



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

June 26, 2009

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Glidden, Iowa.

The City's receipts totaled \$2,938,792 for the year ended June 30, 2008. The receipts included \$271,927 in property tax, \$40,272 from tax increment financing, \$1,259,257 from charges for service, \$246,522 from operating grants, contributions and restricted interest, \$103,508 from capital grants, contributions and restricted interest, \$133,843 from local option sales tax, \$86,153 from unrestricted interest on investments, \$774,000 from note and bond proceeds and \$23,310 from other general receipts.

Disbursements for the year totaled \$2,033,309, and included \$228,441 for public works, \$310,824 for capital projects and \$187,827 for culture and recreation. Also, disbursements for business type activities totaled \$1,028,333.

The significant increase in receipts and disbursements is due primarily to note proceeds for the new fire station project.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**CITY OF GLIDDEN**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2008**

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**City of Glidden**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Cynthia Kerkhoff	Mayor	Jan 2008
Tony Ball	Council Member	Jan 2008
Lou Ann Forward	Council Member	Jan 2008
Virgil Lappe	Council Member	Jan 2008
John Arrowsmith	Council Member	Jan 2010
Bob Linde	Council Member	Jan 2010
Loren Lodge	City Administrator	Indefinite
Suzanne Danner	Clerk/Treasurer	Indefinite
Raymond O. Snook	Attorney	Indefinite
<b>(After January 2008)</b>		
Roger Hartwigsen	Mayor	Jan 2010
John Arrowsmith	Council Member	Jan 2010
Bob Linde	Council Member	Jan 2010
Tony Ball	Council Member	Jan 2012
JoAnn Morlan	Council Member	Jan 2012
Gary Schroer	Council Member	Jan 2012
Loren Lodge	City Administrator	Indefinite
Suzanne Danner	Clerk/Treasurer	Indefinite
Raymond O. Snook	Attorney	Indefinite

**City of Glidden**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Glidden, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Glidden's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Glidden as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

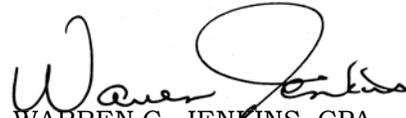
In accordance with Government Auditing Standards, we have also issued our report dated May 22, 2009 on our consideration of the City of Glidden's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Glidden's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 22, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Glidden 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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental funds increased approximately \$570,000, due largely to the receipt of note proceeds of \$600,000.
- The City's total cash basis net assets for the City's business type activities increased approximately \$335,000 due to the receipt of bond proceeds of \$174,000 and increases in water, sewer and electric utility charges.

### **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 Statement of Activities and Net Assets. 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 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.

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds, nonmajor proprietary funds and the City's indebtedness.

### **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.

## **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 Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets 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.
- Business Type Activities include the waterworks, sanitary sewer system, electric system and solid waste removal. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) 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, 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.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, electric and garbage operations.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

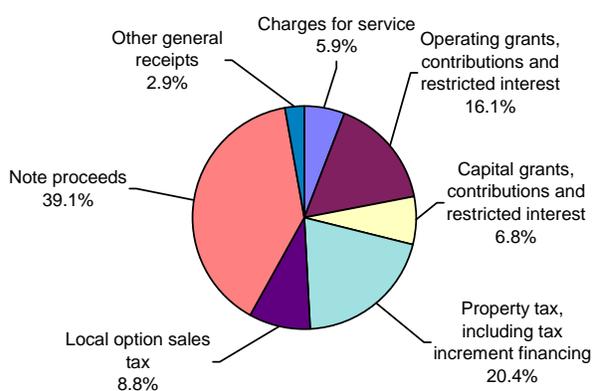
## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from approximately \$875,000 to approximately \$1,446,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

