

**CITY OF GLENWOOD**

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2013

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CITY OF GLENWOOD

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kim Clark	Mayor	Jan 2016
Joe Edwards	Council Member	Jan 2016
Kay LeFever	Council Member	Jan 2016
Jessie Lundvall	Council Member	Jan 2018
Craig Florian	Council Member	Jan 2018
Susan Hirshman	Council Member	Jan 2018
Brian Kissel	Director of Finance	Indefinite
Angie Winquist	City Clerk	Indefinite
Judith Groves	Deputy Clerk	Indefinite
Matt Woods	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Glenwood, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Glenwood as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the year ended June 30, 2013 as a whole. The accompanying supplementary information on pages 20 through 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information contained on pages 20 through 25 for the year ended June 30, 2013, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the standards referred to in the third paragraph of this report. In our opinion, the information for the year ended June 30, 2013 is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information contained on pages 24 and 25 for the 8 years ended June 30, 2012, were audited by other auditors whose report, dated December 16, 2012, expressed an unmodified opinion on such information in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the year ended June 30, 2013 as a whole. The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 1 through 4 and 18 through 19 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2014 on our consideration of the City of Glenwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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* in considering the City of Glenwood's internal control over financial reporting and compliance.

*Hamilton Associates, P.C.*

Council Bluffs, Iowa  
May 14, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Glenwood provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 1%, or approximately \$30,000 from fiscal year 2012 to fiscal year 2013. Property tax increased approximately \$63,800 over the prior year.
- Disbursements of the City's governmental activities increased 4.2%, or approximately \$169,000, in fiscal year 2012 to fiscal year 2013.
- The City's total cash basis net assets decreased approximately \$230,000 from June 30, 2012 to June 30, 2013.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

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

Supplementary and Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and other significant schedules.

### BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### REPORTING THE CITY'S FINANCIAL ACTIVITIES

#### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- The component unit includes activities of the Glenwood Municipal Utilities Board. The City is financially accountable for the utilities although it is legally separate from the city.

#### *Fund Financial Statements*

The City has one kind of fund, Governmental:

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2.3 million to approximately \$2.1 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Changes in Cash Basis Net Position of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:	\$ 143	\$ 151
Operating grants, contributions and restricted interest	813	769
Capital grants, contributions and restricted interest	3	295
General receipts:		
Property tax	1,922	1,894
Tax increment financing	352	280
Local option sales tax	342	315
Grants and contributions not restricted to specific purpose	22	6
Unrestricted interest on investments	4	5
Sale of assets	391	246
Total receipts	\$ 3,992	\$ 3,961
Disbursements:		
Public safety	\$ 1,186	\$ 1,234
Public works	597	653
Culture and recreation	560	500
Community and economic development	323	408
General government	1,091	483
Debt service	449	395
Capital projects	18	381
Total disbursements	\$ 4,224	\$ 4,054
Change in cash basis net assets	\$ (232)	\$ (93)
Cash basis net assets beginning of year	\$ 2,354	\$ 2,752
Prior period adjustment	-	(305)
Adjusted cash basis net assets beginning of year	2,354	2,447
Cash basis net assets end of year	\$ 2,122	\$ 2,354

The City's total receipts for governmental activities for the fiscal year were approximately \$3,992,000 compared to \$3,961,000 last year. There was a significant decrease in capital grants which were offset with increases in taxes and the sale of the old city hall building.

The cost of all governmental activities this year was approximately \$4.2 million compared to approximately \$4 million last year. A majority of this increase was due to the renovations of the new city hall.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Glenwood completed the year, its governmental funds reported a combined fund balance of \$2,122,030, a decrease of \$231,868 from last year's balance of \$2,353,898. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The majority of the decreases come from expenses incurred with the new city hall building.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The first amendment was approved on March 12, 2013 and resulted in an increase in operating disbursements of \$211,774 for culture and recreation and debt service. It also decreased the projection of revenue by \$60,619 from taxes.

The City's receipts were \$117,048 more than budgeted. This was primarily due to the City receiving more in taxes and miscellaneous income.

Even with the budget amendments, total disbursements were \$300,515 more than the amended budget.

### DEBT ADMINISTRATION

At June 30, 2013, the City had \$2,076,446 of bonds and other long-term debt outstanding, compared to \$2,488,601 last year, as shown below.

#### Outstanding Debt at Year-End (Expressed in Thousands)

	Year ended June 30	
	2013	2012
General obligation notes	\$ 2,076	\$ 2,401
Loan agreement	-	7
Line of credit	-	80
Total	<u>\$ 2,076</u>	<u>\$ 2,488</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation is below its constitutional debt limit of approximately \$12 million.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Glenwood's elected and appointed officials and citizens considered many factors when setting the fiscal year budget, tax rates and fees charged for various City activities.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian Kissel, City Administrator, 107 S. Locust, Glenwood, Iowa 51534.

