

GLENWOOD MUNICIPAL UTILITIES
(A Component Unit of the City of Glenwood, Iowa)

FINANCIAL STATEMENTS

December 31, 2015

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GLENWOOD MUNICIPAL UTILITIES

OFFICIALS

John Dean	Trustee/Chairperson	January 2, 2017
Vonnie Esterling	Trustee	January 2, 2021
Doug Meggison	Trustee	January 2, 2019
Lonnie Mayberry	Trustee	January 2, 2016
Dick Davis	Trustee	January 2, 2018
Wendy Ensley	Secretary	Indefinite
Dale Marshall	Superintendent	Indefinite

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Glenwood Municipal Utilities
Glenwood, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Glenwood Municipal Utilities, a component unit of the City of Glenwood, Iowa, as of and for the six months ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Glenwood Municipal Utilities basic financial statements as 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 accounting principles generally accepted in the United States of America; 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 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 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 entity'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 entity'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 that 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 financial position of the Glenwood Municipal Utilities, as of December 31, 2015 and the results of its operations and its cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 1 through 5), Schedule of the Utility's Proportionate Share of the Net Pension Liability (page 19) and the Schedule of the Utility's Contributions (pages 20-21) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Budgetary Comparison Schedule on page 24, the Schedules of Water and Sewer per 1,000 gallons on pages 26 and 27, and the Statistical Information for water and sewer on page 28, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 Standard

In accordance with *Government Auditing Standards*, we have also issued our report May 18, 2016 on our consideration of the Glenwood Municipal Utilities' 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 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 Glenwood Municipal Utilities' internal control over financial reporting and compliance.

Hamilton Associates, P.C.

Council Bluffs, Iowa
May 18, 2016

GLENWOOD MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

Glenwood Municipal Utilities (the Utility) provides this management's discussion and analysis of its financial statements. The Utility has changed its fiscal year end from June 30 to December 31. This narrative overview and analysis of the financial activities is for the 6 month fiscal to calendar year change ending December 31, 2015. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

Financial Highlights

- The Utility's total water and sewer operating revenues for 6 month audit were \$969,879 increasing \$10,634, from 6 month average from fiscal 2015 to fiscal to calendar 6 month change ending December 31, 2015.
- The Utility's total water and sewer operating expenses increased \$13,709 for 6 month audit, from fiscal 2015 to fiscal to calendar 6 month change 2015.
- The Utility's net position (income) increased \$(9,140) for 6 month audit, from fiscal year end 2015 to fiscal to calendar year change 2015.
- The Utility's total water and sewer operating income decreased \$(3,075) for 6 month audit, from fiscal 2015 to calendar year change 2015.

Using This Annual Report

The Glenwood Municipal Utilities has variable funds and presents its financial statements using accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Glenwood Municipal Utilities basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

The Statement of Net Position presents information on the Utility's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 Position is the basic statement of activities for proprietary funds. This statement presents information on the Utility's operating revenues and expenses, non-operating revenues and expenses and whether the Utility's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Utility's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utility's 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.

GLENWOOD MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Utility

Statement of Net Position

As noted earlier, net assets may serve over time as a useful indicator of the Utility's financial position. The Utility's net position for the 6 month fiscal to calendar year change ended December 31, 2015, totaled approximately \$11,021,910. This compares to approximately \$10,988,539 for fiscal year ending June 30, 2015. A summary of the Utility's net assets is presented below.

	Net Position at Year-end	
	Total 6 month Water & Sewer <u>FY-CY 2015</u>	Total FY Water & Sewer <u>2015</u>
Current assets	\$ 2,668,121	\$ 2,759,059
Capital assets (net of depreciation)	<u>\$ 8,949,117</u>	<u>\$ 8,832,815</u>
Total assets	\$11,617,238	\$11,591,874
Deferred outflows	\$ 40,196	\$ 61,743
Current liabilities	\$ 473,020	\$ 428,771
Other liabilities	<u>\$ 134,970</u>	<u>\$ 134,445</u>
Total liabilities	\$ 607,990	\$ 563,216
Deferred inflows	\$ 27,534	\$ 101,862
Net Position:		
Invested in capital assets	\$ 8,949,117	\$ 8,832,815
Unrestricted	<u>\$ 2,072,793</u>	<u>\$ 2,155,724</u>
Total net position	\$11,021,910	\$10,988,539

The Utility's total assets were \$11,617,238 at the end of fiscal to calendar year change 2015. Of this amount \$8,949,117 are capital assets, net of depreciation. Overall the Utility saw an increase of \$25,364 in total assets from fiscal year end June 30, 2015 to December 31, 2015.

