



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

November 20, 2012

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 \$2,952,329 for the year ended June 30, 2012. The receipts included \$369,420 in property tax, \$1,386,575 from charges for service, \$302,034 from operating grants, contributions and restricted interest, \$705,911 from capital grants, contributions and restricted interest, \$140,794 from local option sales tax, \$39,379 from unrestricted interest on investments and \$8,216 from other general receipts.

Disbursements for the year totaled \$2,798,050, and included \$194,727 for culture and recreation, \$165,784 for public works and \$126,865 for debt service. Also, disbursements for business type activities totaled \$2,108,697.

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/1221-0119-B00F.pdf>.

###

CITY OF GLIDDEN

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

JUNE 30, 2012

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-26
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		28-29
Notes to Other Information – Budgetary Reporting		30
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances:		
Nonmajor Governmental Funds	1	32-33
Nonmajor Proprietary Funds	2	35
Schedule of Indebtedness	3	36-37
Bond and Note Maturities	4	38-39
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 <u>Government Auditing Standards</u>		41-42
Schedule of Findings		43-46
Staff		47

City of Glidden

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Roger Hartwigsen	Mayor	Jan 2012
Tony Ball	Mayor Pro tem	Jan 2012
JoAnn Morlan	Council Member	Jan 2012
Gary Schroer	Council Member	Jan 2012
John Arrowsmith	Council Member	Jan 2014
Robert Linde	Council Member	Jan 2014
Suzanne Danner	City Clerk/Administrator	Indefinite
Raymond O. Snook	Attorney	Indefinite
(After January 2012)		
Roger Hartwigsen	Mayor	Jan 2014
Tony Ball	Mayor Pro tem	Jan 2016
John Arrowsmith	Council Member	Jan 2014
Robert Linde	Council Member	Jan 2014
Pat Fay	Council Member	Jan 2016
Gary Schroer	Council Member	Jan 2016
Suzanne Danner	City Clerk/Administrator	Indefinite
Raymond O. Snook	Attorney	Indefinite

City of Glidden



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2012, 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.

Except as discussed in the following paragraph, 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.

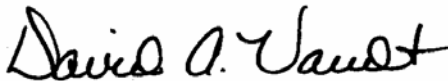
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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, 2011.

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, 2011, 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, 2012, 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.

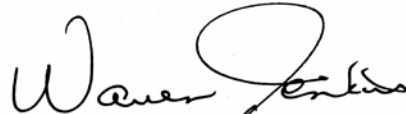
In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2012 on our consideration of the City of Glidden's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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, 2011, as discussed in the third paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 25, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental funds increased approximately \$48,000 over fiscal year 2011.

- The cash basis net assets of the City's business type activities increased approximately \$106,000 due to increases in water, electric, storm water and sewer 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 financial statement by providing information about the most significant funds.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds, the 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, electric system, storm water system, sanitary sewer system and garbage disposal. 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 and Local Option Sales 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 five Enterprise Funds to provide separate information for the water, electric, storm water, sewer and garbage operations.

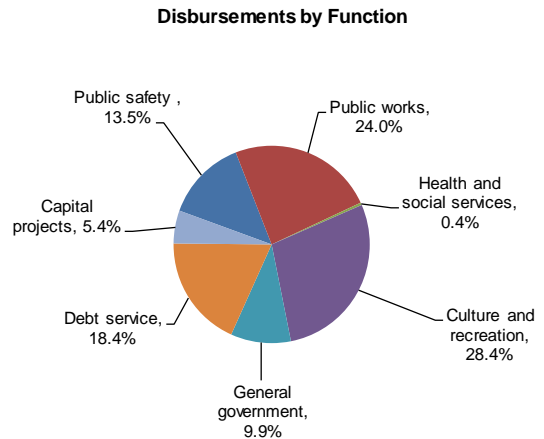
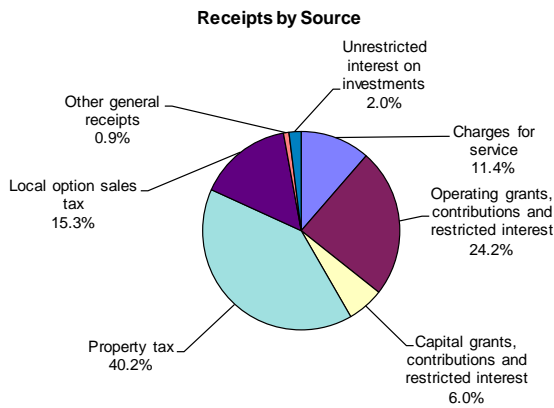
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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 \$1,405,000 to approximately \$1,454,000. 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

