

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

June 30, 2009 and 2008

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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 2012
Doug Meggison	Trustee	January 2013
Lonnie Mayberry	Trustee	January 2016
Dick Davis	Trustee	January 2012
Rosemarie McDuffie	Secretary	Indefinite



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

March 16, 2010

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, 2009 and 2008. 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, 2009 and 2008, 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 March 16, 2010, 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.

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March 16, 2010
Glenwood Municipal Utilities
Independent Auditors' Report

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 6, and pages 20 through 21, 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 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Information in Schedule 1 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 2, 3, and 4, 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.

Schroer & Associates, P.C.

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, 2009. 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 \$60,621 from fiscal 2008 to fiscal 2009.
- The Utilities' total water and sewer operating expenses increased \$327,957, from fiscal 2008 to fiscal 2009.
- The Utilities' net assets increased \$112,431, from fiscal year end 2008 to fiscal year end 2009.
- The Utilities' total water and sewer operating income decreased \$267,336, from fiscal 2008 to fiscal 2009.

The decrease in operating revenues from fiscal year 2008 to 2009 was primarily a result of increased sales. The increase in operating expenses was primarily due to an increase in repairs and maintenance.

Using This Annual Report

The Glenwood Municipal Utilities 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 2009 totaled approximately \$7,628,275. This compares to approximately \$7,515,844 for fiscal 2008. A summary of the Utilities' net assets is presented below.

	Net Assets	
	June 30,	
	2009	2008
Invested in capital assets, net of related debt	\$ 4,222,021	\$ 4,801,881
Restricted for: Customer Deposits	129,691	114,416
Unrestricted	909,112	232,096
Contributed Capital	<u>2,367,451</u>	<u>2,367,451</u>
Net Assets	\$ <u>7,628,275</u>	\$ <u>7,515,844</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 largest portion is unrestricted net assets - (43 %, e.g., with contributed capital) that can be used to meet the Utilities' obligations as they come due.

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 years ending June 30, 2009 and 2008 is presented below:

Operating Expenses		
Salaries	402,947	384,478
Employee benefits	148,131	149,839
Contracted services	7,060	9,682
Utilities	118,306	130,290
Telephone	18,598	18,513
Chemicals	78,647	65,773
Supplies	43,244	29,504
Computer expenses	11,048	7,550
Office supplies	22,990	19,154
Postage and freight	7,130	13,884
Insurance	38,953	43,818
Repairs and maintenance	174,720	92,706
Legal and accounting	8,039	5,176
Board member fees	-	2,400
Engineering	20,231	17,027
Miscellaneous	11,305	9,860
Depreciation	652,331	436,069
Total operating expenses	<u>1,763,680</u>	<u>1,435,723</u>
Operating income	(9,669)	257,667
Non-operating Revenues (Expenses)		
Interest income	41,881	43,653
Interest expense	-	(23,094)
Rent	17,595	15,433
Miscellaneous	11,117	7,866
Collection fees	9,081	7,015
Surcharges	2,040	3,000
Penalty charges	27,820	28,822
Gain on sale of assets	-	968
Merchandise and part sales	25,667	20,607
Cost of merchandise and parts	<u>(13,101)</u>	<u>(23,306)</u>
Net non-operating revenues (expenses)	<u>122,100</u>	<u>80,964</u>
Changes in net assets	112,431	338,631
Net assets, beginning of year	<u>7,515,844</u>	<u>7,177,213</u>
Net assets, end of year	<u>7,628,275</u>	<u>7,515,844</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets of approximately 1.5%.

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 provided by other investment income includes penalties, charges and rent payments.

Individual Major Fund Analysis

The net assets of the water fund increased \$85,990 to \$4,449,626 primarily due to an increase in sales.

The net assets of the sewer fund increased \$26,441 to \$3,178,649.

Capital Assets

At June 30, 2009, the Utilities had approximately \$4,222,000 invested in capital assets, net of accumulated depreciation of approximately \$18,574,600. Depreciation charges totaled approximately \$652,300 for fiscal year 2009. More detailed information about the Utilities' capital assets is presented in Schedule 1 of the Audit Report.