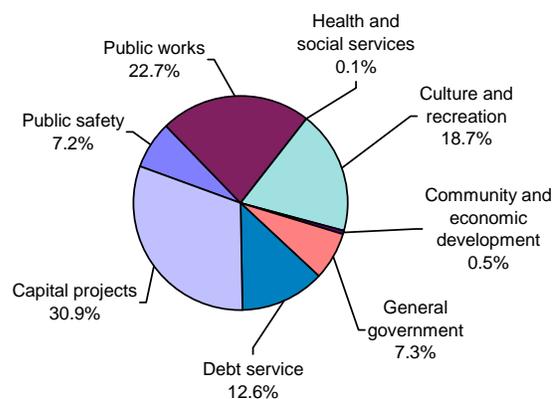
**Changes in Cash Basis Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service	\$ 90
Operating grants, contributions and restricted interest	246
Capital grants, contributions and restricted interest	104
General receipts:	
Property tax, including tax increment financing	312
Local option sales tax	134
Note proceeds	600
Other general receipts	45
Total receipts	1,531
Disbursements:	
Public safety	72
Public works	228
Health and social services	1
Culture and recreation	188
Community and economic development	5
General government	73
Debt service	127
Capital projects	311
Total disbursements	1,005
Change in cash basis net assets before transfers	526
Transfers, net	45
Change in cash basis net assets	571
Cash basis net assets beginning of year	875
Cash basis net assets end of year	\$ 1,446

**Receipts by Source**



**Disbursements by Function**



The increase in cash basis net assets is due to the receipt of \$600,000 of note proceeds for the purpose of constructing and equipping a new fire station.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	
	Year ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 238
Sewer	112
Electric	743
Garbage	76
General receipts:	
Unrestricted interest on investments	53
Bond proceeds	174
Other general receipts	12
Total receipts	<u>1,408</u>
Disbursements:	
Water	270
Sewer	86
Electric	602
Garbage	70
Total disbursements	<u>1,028</u>
Change in cash basis net assets before transfers	380
Transfers, net	<u>(45)</u>
Change in cash basis net assets	335
Cash basis net assets beginning of year	<u>937</u>
Cash basis net assets end of year	<u><u>\$ 1,272</u></u>

Total business type activities cash basis net assets increased from a year ago, from approximately \$937,000 to approximately \$1,272,000. The increase is due to the receipt of bond proceeds of \$174,000 and increases in charges to users.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Glidden completed the year, its governmental funds reported a combined fund balance of \$1,445,928 an increase of \$570,468 above last year's total of \$875,460. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$76,143 from the prior year to \$502,015. Approximately \$60,000 of this increase was due to pool receipts from the Aquatic Center.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$8,278 to \$31,420 during the year. The decrease was due to expending the accumulated balance in the Special Revenue, Road Use Tax Fund.
- The Capital Projects Fund cash balance increased \$577,744 to a year-end balance of \$627,583 at June 30, 2008. This increase is due to the issuance of \$600,000 of general obligation notes for constructing and equipping a new fire station.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$142,264 to \$271,444, due primarily to an increase in the sale of water and the receipt of \$174,000 in State Revolving Fund bond proceeds.
- The Electric Fund cash balance increased \$152,747 to \$834,924, due primarily to an increase in charges for service.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 27, 2008 and resulted in an increase in operating disbursements of \$418,849 due to an increase of \$260,261 for the fire station project and increases of \$15,900, \$11,752, \$8,144, and \$4,200 for public works, community and economic development, culture and recreation and public works, respectively. The City had sufficient cash balances to absorb these additional costs. The City's receipts were \$10,763 less than budgeted.

Total disbursements were \$539,001 less than the amended budget. Disbursements for the capital projects function were \$439,787, less than the amended budget due to the fire station project.

Even with the budget amendment, the City exceeded the amounts budgeted in the public safety, public works and debt service functions for the year ended June 30, 2008.

## DEBT ADMINISTRATION

At June 30, 2008, the City had \$2,028,000 in bonds and other long-term debt outstanding, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30, 2008
General obligation bonds and notes	\$ 1,140
Promissory note	20
Revenue bonds	868
Total	<u>\$ 2,028</u>

Debt increased as a result of issuing general obligation notes for a fire station construction project and revenue bonds for water plant improvements.

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 debt of \$1,160,000 is less than its constitutional debt limit of approximately \$1,800,000.

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

Formulation of the FY2009 budget was limited by several factors. The first reality involves the element of property tax rollback, which tends to erode the City's tax base each year. The City's FY2009 assessed value has increased \$2,781,163 from the FY2008 level. As a result, the City has been able to hire a part-time librarian and was able to retain all existing positions and services for FY2009.

The FY2009 budget contains total receipts of \$2,204,000 and disbursements of \$1,846,000. Budgeted disbursements are expected to decrease \$307,461 as the fire station capital project was partially completed during FY08 and will be completed in FY2009.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$350,000 by the close of 2009.

## **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 Suzy Danner, City Clerk, 108 Idaho Street, Glidden, Iowa 51443.