	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service	\$ 104,413
Operating grants, contributions and restricted interest	222,107
Capital grants, contributions and restricted interest	55,458
General receipts:	
Property tax	369,420
Local option sales tax	140,794
Unrestricted interest on investments	18,278
Other general receipts	8,216
Total receipts	918,686
Disbursements:	
Public safety	92,934
Public works	165,784
Health and social services	3,089
Culture and recreation	194,727
General government	68,500
Debt service	126,865
Capital projects	37,454
Total disbursements	689,353
Change in cash basis net assets before transfers	229,333
Transfers, net	(181,061)
Change in cash basis net assets	48,272
Cash basis net assets beginning of year	1,405,381
Cash basis net assets end of year	\$ 1,453,653



Total business type activities cash basis net assets increased from a year ago, from approximately \$1,172,000 to approximately \$1,278,000. The increase is primarily due to the transfer of General Fund resources to assist with construction of the storm water system.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 254,604
Electric	801,051
Storm water	32,801
Sewer	116,731
Garbage	76,975
Operating grants, contributions and restricted interest	79,927
Capital grants, contributions and restricted interest	650,453
General receipts:	
Unrestricted interest on investments	21,101
Total receipts	<u>2,033,643</u>
Disbursements:	
Water	271,547
Electric	761,577
Storm water	869,279
Sewer	131,330
Garbage	74,964
Total disbursements	<u>2,108,697</u>
Change in cash basis net assets before transfers	(75,054)
Transfers, net	<u>181,061</u>
Change in cash basis net assets	106,007
Cash basis net assets beginning of year	<u>1,172,370</u>
Cash basis net assets end of year	<u>\$ 1,278,377</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Glidden completed the year, its governmental funds reported a combined fund balance of \$1,453,653, an increase of \$48,272 above last year's total of \$1,405,381. 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 decreased \$135,269 to \$686,134, primarily due to a transfer of approximately \$225,000 to the Enterprise, Storm Water Fund to assist with construction of the storm water system.
- The Special Revenue, Road Use Tax Fund cash balance increased \$14,060 to \$91,491 as roads and road maintenance disbursements were less than road use tax received and transfers from the Special Revenue, Local Option Sales Tax Fund.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$50,794 to \$297,921, primarily due to sales tax collections outpacing money spent on capital projects from this fund.
- The Capital Projects Fund cash balance increased \$65,089 to a year-end balance of \$187,584 at June 30, 2012. This increase is due to transfers totaling \$45,291 from the Enterprise, Water Fund, the Enterprise, Electric Fund, the Special Revenue, Local Option Sales Tax Fund and the General Fund for capital asset purchases.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$23,301 to \$176,053, due primarily to approximately \$15,000 spent on capital needs of the system.
- The Enterprise, Electric Fund cash balance increased \$100,169 to \$936,258, due primarily to an increase in electric rates.
- The Enterprise, Storm Water Fund cash balance increased \$39,449 to \$3,032, primarily due to a transfer from the General Fund of approximately \$225,000 to assist with the storm water project.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 14, 2012 and resulted in an increase in operating disbursements of \$968,000 due to an increase of \$933,500 for the storm water improvement project and increases of \$28,000 and \$6,500 for capital projects and general government, respectively. The City had sufficient cash balances to absorb these additional costs. The City's receipts were \$998,281 more than budgeted.

Total disbursements were \$212,694 less than the amended budget. Disbursements for the business type activities function were \$91,699, less than the amended budget.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$1,367,000 in bonds and other long-term debt outstanding, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General obligation bonds and notes	\$ 710,000	805,000
Revenue bonds	657,000	713,000
Total	\$ 1,367,000	1,518,000

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 \$710,000 is less than its constitutional debt limit of approximately \$2,105,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Glidden's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. The City's fiscal year 2013 taxable valuation has increased approximately \$1,300,000 over fiscal year 2012.

The fiscal year 2013 budget contains total receipts of \$1,937,841 and disbursements of \$2,144,827. This budget is less than the amended fiscal year 2012 budget which contained total receipts of \$1,923,161 and disbursements of \$2,990,521.

The fiscal year 2013 levy is \$15.10287 per \$1,000 of taxable valuation, a decrease from \$15.44985 per \$1,000 of taxable valuation for fiscal year 2012.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$207,000 by the close of fiscal year 2013.

