60
Insurance	20,859	.08	.08
Professional services	7,236	.03	.03
Miscellaneous	8,374	.03	.03
Office supplies	6,052	.02	.02
Postage and freight	6,550	.02	.02
Repairs and maintenance	74,488	.29	.28
Supplies	13,558	.05	.05
Computer expenses	3,409	.01	.01
Telephone	13,371	.06	.05
Utilities	65,653	.26	.25
Wages and benefits	239,449	.94	.91
Total expenses	683,781	2.68	2.58
Total Gallons Pumped	286,079,000	100.0 %	
Total Gallons Finished	265,280,000	92.7 %	
Gallons Used in Processing	20,799,000	7.3 %	
Total Gallons Finished	265,280,000	92.7 %	
Total Gallons Billed and City Use	255,000,903	89.1 %	
Gallons Unaccounted For	10,279,097	3.6 %	

See accompanying independent auditors' report

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

	Expenses per 1000 Gallons		
	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 independent auditors' report

Glenwood Municipal Utilities
Schedule of Sewer Expenses Per 1,000 Gallons of Wastewater Flow
For the Year Ended June 30, 2007

	<u>Total Expenses</u>	<u>Expenses per 1,000 Gallons</u>
Operating Expenses		
Chemicals	\$ 2,959	.02
Depreciation	302,780	1.53
Insurance	18,557	.09
Professional services	6,934	.03
Miscellaneous	9,118	.05
Office supplies	6,025	.03
Postage and freight	6,535	.03
Repairs and maintenance	42,796	.22
Supplies	7,070	.04
Computer expenses	3,409	.02
Telephone	4,374	.02
Utilities	48,754	.25
Wages and benefits	<u>249,483</u>	<u>1.26</u>
Total operating expenses	708,794	3.59
Other Expenses		
Interest	<u>28,597</u>	<u>.15</u>
Total expenses	<u>\$ 737,391</u>	<u>3.74</u>
Total Gallons Wastewater Flow July 1, 2006 through June 30, 2007		<u><u>197,204,818</u></u>

See accompanying independent 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, 2006 through June 30, 2007		<u>164,028,000</u>

See accompanying independent auditors' report

Glenwood Municipal Utilities
Schedule of Water and Sewer Sales and Expenses Per 1,000 Gallons
For the Periods Ended June 30, 2007 and 2006

WATER				
	06-30-07		06-30-06	
	Total	Cost Per 1,000 Gallons Sold	Total	Cost Per 1,000 Gallons Sold
Water sales	\$ 776,210	\$ 3.04	\$ 798,893	\$ 2.83
Operating expenses	<u>683,781</u>	<u>2.68</u>	<u>686,427</u>	<u>2.43</u>
Net	<u>\$ 118,579</u>	<u>\$.36</u>	<u>\$ 112,466</u>	<u>\$.40</u>
Total Gallons Billed and City Use		255,000,903	282,424,405	

SEWER				
	06-30-07		06-30-06	
	Total	Cost Per 1,000 Gallons	Total	Cost Per 1,000 Gallons
Sewer sales	\$ 916,575	\$ 4.65	\$ 929,337	\$ 5.67
Operating expenses	<u>708,794</u>	<u>3.59</u>	<u>799,054</u>	<u>4.87</u>
Net	<u>\$ 234,576</u>	<u>\$ 1.06</u>	<u>\$ 130,283</u>	<u>\$.80</u>
Total Gallons Wastewater Flow		<u>197,204,818</u>	<u>164,028,000</u>	

See accompanying independent auditors' report

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

November 5, 2007

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

To the Board of Trustees of the
Glenwood Municipal Utilities

We have audited the accompanying financial statement of the Glenwood Municipal Utilities as of and for the year ended June 30, 2007, and have issued our report thereon dated November 5, 2007. Our report expressed an unqualified opinion on the financial statement which was 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 *Governmental 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Glenwood Municipal Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Glenwood Municipal Utilities' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Glenwood Municipal Utilities' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Glenwood Municipal Utilities' financial statements that is more than inconsequential will not be prevented or detected by Glenwood Municipal Utilities' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Glenwood Municipal Utilities' internal control.

Continued...

November 5, 2007
Glenwood Municipal Utilities
Report on Internal Control

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 or other matters that are required to be reported under *Governmental Auditing Standards*.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. 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 Utilities may report including federal awarding agencies and pass-through entities. 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, 2007**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

II-A-07 Certified Budget – Total disbursements during the year ended June 30, 2007, did not exceed the amounts budgeted.

II-B-07 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-07 Travel Expense - No disbursements of Municipal Utilities' money for travel expenses of spouses of Municipal Utilities' officials or employees were noted.

II-D-07 Business Transactions - We noted no business transactions between the Glenwood Municipal Utilities and Glenwood Municipal Utilities' officials or employees.

II-E-07 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-07 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-07 Revenue Notes - The Municipal Utility is in compliance with the requirements of the Sewer Revenue Bond Resolution.

II-H-07 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-07 Statistical Information

<u>Description</u>	<u>Amount</u>
Water Customers served at June 30, 2007	2,545
Gallons of water pumped during the year ended June 30, 2007	286,079,000
Gallons of water sold during the year ended June 30, 2007	255,000,903

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 \$1,830,469 for the year ended June 30, 2007, a 3 percent decrease from 2006. The revenues included \$776,210 in water sales, \$916,575 in sewer sales, \$32,235 in interest income, \$14,016 in rent income, and \$91,433 in other revenues.

Expenses for the year totaled 1,421,172, a 5.3 percent decrease from 2006. The expenses included \$857,241 for production, \$392,480 for distribution, \$142,854 for administrative and accounting and \$28,597 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.

November 5, 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.

November 5, 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, 2007.

- 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.

Barbara Mass
Shareholder

BM/sh
Enc.

Glenwood Municipal Utilities

Hours Worked: 61.50

November 5, 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.

Barbara Mass
Shareholder

BM/sh