**CITY OF GLENWOOD**

**STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS**

As of and for the year ended June 30, 2013

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>
<b>Functions/Programs:</b>			
<b>Primary government:</b>			
Governmental Activities			
Public safety	\$ 1,186,549	\$ 21,421	\$ 141,382
Public works	597,007	23,440	536,321
Culture and recreation	560,218	86,079	125,421
Community and economic development	322,788	3,999	1,000
General government	1,090,691	8,502	9,128
Debt service	448,819	-	-
Capital projects	17,900	-	-
Total governmental activities	<u>\$ 4,223,972</u>	<u>\$ 143,441</u>	<u>\$ 813,252</u>
<b>Total primary government</b>	<u>\$ 4,223,972</u>	<u>\$ 143,441</u>	<u>\$ 813,252</u>
<b>Component Unit:</b>			
Glenwood Municipal Utilities	<u>\$ 2,320,666</u>	<u>\$ 1,999,440</u>	<u>\$ -</u>
<b>General Receipts:</b>			
Property and other city taxes levied for:			
General purposes			
Employee benefits			
Debt service			
Tax Increment Financing			
Local option sales tax			
Grants and contributions not restricted to a specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Sale of assets			
Total general receipts			
Change in cash basis net position			
Cash basis net position beginning of year			
Prior period adjustment (Note 12)			
Adjusted cash basis net position beginning of year			
Cash basis net position end of year			
<b>Cash Basis Net Position:</b>			
Restricted:			
Nonexpendable			
Cemetery perpetual care			
Expendable:			
Streets			
Employee benefits			
LOST debt services			
Debt service			
Capital projects			
Amphitheater			
Other purposes			
Unrestricted			
Total cash basis net position			

**See Notes to Financial Statements**

**CITY OF GLENWOOD**

**STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS**

As of and for the year ended June 30, 2013

	Net (Disbursements) Receipts and Changes in Cash Basis Net Position	
	<b>Primary</b>	<b>Component</b>
	<b>Government</b>	<b>Unit</b>
Capital Contributions and Restricted Interest	Governmental Activities	Glenwood Municipal Utilities
\$ -	\$ (1,023,746)	\$ -
-	(37,246)	-
-	(348,718)	-
-	(317,789)	-
-	(1,073,061)	-
-	(448,819)	-
2,528	(15,372)	-
<u>\$ 2,528</u>	<u>\$ (3,264,751)</u>	<u>\$ -</u>
<u>\$ 2,528</u>	<u>\$ (3,264,751)</u>	<u>\$ -</u>
<u>\$ -</u>		<u>\$ (321,226)</u>
	\$ 1,270,122	\$ -
	522,750	-
	128,928	-
	352,064	-
	342,544	-
	21,565	-
	3,631	4,204
	-	80,836
	391,279	-
	<u>\$ 3,032,883</u>	<u>\$ 85,040</u>
	<u>\$ (231,868)</u>	<u>\$ (236,186)</u>
	\$ 2,660,060	\$ 2,156,138
	(306,162)	-
	<u>\$ 2,353,898</u>	<u>\$ 2,156,138</u>
	<u>\$ 2,122,030</u>	<u>\$ 1,919,952</u>
	\$ 68,420	\$ -
	177,089	-
	348,116	-
	76,500	-
	1,286,267	-
	72,043	-
	13,894	-
	32,429	-
	47,272	1,919,952
	<u>\$ 2,122,030</u>	<u>\$ 1,919,952</u>

**CITY OF GLENWOOD**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUNDS**

As of and for the year ended June 30, 2013

	General Fund	Special Revenue		
		Road Use Tax Fund	Employee Benefits Fund	Local Option Sales Tax Fund
<b>Receipts</b>				
Property tax	\$ 1,209,894	\$ -	\$ 522,750	\$ -
Tax increment financing	-	-	-	-
Other city tax	24,275	-	-	342,544
Lincenses and permits	13,649	-	-	-
Use of money and property	7,523	-	-	-
Intergovernmental	151,379	504,590	-	61,598
Charges for service	103,636	-	-	-
Miscellaneous	124,283	-	11,182	-
<b>Total receipts</b>	<b>\$ 1,634,639</b>	<b>\$ 504,590</b>	<b>\$ 533,932</b>	<b>\$ 404,142</b>
<b>Disbursements</b>				
Operating				
Public safety	\$ 923,648	\$ -	\$ 262,901	\$ -
Public works	302,069	177,125	117,813	-
Culture and recreation	427,159	-	109,879	-
Community and economic development	36,880	-	14,827	-
General government	1,039,330	-	51,361	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>\$ 2,729,086</b>	<b>\$ 177,125</b>	<b>\$ 556,781</b>	<b>\$ -</b>
Excess of receipts over disbursements	\$ (1,094,447)	\$ 327,465	\$ (22,849)	\$ 404,142
<b>Other financing sources (uses)</b>				
Sale of capital assets	\$ 391,279	\$ -	\$ -	\$ -
Operating transfers in	326,005	-	-	-
Operating transfers out	(77,404)	(290,053)	-	(404,771)
<b>Total other financing sources (uses)</b>	<b>\$ 639,880</b>	<b>\$ (290,053)</b>	<b>\$ -</b>	<b>\$ (404,771)</b>
Change in cash balances	\$ (454,567)	\$ 37,412	\$ (22,849)	\$ (629)
Cash balances beginning of year	\$ 501,839	\$ 139,677	\$ 370,965	\$ 629
Prior period adjustment (Note 12)	-	-	-	-
Cash balances beginning of year as adjusted	\$ 501,839	\$ 139,677	\$ 370,965	\$ 629
Cash balances end of year	\$ 47,272	\$ 177,089	\$ 348,116	\$ -
<b>Cash Basis Fund balances</b>				
Nonspendable				
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Streets	-	177,089	-	-
Employee benefits	-	-	348,116	-
LOST debt services	-	-	-	-
County wellness center	-	-	-	-
Urban renewal	-	-	-	-
Other purposes	-	-	-	-
Assigned for capital projects	-	-	-	-
Unassigned	47,272	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 47,272</b>	<b>\$ 177,089</b>	<b>\$ 348,116</b>	<b>\$ -</b>