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, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 92,934	420	53,617	-
Public works	165,784	7,944	111,989	-
Health and social services	3,089	-	-	-
Culture and recreation	194,727	93,668	56,501	-
General government	68,500	2,381	-	-
Debt service	126,865	-	-	-
Capital projects	37,454	-	-	55,458
Total governmental activities	689,353	104,413	222,107	55,458
Business type activities:				
Water	271,547	254,604	-	-
Electric	761,577	801,051	79,927	-
Storm water	869,279	32,801	-	650,453
Sewer	131,330	116,731	-	-
Garbage	74,964	76,975	-	-
Total business type activities	2,108,697	1,282,162	79,927	650,453
Total	\$ 2,798,050	1,386,575	302,034	705,911

General Receipts and Transfers:

Property and other city tax levied for:
 General purposes
 Debt service
 Local option sales tax
 Unrestricted interest on investments
 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:
 Nonexpendable:
 Cemetery perpetual care
 Expendable:
 Streets
 Local option sales tax
 Debt service
 Capital projects
 Other purposes
 Unrestricted

Total cash basis net assets

See notes to financial statements.

City of Glidden

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

As of and for the year ended June 30, 2012

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 222,605	-	-
Other city tax	4,835	-	110,794
Licenses and permits	2,801	-	-
Use of money and property	50,305	-	-
Intergovernmental	35,436	108,699	-
Charges for service	63,701	-	-
Miscellaneous	14,250	396	-
Total receipts	393,933	109,095	110,794
Disbursements:			
Operating:			
Public safety	72,711	-	-
Public works	5,983	145,035	-
Health and social services	3,089	-	-
Culture and recreation	173,543	-	-
General government	57,524	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	312,850	145,035	-
Excess (deficiency) of receipts over (under) disbursements	81,083	(35,940)	110,794
Other financing sources (uses):			
Operating transfers in	14,413	50,000	-
Operating transfers out	(230,765)	-	(60,000)
Total other financing sources (uses)	(216,352)	50,000	(60,000)
Net change in cash balances	(135,269)	14,060	50,794
Cash balances beginning of year	821,403	77,431	247,127
Cash balances end of year	\$ 686,134	91,491	297,921
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	91,491	-
Local option sales tax	-	-	297,921
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	686,134	-	-
Total cash basis fund balances	\$ 686,134	91,491	297,921

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	146,815	369,420
-	30,000	145,629
-	-	2,801
1,794	22	52,121
-	-	144,135
-	-	63,701
55,458	70,775	140,879
57,252	247,612	918,686
-	20,223	92,934
-	14,766	165,784
-	-	3,089
-	21,184	194,727
-	10,976	68,500
-	126,865	126,865
37,454	-	37,454
37,454	194,014	689,353
19,798	53,598	229,333
45,291	-	109,704
-	-	(290,765)
45,291	-	(181,061)
65,089	53,598	48,272
122,495	136,925	1,405,381
187,584	190,523	1,453,653
-	29,542	29,542
-	-	91,491
-	-	297,921
187,584	-	187,584
-	3,863	3,863
-	157,118	157,118
-	-	686,134
187,584	190,523	1,453,653

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, 2012

	Enterprise				
	Water	Electric	Storm Water	Nonmajor	Total
Operating receipts:					
Charges for service	\$ 253,548	801,051	32,696	193,540	1,280,835
Miscellaneous	1,056	31,283	105	166	32,610
Total operating receipts	254,604	832,334	32,801	193,706	1,313,445
Operating disbursements:					
Business type activities	177,500	761,577	23,828	163,986	1,126,891
Excess of operating receipts over operating disbursements	77,104	70,757	8,973	29,720	186,554
Non-operating receipts (disbursements):					
Intergovernmental	-	48,644	650,453	-	699,097
Interest on investments	3,642	15,181	-	2,278	21,101
Debt service	(79,173)	-	-	-	(79,173)
Capital projects	(14,874)	-	(845,451)	(42,308)	(902,633)
Net non-operating receipts (disbursements)	(90,405)	63,825	(194,998)	(40,030)	(261,608)
Excess (deficiency) of receipts over (under) disbursements	(13,301)	134,582	(186,025)	(10,310)	(75,054)
Other financing sources (uses):					
Operating transfers in	-	-	225,474	-	225,474
Operating transfers out	(10,000)	(34,413)	-	-	(44,413)
Total other financing sources (uses)	(10,000)	(34,413)	225,474	-	181,061
Net change in cash balances	(23,301)	100,169	39,449	(10,310)	106,007
Cash balances beginning of year	199,354	836,089	(36,417)	173,344	1,172,370
Cash balances end of year	\$ 176,053	936,258	3,032	163,034	1,278,377
Cash Basis Fund Balances					
Restricted for debt service	\$ 6,392	-	-	-	6,392
Unrestricted	169,661	936,258	3,032	163,034	1,271,985
Total cash basis fund balances	\$ 176,053	936,258	3,032	163,034	1,278,377