Long-Term Debt

The Utilities had no long term debt at June 30, 2008 or 2009.

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 ongoing 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 future 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
Statement of Net Assets
June 30, 2009
(With Comparative Totals for 2008)

	ASSETS		Total 2009	Total 2008
	Water	Sewer		
Current Assets				
Unrestricted				
Cash	\$ 527,274	\$ 520,626	\$ 1,047,900	\$ 1,516,750
Investments	1,110,855	411,872	1,522,727	865,775
Accounts receivable - City of Glenwood	83,832	69,197	153,029	160,042
Accounts receivable - other	18,168	1,341	19,509	4,945
Prepaid insurance	29,060	20,137	49,197	-
Unbilled usage	31,320	35,539	66,859	68,566
Inventory	<u>33,815</u>	<u>9,902</u>	<u>43,717</u>	<u>40,787</u>
Total unrestricted current assets	1,834,324	1,068,614	2,902,938	2,656,865
Restricted				
Customer deposits	<u>129,691</u>	<u>-</u>	<u>129,691</u>	<u>114,416</u>
Total current assets	1,964,015	1,068,614	3,032,629	2,771,281
Property and Equipment				
Land	71,621	-	71,621	71,621
Buildings	1,829,257	5,808,138	7,637,395	7,637,395
Machinery	5,507,644	8,803,133	14,310,777	14,246,824
Equipment	<u>308,610</u>	<u>468,216</u>	<u>776,826</u>	<u>776,826</u>
	7,717,132	15,079,487	22,796,619	22,732,666
Less accumulated depreciation	<u>5,258,952</u>	<u>13,315,646</u>	<u>18,574,598</u>	<u>17,930,785</u>
Total property and equipment	2,458,180	1,763,841	4,222,021	4,801,881
Other Assets				
Contract receivable - Pacific Junction	-	-	-	7,540
Construction in progress	<u>235,795</u>	<u>419,178</u>	<u>654,973</u>	<u>120,118</u>
	235,795	419,178	654,973	127,658
Total assets	<u>\$ 4,657,990</u>	<u>\$ 3,251,633</u>	<u>\$ 7,909,623</u>	<u>\$ 7,700,820</u>

See accompanying notes to financial statements

Glenwood Municipal Utilities
Combining Statement of Net Assets
June 30, 2009
(With Comparative Totals for 2008)

LIABILITIES AND NET ASSETS

	Water	Sewer	Total 2009	Total 2008
Current Liabilities				
Payable from unrestricted current assets:				
Accounts payable	\$ 32,639	\$ 67,717	\$ 100,356	\$ 24,495
Recycling fees payable - City of Glenwood	5,689	-	5,689	5,714
Sewer fees payable - City of Pacific Junction	13,910	-	13,910	13,505
Sales tax payable	4,626	1,830	6,456	4,400
Accrued wages and vacation payable	21,809	3,437	25,246	22,446
Total payables from unrestricted current assets	78,673	72,984	151,657	70,560
 Payable from restricted current assets:				
Customer deposits	129,691	-	129,691	114,416
Total liabilities	208,364	72,984	281,348	184,976
 Net Assets				
Invested in capital assets, net of related debt	2,458,180	1,763,841	4,222,021	4,801,881
Restricted for:				
Customer deposits	129,691	-	129,691	114,416
Unrestricted	1,861,755	(952,643)	909,112	232,096
Contributed Capital	-	2,367,451	2,367,451	2,367,451
Total net assets	4,449,626	3,178,649	7,628,275	7,515,844
 Total liabilities and net assets	<u>\$ 4,657,990</u>	<u>\$ 3,251,633</u>	<u>\$ 7,909,623</u>	<u>\$ 7,700,820</u>

See accompanying notes to financial statements

Glenwood Municipal Utilities
Statements of Revenues, Expenses, and
Changes in Net Assets
For the year ended June 30, 2009
(With Comparative Totals for 2008)