In 6 month fiscal to calendar 2015, operating revenues increased by \$10,634, primarily a result of increased sales and volume. Operating expenses increased by \$13,709, primarily a result of improvements and infrastructure repairs.

The largest portion of the Utility's net position is invested in capital assets – (81%, e.g., land, buildings, equipment and machinery). The next is unrestricted - (19 %) that can be used to meet the Utility's obligations as they come due.

GLENWOOD MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and changes in Net Position

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 position for the 6 months ending December 31, 2015 and June 30, 2015 is presented as follows:

Statement of Revenue, Expenses and Changes in Net Position

	6 Month	
	<u>2015 FY-CY</u>	<u>2015 FY</u>
OPERATING REVENUES		
Water	\$398,477	\$796,686
Sewer	\$556,510	\$1,085,845
Charges for service	<u>\$14,892</u>	<u>\$35,960</u>
Total operating revenues	\$969,879	\$1,918,491
 OPERATING EXPENSES		
Salaries	\$234,700	\$462,601
Employee benefits	\$135,192	\$223,493
Contracted services	\$62,751	\$85,136
Utilities	\$56,520	\$127,869
Chemicals	\$36,591	\$76,403
Supplies	\$13,750	\$39,761
Computer expense	\$564	\$1,592
Postage and freight	\$8,526	\$16,020
Insurance	\$28,427	\$57,153
Repairs and maintenance	\$54,559	\$109,488
Legal and accounting	\$8,388	\$12,769
Miscellaneous	\$5,685	\$13,174
Bad debt	-	\$(320)
Depreciation	<u>\$382,749</u>	<u>\$804,247</u>
Total operating expenses	<u>\$1,028,402</u>	<u>\$2,029,386</u>
Operating income	<u>\$(58,523)</u>	<u>\$(110,895)</u>
 NONOPERATING REVENUES (EXPENSES)		
Interest income	\$1,248	\$2,792
Rent	\$24,558	\$39,681
Grant income	-	\$4,942
Dedicated materials	\$28,732	\$5,927
Miscellaneous	\$8,379	\$9,589
Collection fees	\$6,015	\$12,495
Surcharges	\$1,288	\$2,578
Penalty charges	\$15,957	\$30,984
Gain (Loss) on disposal of asset	\$2,363	\$1,500

GLENWOOD MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>2015 FY-CY</u>	<u>2015 FY</u>
Gain on curtailment of OPEB plan	-	\$43,131
Cost of merchandise and parts	\$(10,517)	\$(13,735)
Merchandise and parts sales	<u>\$13,871</u>	<u>\$19,473</u>
Non-operating revenues, net	<u>\$91,894</u>	<u>\$159,357</u>
Change in net position	\$33,371	\$48,462
NET POSITION – BEGINNING OF YEAR	<u>\$10,988,539</u>	<u>\$10,940,077</u>
NET POSITION – END OF YEAR	<u>\$11,021,910</u>	<u>\$10,988,539</u>

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

Statement of Cash Flows

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

Economic Factors

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

- Facilities of the Utility require constant maintenance and upkeep with an aging 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 Utility as well as the sound business decisions needed with an outlook to the futures demands and community betterment.

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

Long-Term Debt

The Utility's had no long term debt at December 31, 2015 or June 30, 2015.

GLENWOOD MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

At December 31, 2015, the Utility had approximately \$8,949,117 invested in capital assets, net of accumulated depreciation of approximately \$23,189,767. Depreciation charges totaled \$382,749 for the 6 months end December 31, 2015. More detailed information about the Utility's capital assets is presented in Note 8 in the notes to the financial statements ending 6 month fiscal to calendar year change December 31, 2015.

Contacting the Utility's Financial Management

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report or financial information, contact Glenwood Municipal Utilities, 7 North Vine Street, Glenwood, Iowa.