See notes to financial statements.

City of Glidden

Notes to Financial Statements

June 30, 2012

(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, electric, storm water, sewer 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 financial statements present the City of Glidden (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Glidden Area Firefighters Association is legally separate from the City, but is so intertwined with the City it is, in substance, the same as the City. Although the Glidden Area Firefighters Association is legally separate from the City, its purpose is to benefit the City of Glidden (the primary government) by soliciting contributions and managing those funds. The financial transactions have been reported as a Special Revenue Fund of the City.

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 the following categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 categories. 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 from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for the collection and use of local option sales tax receipts.

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

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

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the storm water system.

C. Measurement Focus and 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.

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.

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

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. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the business type activities function prior to adoption of the budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 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 Bonds and Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 100,000	28,310	57,000	19,710	157,000	48,020
2014	100,000	24,490	59,000	18,000	159,000	42,490
2015	105,000	20,590	61,000	16,230	166,000	36,820
2016	105,000	16,445	62,000	14,400	167,000	30,845
2017	110,000	12,260	41,000	12,540	151,000	24,800
2018 - 2022	190,000	12,890	225,000	43,470	415,000	56,360
2023 - 2025	-	-	152,000	9,210	152,000	9,210
Total	\$ 710,000	114,985	657,000	133,560	1,367,000	248,545

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 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 \$790,560. For the year ended June 30, 2012, principal and interest paid and total customer net receipts were \$77,390 and \$77,104, respectively. Annual principal and interest payments on the bonds required more than 100% of net receipts.

The resolutions providing for the issuance of the water 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 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2012 was \$16,742, equal to the required contribution for the year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 5 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of the plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$695 for single coverage and \$1,738 for family coverage. For the year ended June 30, 2012, the City contributed \$45,065 and plan members eligible for benefits contributed \$0 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2012, primarily relating to the General Fund, was \$21,400. This liability has been computed based on rates of pay in effect at June 30, 2012.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise: Electric	<u>\$ 14,413</u>
Special Revenue: Road Use Tax	Special Revenue: Local Option Sales Tax	<u>50,000</u>
Capital Projects	General	5,291
	Special Revenue: Local Option Sales Tax	10,000
	Enterprise: Water	10,000
	Electric	<u>20,000</u>
		<u>45,291</u>
Enterprise: Storm Water	General	<u>225,474</u>
Total		<u><u>\$ 335,178</u></u>

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

(8) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 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 150% 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, 2012 were \$34,016.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, 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.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and employee blanket bond. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Construction Contracts

During the year ended June 30, 2012, the City entered into construction contracts totaling \$782,676 for the storm water and retention pond improvement project. The City made payments totaling \$754,410 during the year ended June 30, 2012. The balances remaining on the contracts at June 30, 2012 total \$28,266. Contract costs will be paid as work on the unfinished project is completed.

Other 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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required To Be Budgeted
Receipts:			
Property tax	\$ 369,420	-	-
Other city tax	145,629	-	-
Licenses and permits	2,801	-	-
Use of money and property	52,121	21,101	22
Intergovernmental	144,135	699,097	-
Charges for service	63,701	1,280,835	-
Miscellaneous	140,879	32,610	30,865
Total receipts	918,686	2,033,643	30,887
Disbursements:			
Public safety	92,934	-	20,223
Public works	165,784	-	-
Health and social services	3,089	-	-
Culture and recreation	194,727	-	-
General government	68,500	-	-
Debt service	126,865	-	-
Capital projects	37,454	-	-
Business type activities	-	2,108,697	-
Total disbursements	689,353	2,108,697	20,223
Excess (deficiency) of receipts over (under) disbursements	229,333	(75,054)	10,664
Other financing sources, net	(181,061)	181,061	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	48,272	106,007	10,664
Balances beginning of year	1,405,381	1,172,370	19,330
Balances end of year	\$ 1,453,653	1,278,377	29,994