**See Notes to Financial Statements**

**CITY OF GLENWOOD**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUNDS**

As of and for the year ended June 30, 2013

Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total
\$ 128,928	\$ -	\$ 35,952	\$ 1,897,524
-	-	352,064	352,064
-	-	-	366,819
-	-	-	13,649
-	2,347	181	10,051
-	-	-	717,567
-	-	4,050	107,686
-	-	-	135,465
<u>\$ 128,928</u>	<u>\$ 2,347</u>	<u>\$ 392,247</u>	<u>\$ 3,600,825</u>
\$ -	\$ -	\$ -	\$ 1,186,549
-	-	-	597,007
-	22,980	200	560,218
-	-	271,081	322,788
-	-	-	1,090,691
448,819	-	-	448,819
-	17,900	-	17,900
<u>\$ 448,819</u>	<u>\$ 40,880</u>	<u>\$ 271,281</u>	<u>\$ 4,223,972</u>
\$ (319,891)	\$ (38,533)	\$ 120,966	\$ (623,147)
\$ -	\$ -	\$ -	\$ 391,279
373,691	108,484	-	808,180
-	-	(35,952)	(808,180)
<u>\$ 373,691</u>	<u>\$ 108,484</u>	<u>\$ (35,952)</u>	<u>\$ 391,279</u>
\$ 53,800	\$ 69,951	\$ 85,014	\$ (231,868)
\$ 22,700	\$ 1,248,745	\$ 375,505	\$ 2,660,060
-	-	(306,162)	(306,162)
<u>\$ 22,700</u>	<u>\$ 1,248,745</u>	<u>\$ 69,343</u>	<u>\$ 2,353,898</u>
\$ 76,500	\$ 1,318,696	\$ 154,357	\$ 2,122,030
\$ -	\$ -	\$ 68,420	\$ 68,420
-	-	-	177,089
-	-	-	348,116
76,500	-	-	76,500
-	1,286,267	-	1,286,267
-	-	72,043	72,043
-	-	13,894	13,894
-	32,429	-	32,429
-	-	-	47,272
<u>\$ 76,500</u>	<u>\$ 1,318,696</u>	<u>\$ 154,357</u>	<u>\$ 2,122,030</u>

## CITY OF GLENWOOD

### NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2013

#### 1. Summary of Significant Accounting Policies

The City of Glenwood (the "City") is a political subdivision of the State of Iowa located in Mills County. It was first incorporated in 1857 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services.

##### Reporting Entity

For financial reporting purposes, the City of Glenwood has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Glenwood (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under a separate cover. The audited financial statement are available at the City Clerk's office.

##### Discretely Presented Component Unit

Glenwood Municipal Utilities is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The officials of the Utilities are appointed by the City Council and the operating budget adoption process of the Utilities is subject to the approval of the City Council.

##### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Mills County Assessor's Conference Board, Mills County Emergency Management Commission, Mills County E911 Board and the Iowa Waste System Association.

**CITY OF GLENWOOD**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended June 30, 2013

**1. Summary of Significant Accounting Policies (continued)**

Basis of Presentation

*Government-wide Financial Statement*

The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, are supported by tax and intergovernmental revenues.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* - subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* - results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* - consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

*General Fund* - the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

**CITY OF GLENWOOD**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended June 30, 2013

**1. Summary of Significant Accounting Policies (continued)**

Basis of Presentation (continued)

*Special Revenue Funds:*

*Road Use Tax Fund* - used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

*Employee Benefits Fund* – used to account for property taxes levied to pay employee benefits.

*Local Option Sales Tax Fund* – used to account for local option sales tax collections.

*Debt Service Fund* – utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

*Capital Projects Fund* – used to account for all resources used in the construction of capital projects.

Measurement Focus and Basis of Accounting

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

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

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

*Nonspendable* – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Assigned* – Amounts the City Council intends to use for specific purposes.

*Unassigned* – All amounts not included in the preceding classifications.

**CITY OF GLENWOOD**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended June 30, 2013

**1. Summary of Significant Accounting Policies (continued)**

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the general government and public safety functions.

**2. Cash and Pooled Investments**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 40.

The City's cash and investments at June 30, 2013 totaled \$2,122,030.

Interest rate risk

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

**CITY OF GLENWOOD**

**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2013

**3. Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest
2014	\$ 301,476	\$ 83,794
2015	222,940	71,729
2016	212,030	63,378
2017	200,000	55,578
2018	205,000	47,578
2019-2011	<u>935,000</u>	<u>100,752</u>
Total	<u>\$ 2,076,446</u>	<u>\$ 422,809</u>

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

The City has a general obligation debt limit of \$12,400,000 which was not exceeded during the year ended June 30, 2013.

**4. Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations of the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$107,969, \$96,502 and \$89,092, respectively, equal to the required contributions for each year.

**CITY OF GLENWOOD**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended June 30, 2013

**5. Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health/dental benefit plan which provides medical/prescription drug/dental benefits for employees, retirees and their spouses. There are 25 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug/dental benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. Retirees pay an additional 2% premium for dental benefits.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. As such, the plan is not being funded. The most recent active member monthly premiums for the City and plan members are \$383 for single health coverage and \$1,175 for family health coverage. Dental premiums are \$38 for single coverage and \$129 for family coverage.