FINANCIAL STATEMENTS

GLENWOOD MUNICIPAL UTILITIES

STATEMENTS OF NET POSITION

December 31, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Combined- Memorandum Only</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 916,099	\$ 404,669	\$ 1,320,768
Certificates of deposit	671,102	164,676	835,778
Restricted cash	134,970	-	134,970
Accounts receivable:			
Utility customers	70,449	112,914	183,363
Grant receivable	364	-	364
Unbilled usage	29,871	45,527	75,398
Other	7,296	860	8,156
Total receivables	<u>\$ 107,980</u>	<u>\$ 159,301</u>	<u>\$ 267,281</u>
Inventory	34,354	10,539	44,893
Prepaid expenses	29,354	35,077	64,431
Total current assets	<u>\$ 1,893,859</u>	<u>\$ 774,262</u>	<u>\$ 2,668,121</u>
PROPERTY, PLANT AND EQUIPMENT			
Land	\$ 85,121	\$ -	\$ 85,121
Buildings	2,155,164	6,662,283	8,817,447
Equipment	375,076	632,168	1,007,244
Machinery	8,131,097	13,305,567	21,436,664
Construction in progress	302,395	490,013	792,408
Less accumulated depreciation	(7,097,850)	(16,091,917)	(23,189,767)
Total plant, property and equipment	<u>\$ 3,951,003</u>	<u>\$ 4,998,114</u>	<u>\$ 8,949,117</u>
Total assets	<u>\$ 5,844,862</u>	<u>\$ 5,772,376</u>	<u>\$ 11,617,238</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	<u>\$ 18,165</u>	<u>\$ 22,031</u>	<u>\$ 40,196</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 63,852	\$ 17,783	\$ 81,635
Recycling fees payable-City of Glenwood	431	-	431
Fees payable-City of Pacific Junction	12,607	-	12,607
Accrued payroll	6,549	14,039	20,588
Sewer fees	-	30,040	30,040
Total current liabilities	<u>\$ 83,439</u>	<u>\$ 61,862</u>	<u>\$ 145,301</u>
OTHER LIABILITIES			
Customer deposits	\$ 134,970	\$ -	\$ 134,970
Net pension liability	148,099	179,620	327,719
Total other liabilities	<u>\$ 283,069</u>	<u>\$ 179,620</u>	<u>\$ 462,689</u>
Total liabilities	<u>\$ 366,508</u>	<u>\$ 241,482</u>	<u>\$ 607,990</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	<u>\$ 12,443</u>	<u>\$ 15,091</u>	<u>\$ 27,534</u>
NET POSITION			
Invested in capital assets	\$ 3,951,003	\$ 4,998,114	\$ 8,949,117
Unrestricted	1,533,073	539,720	2,072,793
Total net position	<u>\$ 5,484,076</u>	<u>\$ 5,537,834</u>	<u>\$ 11,021,910</u>

See Notes to Financial Statements

GLENWOOD MUNICIPAL UTILITIES

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

For the Six Months Ended December 31, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Combined-Memorandum Only</u>
OPERATING REVENUES			
Water	\$ 398,477	\$ -	\$ 398,477
Sewer	-	556,510	556,510
Charges for service	8,292	6,600	14,892
Total operating revenues	<u>\$ 406,769</u>	<u>\$ 563,110</u>	<u>\$ 969,879</u>
OPERATING EXPENSES			
Salaries	\$ 106,063	\$ 128,637	\$ 234,700
Employee benefits	57,712	77,480	135,192
Contracted services	41,869	20,882	62,751
Utilities	30,311	26,209	56,520
Chemicals	35,155	1,436	36,591
Supplies	6,691	7,059	13,750
Computer expense	282	282	564
Postage and freight	4,290	4,236	8,526
Insurance	13,719	14,708	28,427
Repairs and maintenance	32,247	22,312	54,559
Legal and accounting	4,194	4,194	8,388
Miscellaneous	2,728	2,957	5,685
Bad debt	-	-	-
Depreciation	140,398	242,351	382,749
Total operating expenses	<u>\$ 475,659</u>	<u>\$ 552,743</u>	<u>\$ 1,028,402</u>
Operating income	<u>\$ (68,890)</u>	<u>\$ 10,367</u>	<u>\$ (58,523)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ 830	\$ 418	\$ 1,248
Rent	22,594	1,964	24,558
Grant income	-	-	-
Dedicated materials	18,095	10,637	28,732
Miscellaneous	7,960	419	8,379
Collection fees	6,015	-	6,015
Surcharges	1,288	-	1,288
Penalty charges	7,973	7,984	15,957
Gain (Loss) on disposal of asset	2,363	-	2,363
Cost of merchandise and parts	(10,042)	(475)	(10,517)
Merchandise and part sales	13,277	594	13,871
Nonoperating revenues, net	<u>\$ 70,353</u>	<u>\$ 21,541</u>	<u>\$ 91,894</u>
Change in net position	<u>\$ 1,463</u>	<u>\$ 31,908</u>	<u>\$ 33,371</u>
NET POSITION, BEGINNING OF YEAR,	<u>5,482,613</u>	<u>5,505,926</u>	<u>10,988,539</u>
NET POSITION - END OF YEAR	<u><u>\$ 5,484,076</u></u>	<u><u>\$ 5,537,834</u></u>	<u><u>\$ 11,021,910</u></u>