	Water	Sewer	Total 2009	Total 2008
Operating Revenues				
Water sales	\$ 757,270	\$ -	\$ 757,270	\$ 745,254
Sewer sales	-	863,509	863,509	856,858
Charges for services	58,880	74,352	133,232	91,278
Total operating revenues	816,150	937,861	1,754,011	1,693,390
Operating Expenses				
Salaries	201,171	201,776	402,947	384,478
Employee benefits	88,983	59,148	148,131	149,839
Contracted services	1,896	5,164	7,060	9,682
Utilities	62,265	56,041	118,306	130,290
Telephone	13,724	4,874	18,598	18,513
Chemicals	73,321	5,326	78,647	65,773
Supplies	21,172	22,072	43,244	29,504
Computer expenses	5,524	5,524	11,048	7,550
Office supplies	8,201	14,789	22,990	19,154
Postage and freight	7,130	-	7,130	13,884
Insurance	20,499	18,454	38,953	43,818
Repairs and maintenance	60,824	113,896	174,720	92,706
Legal and accounting	3,585	4,454	8,039	5,176
Board member fees	-	-	-	2,400
Engineering	8,364	11,867	20,231	17,027
Miscellaneous	4,916	6,389	11,305	9,860
Depreciation	229,630	422,701	652,331	436,069
Total operating expenses	811,205	952,475	1,763,680	1,435,723
Operating income (loss)	4,945	(14,614)	(9,669)	257,667
Non-operating Revenues (Expenses)				
Interest income	31,361	10,520	41,881	43,653
Interest expense	-	-	-	(23,094)
Rent	16,085	1,510	17,595	15,433
Miscellaneous	5,357	5,760	11,117	7,866
Collection fees	9,081	-	9,081	7,015
Surcharges	2,040	-	2,040	3,000
Penalty charges	13,377	14,443	27,820	28,822
Gain on sale of assets	-	-	-	968
Merchandise and part sales	15,698	9,969	25,667	20,607
Cost of merchandise and parts	(11,954)	(1,147)	(13,101)	(23,306)
Net non-operating revenues (expenses)	81,045	41,055	122,100	80,964
Changes in net assets	\$ 85,990	\$ 26,441	\$ 112,431	\$ 338,631
Net assets, beginning of year	4,363,636	3,152,208	7,515,844	7,177,213
Net assets, end of year	\$ 4,449,626	\$ 3,178,649	\$ 7,628,275	\$ 7,515,844

See accompanying notes to financial statements

Glenwood Municipal Utilities
Statements of Cash Flows
For the year ended June 30, 2009
(With Comparative Totals for 2008)

	Water	Sewer	Total 2009	Total 2008
Cash Flows From Operating Activities:				
Cash received from customers	\$ 797,586	\$ 943,056	\$ 1,740,642	\$ 1,725,049
Cash payments for goods and services	(281,767)	(267,981)	(549,748)	(450,882)
Cash payments to employees	(280,297)	(229,534)	(509,831)	(529,287)
Net cash provided by operating activities	235,522	445,541	681,063	744,880
Cash Flows From Capital and Related Financial Activities:				
Acquisition and construction of capital assets	(242,531)	(364,795)	(607,326)	(622,019)
Proceeds from the sale of capital assets	-	-	-	2,700
Principal paid on revenue notes	-	-	-	(450,796)
Interest paid on revenue notes	-	-	-	(23,094)
Net cash used for capital and related financing activities	(242,531)	(364,795)	(607,326)	(1,093,209)
Cash Flows From Investing Activities:				
Interest received on investments	31,361	10,520	41,881	43,653
Investments purchased and reinvested interest	(398,065)	(258,887)	(656,952)	(330,259)
Other nonoperating income received	49,684	30,535	80,219	60,405
Payments received on contract receivable	2,199	-	2,199	-
Contract receivable forgiven	5,341	-	5,341	6,226
Net cash used for investing activities	(309,480)	(217,832)	(527,312)	(219,975)
Net change in cash	(316,489)	(137,086)	(453,575)	(568,304)
Cash, Beginning of Year	973,454	657,712	1,631,166	2,199,470
Cash, End of Year	\$ 656,965	\$ 520,626	\$ 1,177,591	\$ 1,631,166
Cash Consists of the Following Amounts:				
Unrestricted:				
Cash	\$ 527,274	\$ 520,626	1,047,900	\$ 1,516,750
Restricted:				
Customer deposits	129,691	-	129,691	114,416
	\$ 656,965	\$ 520,626	\$ 1,177,591	\$ 1,631,166