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
369,420	365,448	365,448	3,972
145,629	136,375	136,375	9,254
2,801	2,025	2,025	776
73,200	38,000	68,000	5,200
843,232	134,715	134,715	708,517
1,344,536	1,216,598	1,216,598	127,938
142,624	-	-	142,624
<u>2,921,442</u>	<u>1,893,161</u>	<u>1,923,161</u>	<u>998,281</u>
72,711	74,820	74,820	2,109
165,784	189,000	189,000	23,216
3,089	6,425	6,425	3,336
194,727	212,890	212,890	18,163
68,500	100,625	107,125	38,625
126,865	126,865	126,865	-
37,454	45,000	73,000	35,546
2,108,697	1,266,896	2,200,396	91,699
<u>2,777,827</u>	<u>2,022,521</u>	<u>2,990,521</u>	<u>212,694</u>
143,615	(129,360)	(1,067,360)	1,210,975
-	-	804,615	(804,615)
143,615	(129,360)	(262,745)	406,360
<u>2,558,421</u>	<u>1,902,132</u>	<u>1,902,132</u>	<u>656,289</u>
<u>2,702,036</u>	<u>1,772,772</u>	<u>1,639,387</u>	<u>1,062,649</u>

City of Glidden

Notes to Other Information – Budgetary Reporting

June 30, 2012

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for the blended component unit. 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 \$968,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the business type activities function prior to adoption of the budget amendment.

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, 2012

	Special Revenue		
	Employee Benefits	Volunteer Fire Department	Library Memorials
Receipts:			
Property tax	\$ 49,015	-	-
Other city tax	-	-	-
Use of money and property	-	22	-
Miscellaneous	-	30,865	38,410
Total receipts	<u>49,015</u>	<u>30,887</u>	<u>38,410</u>
Disbursements:			
Operating:			
Public safety	-	20,223	-
Public works	14,766	-	-
Culture and recreation	17,084	-	4,083
General government	10,976	-	-
Debt service	-	-	-
Total disbursements	<u>42,826</u>	<u>20,223</u>	<u>4,083</u>
Net change in cash balances	6,189	10,664	34,327
Cash balances beginning of year	4,504	19,330	79,032
Cash balances end of year	<u>\$ 10,693</u>	<u>29,994</u>	<u>113,359</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Debt service	-	-	-
Other purposes	10,693	29,994	113,359
Total cash basis fund balances	<u>\$ 10,693</u>	<u>29,994</u>	<u>113,359</u>

See accompanying independent auditor's report.

Friends of the Library	Debt Service	Permanent Cemetery Perpetual Care	Total
-	97,800	-	146,815
-	30,000	-	30,000
-	-	-	22
-	-	1,500	70,775
-	127,800	1,500	247,612
-	-	-	20,223
-	-	-	14,766
17	-	-	21,184
-	-	-	10,976
-	126,865	-	126,865
17	126,865	-	194,014
(17)	935	1,500	53,598
3,089	2,928	28,042	136,925
3,072	3,863	29,542	190,523
-	-	29,542	29,542
-	3,863	-	3,863
3,072	-	-	157,118
3,072	3,863	-	29,542
			190,523

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, 2012

	Enterprise		
	Sewer	Garbage	Total
Operating receipts:			
Charges for service	\$ 116,642	76,898	193,540
Miscellaneous	89	77	166
Total operating receipts	116,731	76,975	193,706
Operating disbursements:			
Business type activities	89,022	74,964	163,986
Excess of operating receipts over operating disbursements	27,709	2,011	29,720
Non-operating receipts (disbursements):			
Interest on investments	1,594	684	2,278
Capital projects	(42,308)	-	(42,308)
Net non-operating receipts (disbursements)	(40,714)	684	(40,030)
Excess (deficiency) of receipts over (under) disbursements	(13,005)	2,695	(10,310)
Cash balances beginning of year	128,133	45,211	173,344
Cash balances end of year	\$ 115,128	47,906	163,034
Cash Basis Fund Balances			
Unrestricted	\$ 115,128	47,906	163,034

See accompanying independent auditor's report.