**6. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid.

Sick leave is payable when used, or for certain employees, upon retirement. Employees retiring after 15 years of service may receive one-half of their unused accumulated sick leave balance. For each additional year of service, the employee shall receive an additional 2% of the sick leave pay.

The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2013, including applicable payroll taxes, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 64,407
Sick Leave	<u>43,680</u>
Total	<u>\$ 108,087</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

**CITY OF GLENWOOD**

**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2013

**7. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfers To	Transfers Out				Total
	General Fund	Local Option Sales Tax Fund	Road Use Tax Fund	Emergency Fund	
General Fund	\$ -	\$ -	\$ 290,053	\$ 35,952	\$ 326,005
Comm. Rec. Fund	-	90,584	-	-	90,584
Debt Service Fund	59,504	314,187	-	-	373,691
Library Roof Fund	17,900	-	-	-	17,900
<b>Total</b>	<b>\$ 77,404</b>	<b>\$ 404,771</b>	<b>\$ 290,053</b>	<b>\$ 35,952</b>	<b>\$ 808,180</b>

**8. Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$63,358.

**CITY OF GLENWOOD**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended June 30, 2013

**8. Risk Management (continued)**

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

**9. YMCA Operating Agreement**

The YMCA and the City of Glenwood have a joint operating agreement regarding a recreation facility for a period of 15 years. The YMCA is responsible for operation, maintenance, utilities and insurance of the facility. The City of Glenwood will contribute before July 15 of the following year \$50,000 each year for the first three years, then up to \$50,000 for each year for the next five years for operating deficits, and then up to \$50,000 each year for an additional 5 years for operating deficits to the extent of one half of the excess revenue received by the City for local option sales tax. A full year is defined as January 1 through December 31 effective January 1, 2006. The City paid the YMCA \$26,563 in November 2012.

**10. Urban Renewal Development Agreements**

The City has entered into agreements with developers to construct certain public improvements related to the development of Urban Renewal Areas. In exchange, the City has agreed to pay the developers for these costs, plus interest.

These agreements are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund, and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa.

**CITY OF GLENWOOD**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended June 30, 2013

**10. Urban Renewal Development Agreements (continued)**

Mintle Agreement

The City has agreed to pay the developer a total of \$400,000 plus interest at 7% per annum. Principal and interest are due December 1 and June 1 of each year. As of June 30, 2013, the City continues to make payments on this contract as it has not yet been paid in full. The City paid the developer \$107,646 during the year ended June 30, 2013.

Hughes Agreements

The City has agreed to pay the developer a total of \$890,000 plus interest at 7% per annum. Principal and interest payments are due December 1 and June 1 of each year, with final payment due 10 years after the first year tax increment revenues are generated. The City paid the developer \$108,669 during the year ended June 30, 2013.

The City has agreed to pay the developer a total of \$369,669 plus interest at 5% per annum. Principal and interest payments are due December 1 and June 1 of each year, with final payment due 10 years after the first year tax increment revenues are generated. The City paid the developer \$37,157 during the year ended June 30, 2013.

Osterhoh and New Century Building Company, LLC Agreement

The City has agreed to pay the developer a total of \$245,000 plus interest at 7% per annum. Principal and interest payments are due December 1 and June 1, with final payment due 10 years after the first year tax increment revenues are generated. The City paid the developer \$16,315 during the year ended June 30, 2013.

**11. Reciprocal Services with Component Unit**

The City and its component unit, Glenwood Municipal Utilities, have an arrangement in which the City provides office space to the Utilities at no cost, and the Utilities provides water and sewer to all City owned and operated facilities at no cost. In addition, the Utilities invoiced and collected recycling fees and remitted all collections to the City through December 2012 when that agreement ended.

**12. Prior Period Adjustment**

Amphitheater trust funds were previously recorded as a major fund for the City of Glenwood. During review of the source documents for these funds, it was determined that the funds were not in the City's name, and therefore should not have been recorded on their financials. A prior period adjustment of the June 30, 2012 ending fund balance of \$306,162 for the Amphitheater fund was done to remove this fund from the City's financial statements.

**CITY OF GLENWOOD**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN BALANCES – BUDGET AND ACTUAL  
(CASH BASIS) – ALL GOVERNMENTAL FUNDS**