## **Basic Financial Statements**

City of Glidden

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 71,653	529	120,778	-
Public works	228,441	-	107,348	-
Health and social services	844	-	-	-
Culture and recreation	187,827	86,620	18,156	-
Community and economic development	5,157	-	-	-
General government	72,763	2,970	240	-
Debt service	127,467	-	-	-
Capital projects	310,824	-	-	103,508
Total governmental activities	1,004,976	90,119	246,522	103,508
Business type activities:				
Water	270,436	237,779	-	-
Sewer	85,834	112,357	-	-
Electric	601,563	742,850	-	-
Garbage	70,500	76,152	-	-
Total business type activities	1,028,333	1,169,138	-	-
Total	\$ 2,033,309	1,259,257	246,522	103,508

**General Receipts:**

Property and other city tax levied for:  
 General purposes  
 Tax increment financing  
 Debt service  
 Local option sales tax  
 Grants and contributions not restricted to specific purposes  
 Unrestricted interest on investments  
 Bond and note proceeds  
 Miscellaneous  
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

Streets  
 Debt service  
 Capital projects  
 Other purposes

Unrestricted

**Total cash basis net assets**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
49,654	-	49,654
(121,093)	-	(121,093)
(844)	-	(844)
(83,051)	-	(83,051)
(5,157)	-	(5,157)
(69,553)	-	(69,553)
(127,467)	-	(127,467)
(207,316)	-	(207,316)
(564,827)	-	(564,827)
-	(32,657)	(32,657)
-	26,523	26,523
-	141,287	141,287
-	5,652	5,652
-	140,805	140,805
(564,827)	140,805	(424,022)
217,129	-	217,129
40,272	-	40,272
54,798	-	54,798
133,843	-	133,843
-	461	461
32,911	53,242	86,153
600,000	174,000	774,000
11,836	11,013	22,849
44,506	(44,506)	-
1,135,295	194,210	1,329,505
570,468	335,015	905,483
875,460	937,063	1,812,523
\$ 1,445,928	1,272,078	2,718,006
\$ 31,420	-	31,420
67,118	5,420	72,538
627,583	-	627,583
217,792	-	217,792
502,015	1,266,658	1,768,673
\$ 1,445,928	1,272,078	2,718,006

City of Glidden

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2008

	General	Special Revenue Road Use Tax
Receipts:		
Property tax	\$ 175,230	-
Tax increment financing	-	-
Other city tax	5,217	-
Licenses and permits	2,970	-
Use of money and property	36,751	-
Intergovernmental	24,305	107,348
Charges for service	81,426	-
Miscellaneous	13,842	-
Total receipts	<u>339,741</u>	<u>107,348</u>
Disbursements:		
Operating:		
Public safety	57,758	-
Public works	6,559	205,626
Health and social services	844	-
Culture and recreation	165,769	-
Community and economic development	-	-
General government	62,655	-
Debt service	-	-
Capital projects	-	-
Total disbursements	<u>293,585</u>	<u>205,626</u>
Excess of receipts over disbursements	<u>46,156</u>	<u>(98,278)</u>
Other financing sources (uses):		
Bond proceeds	-	-
Operating transfers in	29,987	90,000
Operating transfers out	-	-
Total other financing sources (uses)	<u>29,987</u>	<u>90,000</u>
Net change in cash balances	76,143	(8,278)
Cash balances beginning of year	425,872	39,698
Cash balances end of year	<u>\$ 502,015</u>	<u>31,420</u>
<b>Cash Basis Fund Balances</b>		
Reserved for debt service	\$ -	-
Unreserved:		
General fund	502,015	-
Special revenue funds	-	31,420
Capital projects fund	-	-
Permanent fund	-	-
Total cash basis fund balances	<u>\$ 502,015</u>	<u>31,420</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	96,697	271,927
-	40,272	40,272
-	133,843	139,060
-	-	2,970
1,645	410	38,806
-	-	131,653
-	-	81,426
101,863	109,119	224,824
103,508	380,341	930,938
-	13,895	71,653
-	16,256	228,441
-	-	844
-	22,058	187,827
-	5,157	5,157
-	10,108	72,763
-	127,467	127,467
310,824	-	310,824
310,824	194,941	1,004,976
(207,316)	185,400	(74,038)
600,000	-	600,000
185,060	-	305,047
-	(260,541)	(260,541)
785,060	(260,541)	644,506
577,744	(75,141)	570,468
49,839	360,051	875,460
627,583	284,910	1,445,928
-	67,118	67,118
-	-	502,015
-	194,449	225,869
627,583	-	627,583
-	23,343	23,343
627,583	284,910	1,445,928