See Notes to Financial Statements

GLENWOOD MUNICIPAL UTILITIES

STATEMENTS OF CASH FLOWS

For the Six Months Ended December 31, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Combined-Memorandum Only</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 424,158	\$ 581,433	\$ 1,005,591
Cash paid to suppliers for goods and services	(164,960)	(206,992)	(371,952)
Cash paid to employees and on their behalf	(166,588)	(194,122)	(360,710)
Net cash provided by operating activities	<u>\$ 92,610</u>	<u>\$ 180,319</u>	<u>\$ 272,929</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	<u>\$ (257,542)</u>	<u>\$ (211,939)</u>	<u>\$ (469,481)</u>
Net cash provided (used) in capital and related financing activities	<u>\$ (257,542)</u>	<u>\$ (211,939)</u>	<u>\$ (469,481)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 830	\$ 418	\$ 1,248
Certificates of deposits purchased and reinvested interest	(632)	(248)	(880)
Receipts from other non-operating items	38,803	8,521	47,324
Net cash provided (used) by investing activities	<u>\$ 39,001</u>	<u>\$ 8,691</u>	<u>\$ 47,692</u>
NET INCREASE (DECREASE) IN CASH	\$ (125,931)	\$ (22,929)	\$ (148,860)
CASH - BEGINNING OF YEAR	<u>1,177,000</u>	<u>427,598</u>	<u>1,604,598</u>
CASH - END OF YEAR	<u>\$ 1,051,069</u>	<u>\$ 404,669</u>	<u>\$ 1,455,738</u>
RECONCILIATION TO BALANCE SHEETS:			
Unrestricted cash	\$ 916,099	\$ 404,669	\$ 1,320,768
Restricted cash	134,970	-	134,970
	<u>\$ 1,051,069</u>	<u>\$ 404,669</u>	<u>\$ 1,455,738</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (68,890)	\$ 10,367	\$ (58,523)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	140,398	242,351	382,749
Changes in assets and liabilities:			
(Increase) Decrease in receivables	9,621	(11,587)	(1,966)
(Increase) Decrease in unbilled usage	6,532	(130)	6,402
(Increase) Decrease in inventory	3,053	(101)	2,952
(Increase) Decrease in prepaid expenses	(29,354)	(35,077)	(64,431)
Increase (Decrease) in accounts payable	33,538	(37,499)	(3,961)
Increase (Decrease) in accrued payroll	(651)	1,988	1,337
Increase (Decrease) in customer deposits	525	-	525
Increase (Decrease) in net pension liability	22,566	38,060	60,626
(Increase) Decrease in deferred outflows of resources	10,704	10,843	21,547
Increase (Decrease) in deferred inflows of resources	<u>(35,432)</u>	<u>(38,896)</u>	<u>(74,328)</u>
Net cash provided by operating activities	<u>\$ 92,610</u>	<u>\$ 180,319</u>	<u>\$ 272,929</u>

See Notes to Financial Statements

GLENWOOD MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS For the Six Months Ended December 31, 2015

1. Summary of Significant Accounting Policies

The Glenwood Municipal Utilities (the "Utility") 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.

The Utility is governed by a five-member board appointed by the Mayor and subject to the approval of the City Council. The Utility's Board of Trustees maintains oversight responsibility and, therefore, is responsible for selection of management personnel and all financial matters. The board has the authority to adopt the annual budget, to incur debt and to fix rates and charges.

The Utility is exempt from state and Federal income taxes.

Reporting Entity:

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

Basis of Presentation:

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

The Statement of Net Position presents the Utilities' assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

Invested in capital assets- Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted- Use of net position is externally imposed.

Unrestricted- The portion of net position that is not restricted or net of investment in capital assets.

GLENWOOD MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS For the Six Months Ended December 31, 2015

1. Summary of Significant Accounting Policies - Continued

Fund Accounting:

Major individual enterprise funds are reported as separate columns in the fund financial statements. The Utility's major enterprise funds reported are sewer and water.

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 are met.

The Utility 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'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 Utility records estimated unbilled revenues at the end of accounting periods. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of estimates:

In preparing the accompanying financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Utility 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.

Customer Accounts Receivable and Unbilled Usage:

Accounts receivable are recorded at the time the service is billed and are presented at their net realizable value. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

The customer accounts receivable balance includes billing of sewer fees, which the Utility bills on behalf of the City of Pacific Junction. A corresponding liability represents the amount of customer accounts receivable that will be remitted to the City of Pacific Junction upon collection.