For the year ended June 30, 2013

	Governmental	Budgeted Amounts		Final to
	Funds	Original	Final	Actual
	Actual			Variance
<b>Receipts</b>				
Property tax	\$ 1,897,524	\$ 1,851,576	\$ 1,824,380	\$ 73,144
Tax increment financing	352,064	347,078	347,078	4,986
Other city tax	366,819	363,889	330,466	36,353
Lincenses and permits	13,649	23,025	23,025	(9,376)
Use of money and property	10,051	37,811	37,811	(27,760)
Intergovernmental	717,567	680,428	680,428	37,139
Charges for service	107,686	117,450	117,450	(9,764)
Special Assessments	-	6,500	6,500	(6,500)
Miscellaneous	135,465	116,639	116,639	18,826
Total receipts	<u>\$ 3,600,825</u>	<u>\$ 3,544,396</u>	<u>\$ 3,483,777</u>	<u>\$ 117,048</u>
<b>Disbursements</b>				
Operating				
Public safety	\$ 1,186,549	\$ 1,109,224	\$ 1,109,224	\$ (77,325)
Public works	597,007	729,113	729,113	132,106
Culture and recreation	560,218	588,115	721,330	161,112
Community and economic development	322,788	419,112	419,112	96,324
General government	1,090,691	444,878	444,878	(645,813)
Debt service	448,819	376,241	454,800	5,981
Capital projects	17,900	45,000	45,000	27,100
Total disbursements	<u>\$ 4,223,972</u>	<u>\$ 3,711,683</u>	<u>\$ 3,923,457</u>	<u>\$ (300,515)</u>
Excess of receipts over disbursements	\$ (623,147)	\$ (167,287)	\$ (439,680)	\$ (183,467)
<b>Other financing sources (uses)</b>				
Sale of capital assets	\$ 391,279	\$ -	\$ -	\$ 391,279
Proceeds of debt	-	200,000	-	-
Operating transfers in	808,180	437,666	663,752	144,428
Operating transfers out	(808,180)	(437,666)	(663,752)	(144,428)
Total other financing sources (uses)	<u>\$ 391,279</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 391,279</u>
Change in cash balances	<u>\$ (231,868)</u>	<u>\$ 32,713</u>	<u>\$ (439,680)</u>	<u>\$ 207,812</u>
Cash balances beginning of year	\$ 2,660,060	\$ 2,666,501	\$ 2,666,501	\$ (6,441)
Prior period adjustment (Note 12)	<u>(306,162)</u>	<u>-</u>	<u>-</u>	<u>(306,162)</u>
Cash balances beginning of year as adjusted	<u>\$ 2,353,898</u>	<u>\$ 2,666,501</u>	<u>\$ 2,666,501</u>	<u>\$ (312,603)</u>
Cash balances end of year	<u>\$ 2,122,030</u>	<u>\$ 2,699,214</u>	<u>\$ 2,226,821</u>	<u>\$ (104,791)</u>

**See Notes to Other Information – Budgetary Reporting**

**CITY OF GLENWOOD**

**NOTES TO OTHER INFORMATION - BUDGETARY REPORTING**

For the year ended June 30, 2013

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendments increased budgeted disbursements by \$437,860. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety and general government functions.

**CITY OF GLENWOOD**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NONMAJOR FUNDS**

For the year ended June 30, 2013

	Special Revenue				Permanent	Total Nonmajor Governmental Funds
	Emergency Fund	Tax Increment Financing Fund	Library Trust Fund	Asset Forfeitures Fund	Cemetery Perpetual Care Fund	
<b>Receipts</b>						
Property tax	\$ 35,952	\$ -	\$ -	\$ -	\$ -	\$ 35,952
Tax increment financing	-	352,064	-	-	-	352,064
Use of money and property	-	-	-	-	181	181
Charges for service	-	-	-	-	4,050	4,050
Total receipts	<u>\$ 35,952</u>	<u>\$ 352,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,231</u>	<u>\$ 392,247</u>
<b>Disbursements</b>						
Operating						
Culture and recreation	\$ -	\$ -	\$ 200	\$ -	\$ -	\$ 200
Community and economic development	-	271,081	-	-	-	271,081
Total disbursements	<u>\$ -</u>	<u>\$ 271,081</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,281</u>
Excess of receipts over disbursements	\$ 35,952	\$ 80,983	\$ (200)	\$ -	\$ 4,231	\$ 120,966
Other financing sources (uses)						
Operating transfers out	(35,952)	-	-	-	-	(35,952)
Change in cash balances	\$ -	\$ 80,983	\$ (200)	\$ -	\$ 4,231	\$ 85,014
Cash balances beginning of year	-	(8,940)	13,707	387	64,189	69,343
Cash balances end of year	<u>\$ -</u>	<u>\$ 72,043</u>	<u>\$ 13,507</u>	<u>\$ 387</u>	<u>\$ 68,420</u>	<u>\$ 154,357</u>
<b>Cash Basis Fund balances</b>						
Nonexpendable						
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ 68,420	\$ 68,420
Restricted for:						
Urban renewal	-	72,043	-	-	-	72,043
Other purposes	-	-	13,507	387	-	13,894
Total cash basis fund balances	<u>\$ -</u>	<u>\$ 72,043</u>	<u>\$ 13,507</u>	<u>\$ 387</u>	<u>\$ 68,420</u>	<u>\$ 154,357</u>

**CITY OF GLENWOOD**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
CAPITAL PROJECTS FUNDS  
For the year ended June 30, 2013**