**City of Glidden**

City of Glidden

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise			
	Water	Electric	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 237,779	742,850	188,509	1,169,138
Miscellaneous	1,507	9,238	729	11,474
Total operating receipts	239,286	752,088	189,238	1,180,612
Operating disbursements:				
Business type activities	132,354	601,563	156,334	890,251
Excess (deficiency) of operating receipts over (under) operating disbursements	106,932	150,525	32,904	290,361
Non-operating receipts (disbursements):				
Interest on investments	9,414	36,728	7,100	53,242
Bond proceeds	174,000	-	-	174,000
Debt service	(68,608)	-	-	(68,608)
Capital projects	(69,474)	-	-	(69,474)
Net non-operating receipts (disbursements)	45,332	36,728	7,100	89,160
Excess of receipts over disbursements	152,264	187,253	40,004	379,521
Operating transfers out	(10,000)	(34,506)	-	(44,506)
Net change in cash balances	142,264	152,747	40,004	335,015
Cash balances beginning of year	129,180	682,177	125,706	937,063
Cash balances end of year	\$ 271,444	834,924	165,710	1,272,078
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ 5,420	-	-	5,420
Unreserved	266,024	834,924	165,710	1,266,658
Total cash basis fund balances	\$ 271,444	834,924	165,710	1,272,078

See notes to financial statements.

City of Glidden

Notes to Financial Statements

June 30, 2008

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

The City of Glidden is a political subdivision of the State of Iowa located in Carroll County. It was first incorporated in 1872 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. The City also provides water, sewer, electric and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Glidden 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

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: Carroll County Assessor's Conference Board, Carroll County Emergency Management Commission, Carroll County Landfill Commission and Carroll County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and 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, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor governmental or proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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.

The Special Revenue, Road Use Tax Fund is used to account for road construction and maintenance

The Capital Projects fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

C. Measurement Focus and Basis of Accounting

The City of Glidden 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 are both restricted and unrestricted cash basis net assets 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.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, public works and debt service functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against 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.

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

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation		Revenue Bonds		Total	
	Bonds and Notes					
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 110,000	48,864	50,000	26,037	160,000	74,901
2010	110,000	41,030	52,000	24,540	162,000	65,570
2011	115,000	36,610	53,000	22,980	168,000	59,590
2012	95,000	31,865	56,000	21,390	151,000	53,255
2013	100,000	28,310	57,000	19,710	157,000	48,020
2014 - 2018	530,000	81,615	265,000	72,480	795,000	154,095
2019 - 2023	80,000	5,060	232,000	36,720	312,000	41,780
2024 - 2025	-	-	103,000	4,650	103,000	4,650
Total	\$ 1,140,000	273,354	868,000	228,507	2,008,000	501,861

The Code of Iowa requires principal and interest on general obligation bonds and notes be paid from the Debt Service Fund. However, during the year, \$34,647 of general obligation note principal and interest was paid from the Special Revenue, Tax Increment Financing Fund.

#### Promissory Note

During fiscal year 2000, the City entered into a promissory note agreement with Glidden Rural Electric Cooperative for \$100,000 to assist in financing the construction of the library and meeting facility. The note is interest free and is to be repaid through annual principal payments of \$10,000 beginning January 2001. At June 30, 2008, the balance of this note was \$20,000.

#### Interfund Loans

On November 13, 2006, the City agreed to interfund loans totaling \$100,590 to advance \$32,921 from the General Fund, \$45,210 from the Enterprise, Electric Fund and \$22,459 from the Debt Service Fund to the Special Revenue, Tax Increment Financing Fund to pay for improvements to the Platt Subdivision in the urban renewal area. Payments are to be made on June 1 of each year to the extent there are incremental tax receipts available for such purposes which have been allocated to the Special Revenue, Tax Increment Financing Fund. No repayments were made during the year ended June 30, 2008. The outstanding loans due at June 30, 2008 total \$100,590.

#### Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,046,000 of water revenue bonds issued December 8, 2004 and March 15, 2007. Proceeds from the bonds provided financing for the water treatment plant improvements. The bonds are payable solely from water customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$1,096,507. For the year ended June 30, 2008, principal and interest paid and total customer net receipts were \$68,608 and \$106,932, respectively. Annual principal and interest payments on the bonds required 64% of net receipts.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due. The City did not comply with this requirement.