Inventory:

Inventories are valued at the lower of cost (average cost method) or market. Inventory is recorded as an expense when consumed rather than when purchased.

GLENWOOD MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
For the Six Months Ended December 31, 2015

1. Summary of Significant Accounting Policies - Continued

Dedicated Materials:

When the Utility has construction projects in the service area, the tenant or contractor is usually responsible for the cost of the development. However, when the development is finished the maintenance and upkeep of those service lines and equipment are the responsibility of the Utility. Therefore, ownership of those lines is typically transferred to the Utility. The value of those lines and equipment are determined by the Utility's engineer based on cost at the time of dedication.

Property, Plant and Equipment:

Property, plant and equipment are accounted for at historical cost. Maintenance and repair of property, plant and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of property, plant and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations. Capital assets are defined by the Utility as assets with initial, individual costs in excess of \$2,000 and estimated useful lives in excess of one year. Depreciation is computed using the straight-line method based on the following estimated useful lives.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Water towers	40 years
Buildings	30 years
Water mains and hydrants	30 years
Sewer system	30 years
Equipment	5-10 years
Vehicles	7 years

Deferred Outflows of Resources:

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences:

Accrued compensated absences represent vacation hours, which has been earned by employees in the current year to be used in subsequent years or to be paid out upon termination, retirement or death.

GLENWOOD MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
For the Six Months Ended December 31, 2015

1. Summary of Significant Accounting Policies - Continued

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources:

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources represents the difference between projected and actual earnings on pension plan investments.

Budgets and Budgetary Accounting:

The budgetary comparison and related disclosures are reported as Other Information. During the six months ended December 31, 2015, disbursements did not exceed the amount budgeted in the debt service function.

Subsequent Events:

Subsequent events have been evaluated through May 18, 2016, which is the date the financial statements were available to be issued.

2. Cash and Short-Term Investments

The Utility's deposits in banks at December 31, 2015 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.

GLENWOOD MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
For the Six Months Ended December 31, 2015

2. Cash and Short-Term Investments - Continued

The Utility 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 and the Treasurer of the State of Iowa; 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.

3. Reciprocal Services with its Primary Government

The Utility and the City of Glenwood have an arrangement in which the City provides office space to the Utility at no cost and the Utility provides water and sewer to all City owned and operated facilities at no cost.

4. Risk Management

The Utility 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 coverage. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

5. Compensated Absences

The accumulated liability for accrued vacation totaled approximately \$11,949 as of December 31, 2015. This liability has been computed based on rates of pay as of the end of the six months.

6. Pension Plan

Plan Description:

IPERS membership is mandatory for employees of the Utility, except for those covered by another retirement system. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits:

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

GLENWOOD MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS For the Six Months Ended December 31, 2015

6. Pension Plan - Continued

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits:

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions:

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

For the six months ended December, 31 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Utility contributed 8.93 percent for a total rate of 14.88 percent.

The Utility's total contributions to IPERS for the six months ended December 31, 2015 were \$20,738.

GLENWOOD MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
For the Six Months Ended December 31, 2015

6. Pension Plan - Continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2015, the Utility reported a liability of \$327,719 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the Utility's collective proportion was .0066333 percent which was a decrease of .000101 percent from its proportion measured as of June 30, 2014.

For the six months ended December 31, 2015, the Utility recognized pension expense of \$28,584. At December 31, 2015, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,951	\$ - -
Changes in assumptions	9,023	- -
Net difference between projected and actual earnings on pension plan investments	- -	27,275
Changes in proportion and differences between Utility contributions and proportionate share of contributions	5,484	259
Utility contributions subsequent to the measurement date	20,738	- -
	<u>\$ 40,196</u>	<u>\$ 27,534</u>

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued:

\$20,738 reported as deferred outflows of resources related to pensions resulting from the Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2016	\$ (7,497)
2017	(7,497)
2018	(7,497)
2019	14,264
2020	150
Total	<u>\$ (8,076)</u>

GLENWOOD MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
For the Six Months Ended December 31, 2015

6. Pension Plan - Continued

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions:

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	(0.69)
Total	<u>100%</u>	

GLENWOOD MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
For the Six Months Ended December 31, 2015

6. Pension Plan - Continued

Discount Rate:

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utility will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Utility's proportionate share of the net pension liability:	\$ 573,776	\$ 327,719	\$ 120,028

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan:

At December 31, 2015, the Utility had paid all required amounts for employer and employee contributions leaving no amounts payable to the pension plan at year end.