	Community Recreation Center Fund	Park Fund	Cemetery Fund	Pool Fund	Library Roof Fund	Total Capital Project Funds
Receipts						
Use of money and property	<u>\$ 2,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,347</u>
Disbursements						
Operating						
Culture and recreation	\$ 22,980	\$ -	\$ -	\$ -	\$ -	\$ 22,980
Capital projects	-	-	-	-	17,900	17,900
Total disbursements	<u>\$ 22,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,900</u>	<u>\$ 40,880</u>
Excess of receipts over disbursements	\$ (20,633)	\$ -	\$ -	\$ -	\$ (17,900)	\$ (38,533)
Other financing sources (uses)						
Operating transfers in	<u>90,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,900</u>	<u>108,484</u>
Change in cash balances	\$ 69,951	\$ -	\$ -	\$ -	\$ -	\$ 69,951
Cash balances beginning of year	<u>1,216,316</u>	<u>7,000</u>	<u>6,554</u>	<u>18,875</u>	<u>-</u>	<u>1,248,745</u>
Cash balances end of year	<u>\$ 1,286,267</u>	<u>\$ 7,000</u>	<u>\$ 6,554</u>	<u>\$ 18,875</u>	<u>\$ -</u>	<u>\$ 1,318,696</u>
<b>Cash Basis Fund balances</b>						
Restricted for:						
County wellness center	\$ 1,286,267	\$ -	\$ -	\$ -	\$ -	\$ 1,286,267
Assigned for capital projects	-	7,000	6,554	18,875	-	32,429
Total cash basis fund balances	<u>\$ 1,286,267</u>	<u>\$ 7,000</u>	<u>\$ 6,554</u>	<u>\$ 18,875</u>	<u>\$ -</u>	<u>\$ 1,318,696</u>

**CITY OF GLENWOOD**

**SCHEDULE OF INDEBTEDNESS**

For the year ended June 30, 2013

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds and notes									
Street improvement and refunding	01-Mar-99	4.60%	\$ 995,000	\$ 175,000	\$ -	\$ 85,000	\$ 90,000	\$ 8,008	\$ -
Local option sales tax	15-Jun-05	3.80 - 4.25%	3,000,000	2,045,000	-	165,000	1,880,000	82,558	-
Fire equipment	23-Dec-09	2.50%	104,998	35,000	-	35,000	-	412	-
Police equipment	15-Jul-11	3.50%	166,000	146,510	-	40,064	106,446	4,778	-
Total			<u>\$ 4,265,998</u>	<u>\$ 2,401,510</u>	<u>\$ -</u>	<u>\$ 325,064</u>	<u>\$ 2,076,446</u>	<u>\$ 95,756</u>	<u>\$ -</u>
Loan agreement									
Building	08-Aug-97	10.00%	<u>\$ 144,000</u>	<u>\$ 6,781</u>	<u>\$ -</u>	<u>\$ 6,781</u>	<u>\$ -</u>	<u>\$ 267</u>	<u>\$ -</u>
Line of credit	13-Dec-11	2.60%	<u>\$ 200,000</u>	<u>\$ 80,310</u>	<u>\$ -</u>	<u>\$ 80,310</u>	<u>\$ -</u>	<u>\$ 978</u>	<u>\$ -</u>

**CITY OF GLENWOOD**

**BOND AND NOTE MATURITIES**  
For the year ended June 30, 2013

**General Obligation Bonds and Notes**

Ending June 30,	Street Improvement and Refunding Notes		Local Option Sales Tax		Police Equipment		Total
	Issued March 1, 1999		Issued June 15, 2005		Issued December 23, 2009		
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2014	4.60%	\$ 90,000	3.80%	\$ 170,000	3.50%	\$ 41,476	\$ 301,476
2015			3.80%	180,000	3.50%	42,940	222,940
2016			3.90%	190,000	3.50%	22,030	212,030
2017			4.00%	200,000			200,000
2018			4.10%	205,000			205,000
2019			4.15%	215,000			215,000
2020			4.15%	230,000			230,000
2021			4.20%	240,000			240,000
2022			4.25%	250,000			250,000
<b>Total</b>		<u>\$ 90,000</u>		<u>\$1,880,000</u>		<u>\$ 106,446</u>	<u>\$2,076,446</u>

**CITY OF GLENWOOD**

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION –  
ALL GOVERNMENTAL FUNDS**

For the last nine years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts				
Property tax	\$ 1,897,524	\$ 1,833,774	\$ 1,732,241	\$ 1,733,925
Tax increment financing	352,064	280,360	318,478	237,888
Other city tax	366,819	375,953	362,373	340,493
Lincenses and permits	13,649	12,976	11,125	12,069
Use of money and property	10,051	12,930	33,437	46,433
Intergovernmental	717,567	963,759	685,381	1,243,683
Charges for service	107,686	104,927	109,384	115,290
Special assessments	-	7,752	7,930	11,992
Miscellaneous	135,465	124,691	133,009	127,359
Total receipts	<u>\$ 3,600,825</u>	<u>\$ 3,717,122</u>	<u>\$ 3,393,358</u>	<u>\$ 3,869,132</u>
Disbursements				
Operating				
Public safety	\$ 1,186,549	\$ 1,233,575	\$ 1,016,920	\$ 960,371
Public works	597,007	653,118	703,559	655,840
Culture and recreation	560,218	500,481	540,160	513,682
Community and economic development	322,788	407,898	403,035	290,612
General government	1,090,691	483,109	323,585	313,107
Debt service	448,819	395,232	386,496	410,119
Capital projects	17,900	381,478	79,238	741,718
Total disbursements	<u>\$ 4,223,972</u>	<u>\$ 4,054,891</u>	<u>\$ 3,452,993</u>	<u>\$ 3,885,449</u>

**CITY OF GLENWOOD**

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION –  
ALL GOVERNMENTAL FUNDS**