See accompanying notes to financial statements

**Glenwood Municipal Utilities
Statements of Cash Flows
For the year ended June 30, 2009
(With Comparative Totals for 2008)**

	Water	Sewer	Total 2009	Total 2008
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 4,945	\$ (14,614)	\$ (9,669)	\$ 257,667
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	229,630	422,701	652,331	436,069
(Gain) on disposal of equipment	-	-	-	(969)
Net (increase) decrease in:				
Accounts receivable	(10,347)	2,796	(7,551)	20,722
Unbilled usage	(692)	2,399	1,707	13,800
Prepaid insurance	(29,060)	(20,137)	(49,197)	
Inventories	(520)	(2,410)	(2,930)	(437)
Net increase (decrease) in:				
Accounts payable	15,606	60,635	76,241	15,751
Accrued wages and vacation payable	9,857	(7,057)	2,800	4,417
Sales tax payable	828	1,228	2,056	(1,171)
Customer deposits	15,275	-	15,275	(969)
 Net cash provided by operating activities	 <u>\$ 235,522</u>	 <u>\$ 445,541</u>	 <u>\$ 681,063</u>	 <u>\$ 744,880</u>

See accompanying notes to financial statements

Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2009 and 2008

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. The Utilities' major enterprise funds reported are sewer and water.

Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2009 and 2008

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, 2009 and 2008**

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, 2009, disbursements did not exceed the amended budgeted amounts.

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2009 and 2008**

NOTE 2 Cash and Investments

The Utility Board's deposits in banks at June 30, 2009 and 2008 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board No. 3, as amended by Statement No. 40.

Interest rate risk

The Utilities' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to 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.

Water:	Balance 06-30-08	Net Change	Balance 06-30-09
Customer Deposits	\$ 114,416	\$ 15,275	\$ 129,691

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2009 and 2008**

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 4.10% of their annual salary and the Department is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Department's contribution to IPERS for the years ended June 30, 2009 and 2008, were approximately \$25,500 and \$23,100, 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 approximately \$13,000 and \$13,700 as of June 30, 2009 and 2008, respectively. This liability has been computed based on rates of pay as of the end of the fiscal year.

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	\$	33,837
Penalty on Recycling fees		<u>680</u>
Total	\$	<u><u>34,517</u></u>

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

		<u>2009</u>		<u>2008</u>
Recycling fees and penalties	\$	<u>5,689</u>	\$	<u>5,714</u>

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2009 and 2008**

NOTE 8 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 at June 30, 2008 was approximately \$7,500. The balance was paid off during fiscal year 2009.

NOTE 9 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.

NOTE 11 Construction in Progress

The water plant and sewer plant had several projects started for the years ended June 30, 2009 and 2008 with costs totaling \$654,973 and \$120,118, respectively, which are reported as construction in progress.

Required Supplementary Information

**Glenwood Municipal Utilities
 Budgetary Comparison Schedule of
 Revenues and Expenditures – Actual to Budget
 Required Supplementary Information
 Year Ended June 30, 2009**