City of Glidden
Schedule of Indebtedness
June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Aquatic center	Aug 1, 1998	2.55 - 4.25%	\$ 600,000
Fire station	Apr 9, 2008	4.10	600,000
Total			
Revenue bonds:			
Water - series 2005	Dec. 8, 2004 *	3.00%	\$ 870,000
Water - series 2007	Mar 15, 2007 *	3.00	176,000
Total			

* The agreements also require the City to annually pay a .25% servicing fee on the 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
360,000	-	40,000	320,000	13,620
445,000	-	55,000	390,000	18,245
<u>\$ 805,000</u>	<u>-</u>	<u>95,000</u>	<u>710,000</u>	<u>31,865</u>
608,000	-	36,000	572,000	18,240
105,000	-	20,000	85,000	3,150
<u>\$ 713,000</u>	<u>-</u>	<u>56,000</u>	<u>657,000</u>	<u>21,390</u>

City of Glidden
Bond and Note Maturities
June 30, 2012

Year Ending June 30,	General Obligation Bonds and Notes					Total
	Aquatic Center			Fire Station		
	Issued December 1, 2004			Issued April 9, 2008		
	Interest		Amount	Interest		
Rates	Amount	Rates		Amount		
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>\$ 320,000</u>		<u>\$ 390,000</u>	<u>710,000</u>	

See accompanying independent auditor's report.

Revenue Bonds				
Water		Water		
Issued December 8, 2004		Issued March 15, 2007		
Interest Rates	Amount	Interest Rates	Amount	Total
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>\$ 572,000</u>		<u>\$ 85,000</u>	<u>657,000</u>

City of Glidden



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 25, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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

The management of the City of Glidden is responsible for establishing and maintaining effective 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Glidden's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

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 which are described in the accompanying Schedule of Findings.

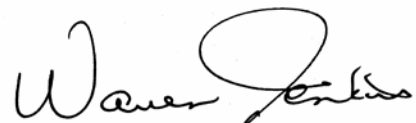
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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 the 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 and 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

October 25, 2012

City of Glidden

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure 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 on those of another.

For the Glidden Area Firefighters Association, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.
- (3) Cash – handling, reconciling and recording.

For the Friends of the Library, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.
- (3) Cash – handling, reconciling and recording.

Also, for the Friends of the Library, bank to book reconciliations are not performed.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Firefighters Association and the Friends of the Library should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, City staff and elected officials. Evidence of review of reconciliations should be indicated by the signature or initials of the independent reviewer and the date of the review.

Additionally, Friends of the Library should perform monthly bank to book reconciliations and evidence of independent review should be documented.

Response – The Firefighters Association and the Friends of the Library will review their control procedures to obtain maximum internal control by utilizing available staff and elected officials. A signature and date of review will be indicated for evidence of review. Also, the Friends of the Library will provide bank reconciliations.

Conclusion – Response accepted.

City of Glidden

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- (B) Glidden Area Firefighters Association Disbursements – Although determined to be for legitimate purposes, certain disbursements were not adequately supported (invoice with no identification) or were not supported at all. Certain Firefighter Association members signed checks although they were not authorized to sign checks. Also, certain checks were either not signed or the check did not clearly identify the payee.

Recommendation – All disbursements should be properly supported, checks should be signed by authorized members and information on checks should be complete.

Response – The Fire Department Association will provide supporting documentation for all disbursements. Checks will be signed by only authorized members on the bank signature card and information on all checks will be complete.

Conclusion – Response accepted.

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent account reconciliations were not reviewed by an independent person.

Recommendation – Procedures should be established to have an independent person or a Council member document a review of the reconciliation and monitor delinquent accounts each month.

Response – The City has procedures in place to independently review utility billing, collections and delinquencies. A signature and date of review will be indicated for evidence of review.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Glidden

Schedule of Findings

Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the business type activities function prior to the May 14, 2012 budget amendment. 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 before disbursements exceed the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purposes as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (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	\$ 526

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.

City of Glidden

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- (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 established a water revenue bond sinking account. However, monthly transfers are not made to this account.

Recommendation - The City should 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 make monthly transfers to the water sinking account for purposes of making the bond principal and interest payments.

Conclusion – Response accepted.

- (9) 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.

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.

Response – For better accountability, the City will include the Friends of the Library transaction activity in the City accounting records.

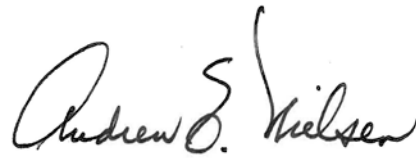
Conclusion – Response accepted.

City of Glidden

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Jenny R. Lawrence, Senior Auditor
Margaret Schlerman, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State