For the last nine years

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,626,372	\$ 1,566,544	\$ 1,675,606	\$ 1,526,033	\$ 1,374,290
201,662	100,298	90,708	79,780	102,612
356,355	340,142	347,326	306,223	287,214
19,422	27,393	62,214	32,613	4,000
74,747	96,372	85,453	76,937	35,445
674,721	613,467	606,625	1,909,060	682,825
104,755	97,376	95,072	101,220	142,360
17,810	19,261	47,397	23,923	25,676
151,181	162,733	276,654	458,035	329,261
<u>\$ 3,227,025</u>	<u>\$ 3,023,586</u>	<u>\$ 3,287,055</u>	<u>\$ 4,513,824</u>	<u>\$ 2,983,683</u>
\$ 928,436	\$ 922,336	\$ 970,456	\$ 823,700	\$ 788,864
671,310	574,713	603,563	567,186	633,840
536,323	535,284	478,962	477,647	438,921
261,057	50,811	49,411	59,025	55,226
292,127	317,811	295,781	297,993	316,465
429,942	543,462	465,912	424,435	223,664
91,396	43,420	709,384	3,698,967	567,880
<u>\$ 3,210,591</u>	<u>\$ 2,987,837</u>	<u>\$ 3,573,469</u>	<u>\$ 6,348,953</u>	<u>\$ 3,024,860</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Glenwood, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 14, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Glenwood's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Glenwood's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Glenwood's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Glenwood's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-13 through I-C-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as items I-D-13 to be a significant deficiency.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **The City of Glenwood's Responses to Findings**

The City of Glenwood's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Glenwood's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Glenwood during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Hamilton Associates, P.C.*

Council Bluffs, Iowa  
May 14, 2014

**CITY OF GLENWOOD**

**SCHEDULE OF FINDINGS**

For the year ended June 30, 2013

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

**I-A-13 Financial Reporting**

During the audit, we identified a material amount of receipts that were directly deposited into the bank, but were not recorded in the books as follows:

- \$342,544 in Local Option Sales Tax from the State of Iowa
- \$24,644 in property taxes from the County Treasurer
- \$4,263 in interest income

We also noted misclassification of various revenue and expenses. Adjustments were subsequently made by the City to properly include the correct amounts in the financial statements.

Recommendation

The City should implement procedures to ensure that all receipts are properly recorded in the City's financial statements.

Response and Corrective Action Planned

The City of Glenwood has practices in place to ensure all written deposits are in place and recorded, the city will work with the county auditor to better record automatic deposits that are dispersed throughout the year. The two step process for recording revenues will be examined. Also, the city will be working on a better relationship with our selected banks to record automatic deposits.

Conclusion – Response accepted

**I-B-13 Cash Reconciliation Process**

Bank reconciliations are not performed by the City to determine that documented fund balances reconcile with bank balances. Additionally, bank account balances for the cemetery perpetual care fund do not agree with the fund balance recorded on the financial statements.

Recommendation

The City should implement a monthly bank reconciliation procedure to ensure that fund balances reconcile to bank balances. Additionally, the bank balances of accounts designated for the cemetery perpetual care fund should maintain the same balance as is recorded on the financial statements.

Response and Corrective Action Planned

Reconciliation has been an ongoing issue with our accounting software; the city has been working with our software provider to ensure a less convoluted way of bank reconciliation will take place in the near future. Modifications to the bank reconciliation portal on our software were introduced a month ago. The city will work with the cemetery department to ensure perpetual care funds are labeled correctly in the depositing process.

Conclusion – Response accepted

**CITY OF GLENWOOD**

**SCHEDULE OF FINDINGS**

For the year ended June 30, 2013

**Part I: Findings Related to the Financial Statements (continued)**

I-C-13 Clerk's Report and Transfers

The Clerk's report presented to the City Council each month does not contain all fund balances, but only specific funds as requested. This makes it difficult for the City Council to determine what amount of funds are available to spend. In addition, as funds balances are not regularly reviewed, the City does not recognize when and if transfers need to be made. Therefore very few transfers were approved or recorded during the year. Adjustments were subsequently made by the City to properly record transfers required in the financial statements. However, these transfers were never approved by the City Council.

Recommendation

We recommend the Clerk's report includes all receipts, disbursements, and fund balances for each fund in order to give the City Council a more complete picture of the City's financial standing. In addition, transfers should be entered and approved by the City Council prior to year end.

Response and Corrective Action Planned

Each month the city council is given a copy of the monthly financials with the funds that they request. Each month the previous months revenues and expenses are calculated and adjusted for council review, this is included in their council packet for review. We will be working with our new auditor to ensure that a system of financial reporting is favorable to their request.

In the past our previous auditor recommended that the city conduct transfers with the auditors assistance, the city will communicate with the current auditor to ensure transfers are done throughout the year and completed at year end.

Conclusion – Response accepted

**CITY OF GLENWOOD**

**SCHEDULE OF FINDINGS**

For the year ended June 30, 2013

**Part I: Findings Related to the Financial Statements (continued)**

**I-D-13 Supporting Documentation**

The City did not maintain supporting documentation for all transactions and contracts requested by the auditor. The City could not provide the following requested items:

- Signed contracts with townships to provide emergency services.
- Supporting documentation for amounts paid to employees for health insurance premiums for those employees who waive health insurance through the City.
- Timesheets for all employees were provided, however, not all of the timesheets were signed by the department heads to document approval of hours worked.
- The City has no written policy for credit card use.
- Registers noting balances, payments and future requirements for notes and bonds payable were not provided.

**Recommendation**

We recommend that current, signed contracts be maintained for all active agreements, that supporting documentation, including approval, is maintained for all payments made. We also recommend the city council create and approve a credit card policy, and that the City maintain a register documenting balances, payments and future requirements for all debt.