	Total 2009	Original Budget	Final Budget	Budget to Total Variance
Revenues:				
Water sales	\$ 757,270	\$ 825,000	\$ 794,015	\$ (36,745)
Sewer sales	863,509	944,650	886,700	(23,191)
Charges for service	133,232	57,050	57,050	76,182
Interest	41,881	35,500	50,950	(9,069)
Rent	17,595	14,760	14,760	2,835
Merchandise and parts sales (net)	25,667	15,500	15,500	10,167
Other	<u>50,058</u>	<u>36,900</u>	<u>37,750</u>	<u>12,308</u>
Total revenues	1,889,212	1,929,360	1,856,725	32,487
Expenditures:				
Production Expense:				
Fixed costs	842,425	770,670	868,913	26,488
Variable costs	13,984	17,800	17,800	3,816
Supplies	16,125	16,550	16,550	425
Chemicals and freight	83,960	75,850	75,850	(8,110)
Maintenance and repairs	<u>77,682</u>	<u>83,400</u>	<u>83,400</u>	<u>5,718</u>
Total production expense	1,034,176	964,270	1,062,513	28,337
Distribution Expense:				
Fixed costs	400,283	417,334	417,334	17,051
Variable costs	12,531	29,500	29,500	16,969
Supplies	4,643	8,700	8,700	4,057
Maintenance and repairs	<u>86,954</u>	<u>62,700</u>	<u>62,700</u>	<u>(24,254)</u>
Total distribution expense	504,411	518,234	518,234	13,823
Administrative:				
Fixed costs	157,890	128,933	128,933	(28,957)
Variable costs	61,829	36,150	36,150	(25,679)
Supplies	4,292	-	-	(4,292)
Maintenance and repairs	<u>1,082</u>	<u>36,150</u>	<u>36,150</u>	<u>35,068</u>
Total administrative	225,093	201,233	201,233	(23,860)
Total expenditures	1,763,680	1,683,737	1,781,980	18,300
Cost of merchandise sold	<u>13,101</u>	<u>9,500</u>	<u>9,500</u>	<u>(3,601)</u>
Total budgeted disbursements	<u>1,776,781</u>	<u>1,693,237</u>	<u>1,791,480</u>	<u>14,699</u>
Excess of revenues over budgeted disbursements	<u>\$ 112,431</u>	<u>\$ 236,123</u>	<u>\$ 65,245</u>	<u>\$ 47,186</u>

See accompanying independent auditors' report

Glenwood Municipal Utilities
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2009

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. During the year, one budget amendment decreased budgeted revenues approximately 72,600 and increased budgeted disbursements approximately 98,200.

**Glenwood Municipal Utilities
Other Supplementary Information**

Glenwood Municipal Utilities
Schedule of Property, Plant and Equipment - Water
June 30, 2009

	COST			
	Balance 6/30/2008	Additions	Disposals	
Production Plant				
Land	\$ 45,648	\$ -	\$ -	\$ 45,648
Buildings	505,202	-	-	505,202
Machinery	1,065,088	18,040	-	1,083,128
Equipment	<u>135,540</u>	<u>-</u>	<u>-</u>	<u>135,540</u>
Total production plant	1,751,478	18,040	-	1,769,518
Distribution Plant				
Land	25,973	-	-	25,973
Buildings	1,324,055	-	-	1,324,055
Machinery	4,378,004	46,512	-	4,424,516
Equipment	<u>67,108</u>	<u>-</u>	<u>-</u>	<u>67,108</u>
Total distribution plant	5,795,140	46,512	-	5,841,652
Administration				
Equipment	<u>105,962</u>	<u>-</u>	<u>-</u>	<u>105,962</u>
Total	<u>\$ 7,652,580</u>	<u>\$ 64,552</u>	<u>\$ -</u>	<u>\$ 7,717,132</u>

	ACCUMULATED DEPRECIATION			
	Balance 6/30/2008	Depreciation	Disposals	
Production Plant				
Land	\$ -	\$ -	\$ -	\$ -
Buildings	448,589	11,006	-	459,595
Machinery	1,031,293	23,669	-	1,054,962
Equipment	<u>64,395</u>	<u>23,729</u>	<u>-</u>	<u>88,124</u>
Total production plant	1,544,277	58,404	-	1,602,681
Distribution Plant				
Land	-	-	-	-
Buildings	489,562	48,643	-	538,205
Machinery	2,859,176	109,950	-	2,969,126
Equipment	<u>35,182</u>	<u>10,579</u>	<u>-</u>	<u>45,761</u>
Total distribution plant	3,383,920	169,172	-	3,553,092
Administration				
Equipment	<u>101,125</u>	<u>2,054</u>	<u>-</u>	<u>103,179</u>
Total	<u>\$ 5,029,322</u>	<u>\$ 229,630</u>	<u>\$ -</u>	<u>\$ 5,258,952</u>