#### **(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 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2008 was \$12,951, equal to the required contributions for the year.

**(5) 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. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 24,300
Sick leave	45,500
Total	<u>\$ 69,800</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 10,545
	Emergency	4,936
	Enterprise:	
	Electric	14,506
		<u>29,987</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales Tax	90,000
Capital Projects	Special Revenue:	
	Local Option Sales Tax	100,000
	Volunteer Fire Department	55,060
	Enterprise:	
	Water	10,000
	Electric	20,000
		<u>155,060</u>
Total		<u>\$ 275,047</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(7) Risk Management**

The City is a member in 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 563 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 to equal 200 percent of the 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, 2008 were \$29,963.

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 and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

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, 2008, 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 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 capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

**(8) Construction Contracts**

During the year ended June 30, 2008, the City entered into construction contracts totaling \$846,255 for the fire station project. The City made payments totaling \$199,502 during the year ended June 30, 2008. The balance remaining on the contracts at June 30, 2008 totaled \$646,753. Contract costs will be paid as work on the unfinished project is completed.

**Required Supplementary Information**

City of Glidden  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 271,927	-	271,927
Tax increment financing	40,272	-	40,272
Other city tax	139,060	-	139,060
Licenses and permits	2,970	-	2,970
Use of money and property	38,806	53,242	92,048
Intergovernmental	131,653	-	131,653
Charges for service	81,426	1,169,138	1,250,564
Miscellaneous	224,824	11,474	236,298
Total receipts	<u>930,938</u>	<u>1,233,854</u>	<u>2,164,792</u>
Disbursements:			
Public safety	71,653	-	71,653
Public works	228,441	-	228,441
Health and social services	844	-	844
Culture and recreation	187,827	-	187,827
Community and economic development	5,157	-	5,157
General government	72,763	-	72,763
Debt service	127,467	-	127,467
Capital projects	310,824	-	310,824
Business type activities	-	1,028,333	1,028,333
Total disbursements	<u>1,004,976</u>	<u>1,028,333</u>	<u>2,033,309</u>
Excess (deficiency) of receipts over (under) disbursements	(74,038)	205,521	131,483
Other financing sources, net	<u>644,506</u>	<u>129,494</u>	<u>774,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	570,468	335,015	905,483
Balances beginning of year	<u>875,460</u>	<u>937,063</u>	<u>1,812,523</u>
Balances end of year	<u>\$ 1,445,928</u>	<u>1,272,078</u>	<u>2,718,006</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
269,301	269,301	2,626
40,078	40,078	194
123,000	123,000	16,060
6,446	7,200	(4,230)
16,450	34,150	57,898
127,839	127,839	3,814
1,133,770	1,459,487	(208,923)
114,500	114,500	121,798
1,831,384	2,175,555	(10,763)
58,426	62,626	(9,027)
204,409	220,309	(8,132)
6,425	6,425	5,581
186,936	195,080	7,253
-	11,752	6,595
84,071	84,071	11,308
127,464	127,464	(3)
490,350	750,611	439,787
995,380	1,113,972	85,639
2,153,461	2,572,310	539,001
(322,077)	(396,755)	528,238
300,000	423,509	350,491
(22,077)	26,754	878,729
1,031,753	1,031,753	780,770
1,009,676	1,058,507	1,659,499

City of Glidden

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information 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. 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 amendment increased budgeted disbursements by \$418,849. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, public works and debt service functions.

**Other Supplementary Information**

City of Glidden

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2008

	Employee Benefits	Local Option Sales Tax	Emergency	Special Tax Increment Financing
Receipts:				
Property tax	\$ 36,963	-	4,936	-
Tax increment financing			-	40,272
Other city tax	-	105,773	-	-
Use of money and property	-	-	-	-
Miscellaneous	84	-	-	1,979
Total receipts	<u>37,047</u>	<u>105,773</u>	<u>4,936</u>	<u>42,251</u>
Disbursements:				
Operating:				
Public safety	1,551	-	-	-
Public works	16,256	-	-	-
Culture and recreation	20,699	-	-	-
Community and economic development	-	-	-	-
General government	10,108	-	-	-
Debt service	-	-	-	34,647
Total disbursements	<u>48,614</u>	<u>-</u>	<u>-</u>	<u>34,647</u>
Excess (deficiency) of receipts over (under) disbursements	(11,567)	105,773	4,936	7,604
Other financing uses:				
Operating transfers out	-	(200,545)	(4,936)	-
Net change in cash balances	(11,567)	(94,772)	-	7,604
Cash balances beginning of year	12,112	209,018	-	9,172
Cash balances end of year	<u>\$ 545</u>	<u>114,246</u>	<u>-</u>	<u>16,776</u>
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	-	-	-	-
Unreserved:				
Special revenue funds	\$ 545	114,246	-	16,776
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ 545</u>	<u>114,246</u>	<u>-</u>	<u>16,776</u>

See accompanying independent auditor's report.