7. Supplemental Cash Flow Information

The Utility received dedicated materials for the six months ended December 31, 2015 of \$28,732. The most significant materials are new meters. These amounts are not reflected in the statement of cash flows.

GLENWOOD MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
For the Six Months Ended December 31, 2015

8. Property, Plant and Equipment

The major classes of capital assets by fund consisted of the following at December 31, 2015:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Water Fund</u>				
Property and equipment not being depreciated/amortized:				
Land	\$ 85,121	\$ -	\$ -	\$ 85,121
Construction in progress	32,212	274,479	(4,296)	302,395
Total capital assets not being depreciated/amortized	<u>117,333</u>	<u>274,479</u>	<u>(4,296)</u>	<u>387,516</u>
Property and equipment being depreciated/amortized:				
Building	2,155,164	-	-	2,155,164
Machinery	8,125,906	6,291	(1,100)	8,131,097
Equipment	380,171	-	(5,095)	375,076
Total property and equipment being depreciated/amortized	<u>10,661,241</u>	<u>6,291</u>	<u>(6,195)</u>	<u>10,661,337</u>
Less accumulated depreciation/amortization for:				
Building	1,453,889	28,019	-	1,481,908
Machinery	5,174,470	105,684	(1,100)	5,279,054
Equipment	335,288	6,695	(5,095)	336,888
Total accumulated depreciation/amortization	<u>6,963,647</u>	<u>140,398</u>	<u>(6,195)</u>	<u>7,097,850</u>
Total property and equipment, net	<u>\$ 3,814,927</u>	<u>\$ 140,372</u>	<u>\$ (4,296)</u>	<u>\$ 3,951,003</u>
<u>Sewer Fund</u>				
Property and equipment not being depreciated/amortized:				
Construction in progress	\$ 553,423	\$ 222,725	\$ (286,135)	\$ 490,013
Total capital assets not being depreciated/amortized	<u>553,423</u>	<u>222,725</u>	<u>(286,135)</u>	<u>490,013</u>
Property and equipment being depreciated/amortized:				
Building	6,592,013	70,270	-	6,662,283
Machinery	13,098,570	215,715	(8,718)	13,305,567
Equipment	632,168	-	-	632,168
Total property and equipment being depreciated/amortized	<u>20,322,751</u>	<u>285,985</u>	<u>(8,718)</u>	<u>20,600,018</u>
Less accumulated depreciation/amortization for:				
Building	6,113,290	43,797	-	6,157,087
Machinery	9,196,711	184,885	(8,718)	9,372,878
Equipment	548,283	13,669	-	561,952
Total accumulated depreciation/amortization	<u>15,858,284</u>	<u>242,351</u>	<u>(8,718)</u>	<u>16,091,917</u>
Total property and equipment, net	<u>\$ 5,017,890</u>	<u>\$ 266,359</u>	<u>\$ (286,135)</u>	<u>\$ 4,998,114</u>

REQUIRED SUPPLEMENTARY INFORMATION

GLENWOOD MUNICIPAL UTILITIES

SCHEDULE OF THE UTILITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Iowa Public Employee's Retirement System
Last Year*, ended June 30

	<u>2015</u>
Utility's proportion of the net pension liability (asset)	0.006592%
Utility's proportionate share of the net pension liability	\$ 327,719
Utility's covered-employee payroll	\$ 458,839
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.42%
Plan fiduciary net position as a percentage of the total pension liability	85.19%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report

Note: GASB Statements No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utility will present information for those years for which information is available.

GLENWOOD MUNICIPAL UTILITIES

SCHEDULE OF UTILITY CONTRIBUTIONS
Iowa Public Employee's Retirement System
Last Ten Calendar Years, Ending December 31

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contributions	\$ 40,974	\$ 40,415	\$ 37,465	\$ 33,872	\$ 30,999
Contributions in relation to the statutorily required contribution	<u>(40,974)</u>	<u>(40,415)</u>	<u>(37,465)</u>	<u>(33,872)</u>	<u>(30,999)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Utility's covered-employee payroll	\$ 458,839	\$ 452,573	\$ 425,641	\$ 404,384	\$ 417,096
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.80%	8.38%	7.43%

See accompanying independent auditor's report

GLENWOOD MUNICIPAL UTILITIES

SCHEDULE OF UTILITY CONTRIBUTIONS

Iowa Public Employee's Retirement System
Last Ten Calendar Years, Ending December 31

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 28,755	\$ 28,657	\$ 24,445	\$ 21,285	\$ 17,526
<u>(28,755)</u>	<u>(28,657)</u>	<u>(24,445)</u>	<u>(21,285)</u>	<u>(17,526)</u>
<u>\$ -</u>				
\$ 422,081	\$ 440,917	\$ 394,150	\$ 360,679	\$ 304,803
6.81%	6.50%	6.20%	5.90%	5.75%