See accompanying independent auditors' report

Glenwood Municipal Utilities
Schedule of Property, Plant and Equipment - Sewer
June 30, 2009

	COST			
	Balance 6/30/2008	Additions	Disposals	
Production Plant				
Buildings	\$ 5,303,138	\$ -	\$ -	\$ 5,303,138
Machinery	4,503,529	-	-	4,503,529
Equipment	<u>284,928</u>	-	-	<u>284,928</u>
Total production plant	10,091,595	-	-	10,091,595
Distribution Plant				
Buildings	505,000	-	-	505,000
Machinery	4,300,203	7,919	8,518	4,299,604
Equipment	<u>177,738</u>	-	-	<u>177,738</u>
Total distribution plant	4,982,941	7,919	8,518	4,982,342
Administration				
Equipment	<u>5,550</u>	-	-	<u>5,550</u>
Total	<u>\$ 15,080,086</u>	<u>\$ 7,919</u>	<u>\$ 8,518</u>	<u>\$ 15,079,487</u>

	ACCUMULATED DEPRECIATION			
	Balance 6/30/2008	Additions	Disposals	
Production Plant				
Buildings	\$ 4,600,614	\$ 151,122	\$ -	\$ 4,751,736
Machinery	3,411,342	193,406	-	3,604,748
Equipment	<u>265,416</u>	<u>8,917</u>	-	<u>274,333</u>
Total production plant	8,277,372	353,445	-	8,630,817
Distribution Plant				
Buildings	505,000	-	-	505,000
Machinery	4,000,925	52,108	8,518	4,044,515
Equipment	<u>117,453</u>	<u>15,094</u>	-	<u>132,547</u>
Total distribution plant	4,623,378	67,202	8,518	4,682,062
Administration				
Equipment	<u>713</u>	<u>2,054</u>	-	<u>2,767</u>
Total	<u>\$ 12,901,463</u>	<u>\$ 422,701</u>	<u>\$ 8,518</u>	<u>\$ 13,315,646</u>

See accompanying independent auditors' report

Glenwood Municipal Utilities
Schedule of Water Expenses Per 1,000 Gallons of Water Finished
For the Years Ended June 30, 2008 and 2009

	2009	Per 1,000 Gallons	2008	Per 1,000 Gallons
Operating Expenses				
Salaries	\$ 201,171	0.78	\$ 182,142	0.70
Employee benefits	88,983	0.34	81,768	0.31
Contracted services	1,896	0.01	1,690	0.01
Utilities	62,265	0.24	63,145	0.24
Telephone	13,724	0.05	13,499	0.05
Chemicals	73,321	0.28	60,533	0.23
Supplies	21,172	0.08	16,182	0.06
Computer expenses	5,524	0.02	3,775	0.01
Office supplies	8,201	0.03	9,573	0.04
Postage and freight	7,130	0.03	6,969	0.03
Insurance	20,499	0.08	25,149	0.10
Repairs and maintenance	60,824	0.24	57,183	0.22
Legal and accounting	3,585	0.01	2,588	0.01
Board member fees	-	-	1,200	0.00
Engineering	8,364	0.03	5,392	0.02
Miscellaneous	4,916	0.02	2,412	0.01
Depreciation	229,630	0.89	159,577	0.61
Total operating expenses	\$ 811,205	3.14	\$ 692,777	2.66
Total Gallons Pumped	274,782,000	100.00%	278,723,000	100.00%
Total Gallons Finished	258,073,206	93.92%	260,541,500	93.48%
Total Gallons Finished	258,073,206	93.92%	260,541,500	93.48%
Total Gallons Billed and City Use	238,762,724	86.89%	247,231,018	88.70%
Gallons Unaccounted For	19,310,482	7.03%	13,310,482	4.78%

See accompanying independent auditors' report

Glenwood Municipal Utilities
Schedule of Sewer Expenses Per 1,000 Gallons of Wastewater Billed
For the Years Ended June 30, 2008 and 2009