Revenue					Permanent		
Volunteer Fire Department	Community Development	Library Memorials	Friends of the Library	Debt Service	Cemetery Perpetual Care		Total
-	-	-	-	54,798	-		96,697
-	-	-	-	-	-		40,272
-	-	-	-	28,070	-		133,843
410	-	-	-	-	-		410
103,905	-	1,006	1,695	-	450		109,119
104,315	-	1,006	1,695	82,868	450		380,341
12,344	-	-	-	-	-		13,895
-	-	-	-	-	-		16,256
-	-	383	976	-	-		22,058
-	5,157	-	-	-	-		5,157
-	-	-	-	-	-		10,108
-	-	-	-	92,820	-		127,467
12,344	5,157	383	976	92,820	-		194,941
91,971	(5,157)	623	719	(9,952)	450		185,400
(55,060)	-	-	-	-	-		(260,541)
36,911	(5,157)	623	719	(9,952)	450		(75,141)
22,296	5,157	-	2,333	77,070	22,893		360,051
59,207	-	623	3,052	67,118	23,343		284,910
-	-	-	-	67,118	-		67,118
59,207	-	623	3,052	-	-		194,449
-	-	-	-	-	23,343		23,343
59,207	-	623	3,052	67,118	23,343		284,910

**City of Glidden**

## City of Glidden

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise		
	Sewer	Garbage	Total
Operating receipts:			
Charges for service	\$ 112,357	76,152	188,509
Miscellaneous	-	729	729
Total operating receipts	<u>112,357</u>	<u>76,881</u>	<u>189,238</u>
Operating disbursements:			
Business type activities	<u>85,834</u>	<u>70,500</u>	<u>156,334</u>
Excess of operating receipts over operating disbursements	26,523	6,381	32,904
Non-operating receipts:			
Interest on investments	<u>5,487</u>	<u>1,613</u>	<u>7,100</u>
Excess of receipts over disbursements	32,010	7,994	40,004
Cash balances beginning of year	<u>95,430</u>	<u>30,276</u>	<u>125,706</u>
Cash balances end of year	<u>\$ 127,440</u>	<u>38,270</u>	<u>165,710</u>
<b>Cash Basis Fund Balances</b>			
Unreserved	<u>\$ 127,440</u>	<u>38,270</u>	<u>165,710</u>

See accompanying independent auditor's report.

City of Glidden  
 Schedule of Indebtedness  
 June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Storm sewer improvement	Feb 1, 1996	6.05 - 6.25%	\$ 300,000
Corporate purpose	Mar 5, 1998	2.65	270,000
Aquatic center	Aug 1, 1998	2.55 - 4.25	600,000
Fire station	Apr 9, 2008	4.10	600,000
Total			
Promissory note:			
Library improvement	Apr 1, 2000	0.00%	\$ 100,000
Revenue bonds:			
SRF loan - series 2005	Dec. 8, 2004 *	3.00%	\$ 870,000
SRF loan - series 2007	Mar 15, 2007 *	3.00	176,000
Total			

\* The agreement also requires the City to annually pay a .25% servicing fee on outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
80,000	-	20,000	60,000	4,880
33,750	-	33,750	-	897
520,000	-	40,000	480,000	17,940
-	600,000	-	600,000	-
<b>\$ 633,750</b>	<b>600,000</b>	<b>93,750</b>	<b>1,140,000</b>	<b>23,717</b>
30,000	-	10,000	20,000	-
739,000	-	32,000	707,000	20,018
2,000	174,000	15,000	161,000	1,590
<b>\$ 741,000</b>	<b>174,000</b>	<b>47,000</b>	<b>868,000</b>	<b>21,608</b>