GLENWOOD MUNICIPAL UTILITIES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

For the Six Months Ended December 31, 2015

1. Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

2. Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

GLENWOOD MUNICIPAL UTILITIES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

For the Six Months Ended December 31, 2015

2. Changes of Assumptions – Continued

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

OTHER INFORMATION

GLENWOOD MUNICIPAL UTILITIES

**BUDGETARY COMPARISON SCHEDULE OF
REVENUES AND EXPENDITURES-BUDGET TO ACTUAL**

For the Six Months Ended December 31, 2015

REVENUES	Budget	Actual	Variance Favorable (Unfavorable)
Water sales	\$ 872,150	\$ 398,477	\$ (473,673)
Sewer sales	1,157,868	556,510	(601,358)
Charge for services/parts	123,940	57,712	(66,228)
Dedicated Materials	5,100	28,732	23,632
Interest	2,800	1,248	(1,552)
Rent	39,540	24,559	(14,981)
Grant Income	-	-	-
Miscellaneous	800	5,052	4,252
	<u>2,202,198</u>	<u>1,072,290</u>	<u>(1,129,908)</u>
Total Revenue	\$ 2,202,198	\$ 1,072,290	(1,129,908)
EXPENDITURES			
Production Expense			
Fixed costs	\$ 835,743	\$ 396,256	\$ 439,487
Variable costs	13,165	11,875	1,290
Supplies	20,310	7,952	12,358
Chemical	99,950	36,591	63,359
Maintance and repair	64,300	42,632	21,668
	<u>1,033,468</u>	<u>495,306</u>	<u>538,162</u>
Total production	\$ 1,033,468	\$ 495,306	\$ 538,162
Distribution Expense			
Fixed costs	\$ 717,128	\$ 330,685	\$ 386,443
Variable costs	29,410	14,241	15,169
Supplies	10,960	3,554	7,406
Chemical	-	-	-
Maintance and repair	85,500	19,870	65,630
	<u>842,998</u>	<u>368,350</u>	<u>474,648</u>
Total distribution	\$ 842,998	\$ 368,350	\$ 474,648
Administrative Expense			
Fixed costs	\$ 237,113	\$ 136,452	\$ 100,661
Variable costs	72,655	26,293	46,362
Supplies	7,990	1,483	6,507
Chemical	-	-	-
Maintance and repair	6,475	518	5,957
	<u>324,233</u>	<u>164,746</u>	<u>159,487</u>
Total administrative	\$ 324,233	\$ 164,746	\$ 159,487
Total Expenditures	\$ 2,200,699	\$ 1,028,402	\$ 1,172,297
Cost of materials sold	<u>18,600</u>	<u>10,517</u>	<u>8,083</u>
Total Disbursements	<u>\$ 2,219,299</u>	<u>\$ 1,038,919</u>	<u>\$ 1,180,380</u>
Excess of revenue over budgeted disbursements	<u>\$ (17,101)</u>	<u>\$ 33,371</u>	<u>\$ 50,472</u>

GLENWOOD MUNICIPAL UTILITIES

**NOTES TO BUDGETARY COMPARISON SCHEDULE OF
REVENUES AND EXPENDITURES-BUDGET TO ACTUAL**

For the Six Months Ended December 31, 2015

1. Budgetary reporting

In accordance with the Code of Iowa, the Utility Board adopts a budget following required public notice and hearing. The budget is adopted on an accrual basis. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. In 2015, there were no budget amendments, and disbursements did not exceed the amount budgeted.

GLENWOOD MUNICIPAL UTILITIES

SCHEDULE OF WATER EXPENSES PER 1,000 GALLONS OF WATER FINISHED

For the Six Months Ended December 31, 2015

	<u>2015</u>	<u>Per 1,000 Gallons</u>
Operating Expenses		
Salaries	\$ 106,063	1.00
Employee benefits	57,712	0.54
Contracted services	41,869	0.40
Utilities	30,311	0.29
Chemicals	35,155	0.33
Supplies	6,691	0.06
Computer expense	282	0.00
Postage and freight	4,290	0.04
Insurance	13,719	0.13
Repairs and maintenance	32,247	0.30
Legal and accounting	4,194	0.04
Miscellaneous	2,728	0.03
Bad debt	-	-
Depreciation	<u>140,398</u>	<u>1.33</u>
Total operating expenses	<u>\$ 475,659</u>	<u>4.49</u>
Total Gallons Pumped	124,391,000	100%
Total Gallons Finished	105,931,500	85.16%
Total Gallons Finished	105,931,500	85.16%
Total Gallons Billed and City Use	<u>95,936,300</u>	<u>77.12%</u>
Gallons Unaccounted For	<u>9,995,200</u>	<u>8.04%</u>