	2009	Per 1,000 Gallons	2008	Per 1,000 Gallons
Operating Expenses				
Salaries	201,776	1.14	202,336	1.16
Employee benefits	59,148	0.33	68,071	0.39
Contracted services	5,164	0.03	7,992	0.05
Utilities	56,041	0.32	67,145	0.39
Telephone	4,874	0.03	5,014	0.03
Chemicals	5,326	0.03	5,240	0.03
Supplies	22,072	0.12	13,322	0.08
Computer expenses	5,524	0.03	3,775	0.02
Office supplies	14,789	0.08	9,581	0.06
Postage and freight	-	-	6,915	0.04
Insurance	18,454	0.10	18,669	0.11
Repairs and maintenance	113,896	0.64	35,523	0.20
Legal and accounting	4,454	0.03	2,588	0.01
Board member fees	-	-	1,200	0.01
Engineering	11,867	0.07	11,635	0.07
Miscellaneous	6,389	0.04	7,448	0.04
Depreciation	422,701	2.38	276,492	1.59
Total operating expenses	\$ 952,475	5.36	\$ 742,946	4.27
Total Gallons Wastewater Billed	177,623,412		173,917,428	

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, 2009 and 2008

Schedule 4

WATER				
6/30/2009			6/30/2008	
	Total	Cost Per 1,000 Gallons Sold	Total	Cost Per 1,000 Gallons Sold
Water sales	\$ 757,270	\$ 3.17	\$ 745,254	\$ 3.01
Operating expenses	<u>811,205</u>	<u>3.40</u>	<u>692,777</u>	<u>2.80</u>
Operating income	<u>\$ (53,935)</u>	<u>\$ (0.23)</u>	<u>\$ 52,477</u>	<u>\$ 0.21</u>
Total Gallons Billed and City Use	238,762,724		247,231,018	

SEWER				
6/30/2009			6/30/2008	
	Total	Cost Per 1,000 Gallons	Total	Cost Per 1,000 Gallons
Sewer sales	\$ 863,509	\$ 4.86	\$ 856,858	\$ 4.93
Operating expenses	<u>952,475</u>	<u>5.36</u>	<u>742,946</u>	<u>4.27</u>
Operating income	<u>\$ (88,966)</u>	<u>\$ (0.50)</u>	<u>\$ 113,912</u>	<u>\$ 0.65</u>
Total Gallons Wastewater Billed	<u>177,623,412</u>		<u>173,917,428</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***



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA
March 16, 2010

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, 2009, and have issued our report thereon dated March 16, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

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. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

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.

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March 16, 2010
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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

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, 2009 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.

Schroer & Associates, P.C.

**Glenwood Municipal Utilities
Schedule of Findings
Year Ended June 30, 2009**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

I-A-09 Financial Reporting

Comment – During the audit, we identified mispostings of receipts and disbursements to accounts without departments. This caused the financial statements to be out of balance. Adjustments were subsequently made by the Utility to properly report the amounts in the Utility’s financial statements.

Recommendation – The City should implement procedures to insure all receipts and disbursements are properly classified.

Response – We will double check this in the future to avoid posting errors.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget

Disbursements during the year ended June 30, 2009 did not exceed the amended budgeted amounts.

II-B-09 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-09 Travel Expense - No disbursements of Municipal Utilities’ money for travel expenses of spouses of Municipal Utilities’ officials or employees were noted.

II-D-09 Business Transactions – Business transactions between the Utility and Utility officials are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Lonnie Mayberry, Board Member through June 30, 2009, Employee of Land Surveying Services, Inc.	Upgrade Mapping System and Easement Documents	\$ 1,232

In accordance with the Code of Iowa, the transaction with the Board Member does not appear to represent a conflict of interest since it was entered into through competitive bidding.

**Glenwood Municipal Utilities
Schedule of Findings
Year Ended June 30, 2009**

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

- II-E-09 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-09 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-09 Revenue Notes - The Municipal Utility is in compliance with the requirements of the Sewer Revenue Bond Resolution.
- II-H-09 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-09 Statistical Information

<u>Description</u>	<u>Amount</u>
Water Customers served at June 30, 2009	2,689
Gallons of water pumped during the year ended June 30, 2009	274,782,000
Gallons of water sold during the year ended June 30, 2009	238,762,724