City of Glidden  
Bond and Note Maturities  
June 30, 2008

General Obligation Bonds and Notes							
Year Ending June 30,	Storm Sewer Improvement		Aquatic Center Project		Fire Station Improvement		Total
	Issued February 1, 1996		Issued December 1, 2004		Issued April 9, 2008		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2009	6.05%	\$ 20,000	2.55%	\$ 40,000	4.10%	\$ 50,000	110,000
2010	6.15	20,000	2.85	40,000	4.10	50,000	110,000
2011	6.25	20,000	3.10	40,000	4.10	55,000	115,000
2012		-	3.25	40,000	4.10	55,000	95,000
2013		-	3.40	40,000	4.10	60,000	100,000
2014		-	3.60	40,000	4.10	60,000	100,000
2015		-	3.70	40,000	4.10	65,000	105,000
2016		-	3.80	40,000	4.10	65,000	105,000
2017		-	3.90	40,000	4.10	70,000	110,000
2018		-	4.00	40,000	4.10	70,000	110,000
2019		-	4.15	40,000		-	40,000
2020		-	4.25	40,000		-	40,000
2021		-		-		-	-
2022		-		-		-	-
2023		-		-		-	-
2024		-		-		-	-
2025		-		-		-	-
Total		<u>\$ 60,000</u>		<u>\$ 480,000</u>		<u>\$ 600,000</u>	<u>1,140,000</u>

Revenue Bonds					
Water			Water		
Issued December 8, 2004			Issued March 15, 2007		
Interest Rates	Amount		Interest Rates	Amount	Total
3.00%	\$ 32,000		3.00%	\$ 18,000	50,000
3.00	33,000		3.00	19,000	52,000
3.00	34,000		3.00	19,000	53,000
3.00	36,000		3.00	20,000	56,000
3.00	37,000		3.00	20,000	57,000
3.00	38,000		3.00	21,000	59,000
3.00	39,000		3.00	22,000	61,000
3.00	40,000		3.00	22,000	62,000
3.00	41,000			-	41,000
3.00	42,000			-	42,000
3.00	44,000			-	44,000
3.00	45,000			-	45,000
3.00	46,000			-	46,000
3.00	48,000			-	48,000
3.00	49,000			-	49,000
3.00	51,000			-	51,000
3.00	52,000			-	52,000
	<u>\$ 707,000</u>			<u>\$ 161,000</u>	<u>868,000</u>

**City of Glidden**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
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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 the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Glidden, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated May 22, 2009. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007. Except as noted in the Independent Auditor's Report, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Glidden's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Glidden's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Glidden's internal control over financial reporting.

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Glidden's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Glidden's financial statements that is more than inconsequential will not be prevented or detected by the City of Glidden's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Glidden'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 that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 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.

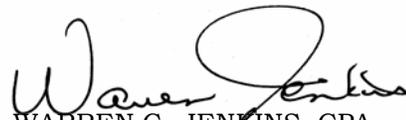
The City of Glidden's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Glidden's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Glidden and other parties to whom the City of Glidden may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Glidden 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 22, 2009

City of Glidden

Schedule of Findings

Year ended June 30, 2008

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – One important element in designing internal control that safeguards assets and reasonably ensures the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. The employee who handles petty cash also reconciles and deposits cash. Also, an independent review of the initial listing of receipts is not documented, at least on a test basis.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will review its control activities to obtain the maximum internal control possible utilizing currently available City employees. The City will attempt to find disinterested parties to assist in conducting random sampling of the receipts and deposit records as suggested. As this point in time City employees not assigned to the Clerk's office are being considered.

Conclusion – Response accepted.

- (B) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City's computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. We noted the following:

- Passwords are not maintained in accordance with City policy.
- The City's disaster recovery plan is limited and may be inadequate.

Recommendation – The City should ensure employees follow the established policy on password usage or, as an alternative, obtain software that will ensure password policies are maintained. The City should review and modify the current disaster recovery plan. At a minimum the plan should identify critical hardware, software, supplies and an agreement for an off-site location to operate in the event of an emergency. Additionally, copies of user documentation and the disaster plan itself should be maintained at an off-site location.

Response – The City will review its options within budgetary and procedural allowances with respect to computer systems and software. The City completed training and adopted federal NIMS procedures which identified the tasks and roles of City personnel during a disaster. A disaster recovery inventory was developed via a federal grant in 2005-2006 which identifies how to react and deploy during different disaster scenarios. We will continue to partner with Carroll County Emergency Management on all disaster related efforts. We will

City of Glidden

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

attempt to provide off-site critical records and software (within legal software distribution rights). For passwords, the City will review its options as suggested by the Auditor within budgetary and procedural allowances with respect to computer systems and software.