**Response and Corrective Action Planned**

- Contracts signed and approved by the City Council for fire protection regarding local townships were provided to our auditor by the Fire Chief, however, not all contracts were received back from the townships, so not all of them contained signatures by both parties.
- For people waiving health insurance the City will update the policy to include collection of documentation for premium amounts paid on a yearly basis.
- Documentation and approval of employee hours worked was given to the auditor. The city understood that employee hours were to be approved by each department head and turned in to the city clerk for payment. Currently all department heads sign off on employee time cards and then submitted to the city clerk. In the future the city will have the city administrator sign off on department head hours.
- The city is currently working on a policy for credit card use with the assistance of our city attorney.
- Registers noting balances, payments and future requirements are maintained through the banks authorized by the city council and through an amortization schedule. The city will work with its new auditor to ensure a new system is created.

**Conclusion** – Response accepted

**CITY OF GLENWOOD**

**SCHEDULE OF FINDINGS**

For the year ended June 30, 2013

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

II-A-13 Certified Budget

During review of the budget, we noted the following instances of non-compliance:

- Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety and general government functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."
- The Glenwood Municipal Utilities budgeted receipts and disbursements were not included in the City Budget which was determined to be required as verified with the Iowa Department of Management.
- The client could not provide proof of publication for the original adopted budget as required by Iowa Code 384.16.

Recommendation

The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Additionally, the Glenwood Municipal Utilities budgeted receipts and disbursements should have been included in the City budget, and approved budgets should be published, and documentation of this publication should be maintained by the City.

Response

Via instructions from our county auditor and the Iowa League of Cities the city received information stating that a once per year amendment was acceptable. It was stated that as long as the city council is made aware of the effected line items in advance and the appropriate changes were recorded in the budget amendment, the city council must also approve the budget expenses.

The city was instructed in years past that the Glenwood Municipal Utilities budget was not to be included in the city budget from the county auditor because the utilities budget is separate from the city's budget. The utilities board controls their own budget on an annual basis, they also obtain the services of a private auditor at their own expense. The city's previous auditor instructed the city to not include the utilities budget in the city budget. The city will work with our new auditor to determine if the utilities budget does in fact need to be included in the city budget.

Conclusion – Response accepted.

II-B-13 Questionable Disbursements

We noted no disbursements that we believe did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**CITY OF GLENWOOD**

**SCHEDULE OF FINDINGS**

For the year ended June 30, 2013

**Part II: Other Findings Related to Required Statutory Reporting (continued)**

II-C-13 Travel Expense

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

II-D-13 Business Transactions

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

II-E-13 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

II-F-13 City Council Minutes

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

II-G-13 Deposits and Investments

Chapter 12C.2 of the Code of Iowa States "The approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository." During review of the depository resolution for the City, we noted funds deposited with a financial institution that was not included on the resolution.

Recommendation

We recommend the City maintain accounts only at financial institutions approved by the depository resolution.

Response

This has been brought to the city councils attention and a plan of action will be taken with the help of our auditor. All other financial institutions that the city utilizes has been approved by council, the city will examine the issue of the maximum amount to be deposited and held.

Conclusion – Response accepted.

**CITY OF GLENWOOD**

**SCHEDULE OF FINDINGS**

For the year ended June 30, 2013

**Part II: Other Findings Related to Required Statutory Reporting (continued)**

II-H-13 Annual Financial Report

The Annual Financial Report was not filed with the Iowa Auditor of State by December 1, 2013 as required by Chapter 384.22 of the Code of Iowa.

Recommendation

We recommend the City ensure the Annual Financial Report is filed by the deadline as required by Iowa Code.

Response

The city experienced an issue with their previous auditor this year and thus ended its relationship with their past auditor. The city has selected a new auditor and will ensure that the yearly audit is conducted within the state guidelines.

Conclusion – Response accepted.

II-I-13 Tax Increment Financing (TIF)

Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

The City was unable to provide the TIF debt certification to the County Auditor. Therefore, we were unable to verify that the certification was prepared, or the amounts certified by the City, or any reductions in prior certifications or unrequested property taxes.

Recommendation

The City maintain documentation on file of the TIF debt certification submitted to the County Auditor.

Response

The city is working with the county auditor on the debt certification report. A yearly schedule will be set up with the county auditor to ensure it is completed in a timely manner.

Conclusion – Response accepted.

**CITY OF GLENWOOD**

**SCHEDULE OF FINDINGS**

For the year ended June 30, 2013

**Part II: Other Findings Related to Required Statutory Reporting (continued)**

IV-N-13 Urban Renewal Annual Report

The urban renewal annual report for fiscal year ended June 30, 2012 was not certified to the Iowa Department of Management by December 1, 2012 as required by Chapter 384.22 of the Code of Iowa.

Because the City was unable to provide this report, we were unable to verify the following:

- Amounts reported on the levy summary agreed to City records
- Certified debt amounts
- Certifiable debt amounts
- Proper reporting of rebate agreements
- If there were any TIF collections for inactive areas and if they were returned to the County Treasurer

Recommendation

The City should file the urban renewal annual report timely and ensure that appropriate supporting documentation is maintained for all TIF projects.

Response

The city was informed that a new report regarding Urban Renewal was created for 2013 but not required for the first year. The city did complete the report for 2014 and all information was approved by the city council and state auditor. This report will be maintained on a yearly basis.

Conclusion – Response accepted.