GLENWOOD MUNICIPAL UTILITIES

SCHEDULE OF SEWER EXPENSES PER 1,000 GALLONS OF WASTEWATER BILLED

For the Six Months Ended December 31, 2015

	<u>2015</u>	<u>Per 1,000 Gallons</u>
Operating Expenses		
Salaries	\$ 128,637	1.40
Employee benefits	77,480	0.84
Contracted services	20,882	0.23
Utilities	26,209	0.28
Chemicals	1,436	0.02
Supplies	7,059	0.08
Computer expense	282	0.00
Postage and freight	4,236	0.05
Insurance	14,708	0.16
Repairs and maintenance	22,312	0.24
Legal and accounting	4,194	0.05
Miscellaneous	2,957	0.03
Bad debt	-	-
Depreciation	242,351	2.63
	<u>552,743</u>	<u>6.01</u>
Total operating expenses	<u>\$ 552,743</u>	<u>6.01</u>
 Total Gallons		
Wastewater Billed	92,055,048	

GLENWOOD MUNICIPAL UTILITIES

SCHEDULE OF STATISTICAL INFORMATION

For the Six Months Ended December 31, 2015

Description	Amount
Water Customers served at December 31, 2015	2,567
Gallons of water pumped for the six months ended December 31, 2015	124,391,000
Gallons of water sold during the six months ended December 31, 2015	95,936,300
Sewer Customers served at December 31, 2015	1,958
Water rates in effect at December 31, 2015:	
Per month:	
First 2,000 gallons- \$13.00 minimum charge	
3,000 to 7,000 gallons- \$3.25 per 1,000 gallons	
Over 7,000 gallons- \$2.80 per 1,000 gallons	
Sewer rates in effect at December 31, 2015:	
Flat fee:	
\$15.00 for residential	
\$30.00 for commercial	
Usage:	
\$4.35 per 1,000 gallons up to 250,000 gallons used.	



**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"**

The Board of Trustees
Glenwood Municipal Utilities
Council Bluffs, Iowa

We have audited, in accordance with the 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, the financial statements of the business type activities of Glenwood Municipal Utilities (Utility) as of and for the six months ended December 31, 2015, and have issued our report thereon dated May 18, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control.

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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiency in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Utility's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hamilton Associates, P.C.

Council Bluffs, Iowa
May 18, 2016

GLENWOOD MUNICIPAL UTILITIES

SCHEDULE OF FINDINGS

For the Six Months Ended December 31, 2015

I. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None reported

II. OTHER FINDINGS RELATED TO STATUTORY REPORTING

II-A-15 Certified Budget-

Comment- Disbursements during the six months ended December 31, 2015 did not exceed budgeted amount, however the adopted and published budget did not agree to actual budget being used.

Recommendation- Published budget should agree to actual budget being used in accordance with Chapter 384.16 of the code of Iowa.

Response- We had received instructions previously to exclude certain items from the published budget. In light of the current finding, these omitted items will now be included.

Conclusion- Response accepted.

II-B-15 Questionable Disbursements- No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney general's opinion dated April 25, 1979 were noted.

II-C-15 Travel Expense- No expenditures of funds for travel expenses of spouses of Utility officials or employees were noted.

II-D-15 Business Transactions- No transactions with Utility officials or employees were noted.

II-E-15 Bond Coverage- Surety bond coverage of Utility 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-15 Board Minutes- We noted no transactions that we believe should have been approved in the Board minutes but were not.

II-G-15 Deposits and Investments- No instances of non-compliance with the deposit and investment provisions of Chapters 12C of the Code of Iowa Code were noted.

II-H-15 Revenue-Billings-

Comment- We tested 86 billings that occurred during the six months and noted that there were 3 with errors. Those billings were not made in accordance with the rates established by the board.

Recommendation- Review current billing resolution to address the different circumstances that effect billing. Additionally, perform a thorough review of all customers billed and update the billing system with correct information, including number of units and classification as residential or commercial on a consistent basis.

GLENWOOD MUNICIPAL UTILITIES

SCHEDULE OF FINDINGS

For the Six Months Ended December 31, 2015

Response- Board is currently amending rates and rate structures. This will help alleviate the complexity of billing. The Utility will also review billings closer in the future.

Conclusion- Response accepted.