Conclusion – Response accepted.

(C) Separately Maintained Records –

Volunteer Fire Department – The Volunteer Fire Department maintains separate accounting records and the individual transaction activity is not included in the City's accounting records. Additionally, certain disbursements were either not adequately supported (scratch paper used as an invoice with no identification of payee) or were not supported at all.

Friends of the Library – Friends of the Library maintains separate accounting records and the individual transaction activity is not included in the City's accounting records. Additionally, bank to book reconciliations are not performed.

Recommendation – Chapter 384.20 of the Code of Iowa states in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis. Additionally, Friends of the Library should perform monthly bank to book reconciliations and evidence of independent review should be documented. Also, the Volunteer Fire Department should ensure all disbursements are properly supported.

Response – The City is discussing this issue with Friends of the Library and the Volunteer Fire Department. Additionally, the City has discussed the bank reconciliation issue with Friends of the Library to assist them in understanding this requirement. The Fire Department will encourage local vendors to provide a better record of items purchased by the Department.

Conclusion – Response accepted.

(D) Employee Timesheets – There is no evidence of review or approval of the time recorded by employees for which they are paid.

Recommendation – There should be evidence of review and approval by a supervisor or City official not involved in the preparation of payroll of time paid to employees.

Response – The City will have the immediate supervisor review and approve the relevant employee timesheets. The City administrator will spot review the timesheets on a random basis.

Conclusion – Response accepted.

City of Glidden

Schedule of Findings

Year ended June 30, 2008

- (E) Vacation and Sick Leave Accrual – The vacation and sick leave record of one City employee is not maintained on the City’s payroll system.

Recommendation – City employee vacation and sick leave accrual and usage should be maintained on the City’s payroll system or, at a minimum, be provided on a monthly basis to the City Council.

Response – As recommended by the Auditor, at a minimum, the balance will be provided to the City Council on a monthly basis.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Glidden

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety, public works and debt service 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.”

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.

Response – The City will amend the budget in accordance with Chapter 384.18 of the Code of Iowa as recommended.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Rush Inn	Alcohol	\$ 696

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – The disbursement in question was for a city-wide fund raiser for the new fire station. The City would contend that the alcohol in question was for the patrons of the fund raiser and is a public purpose.

Conclusion – Response acknowledged. The April 25, 1979 opinion of the Iowa Attorney General states, in part, “The line to be drawn between those expenditures which may be said to violate criminal statutes and those truly yielding of public benefit cannot properly be drawn by this office” (Attorney General). However, consistent with this opinion, the State of Iowa does not allow expenditures of public funds for alcoholic beverages and, accordingly, we believe local government expenditures of public funds for alcohol “will certainly be subject to a deserved close scrutiny. The City should consider carefully the expenditure of public monies for such a purpose.

City of Glidden

Schedule of Findings

Year ended June 30, 2008

As previously noted, the Council should determine and document the public purpose served by these types of disbursements before payments are authorized pursuant to Article III, Section 31 of the Constitution of the State of Iowa and the guidance provided by the Iowa Attorney General.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the city and city officials or employees are detailed as follows:

<u>Name Title and Business Transaction</u>	<u>Transaction Description</u>	<u>Amount</u>
Bob Linde, Council Member, Owner of Linde Equipment Company	Materials and repair	\$ 944

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Council Member do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

- (5) 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.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds – The provisions of the water revenue bonds require sufficient monthly transfers be made to a separate water revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

The City has not established a water revenue bond sinking account.

Recommendation - The City should establish a water revenue bond sinking account and make sufficient monthly transfers to the water revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

Response – The City will establish a revenue bond sinking account and make transfers to the sinking account for the purpose of making the bond principal and interest payments as recommended.

Conclusion – Response accepted.

City of Glidden

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

- (9) Payment of General Obligation Notes – Certain general obligation notes were paid from the Special Revenue, Tax Increment Financing Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund for future funding contributions. Payments of the notes should then be disbursed from the Debt Service Fund.

Response – Future revenues for tax increment financing notes interest and principal payments will be deposited in the Debt Service Fund as recommended.

Conclusion – Response accepted.

- (10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City has made arrangements with the current bank provider to obtain reverse images.

Conclusion – Response accepted.

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City of Glidden

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Janet K. Mortvedt, CPA, Staff Auditor  
Scott A. Anderson, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a prominent initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State