



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 30, 2004

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 has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$1,450,875 for the year ended June 30, 2004. The receipts included \$217,028 in property tax, \$15,363 from tax increment financing collections, \$783,166 from charges for service, \$337,401 from operating grants, contributions and restricted interest, \$24,981 from capital grants, contributions and restricted interest, \$31,285 from local option sales tax, \$11,610 from unrestricted interest on investments and \$30,041 from other general receipts.

Disbursements for the year totaled \$1,112,602, and included \$97,059 for public works, \$89,700 for culture and recreation and \$93,652 for debt service. Also, disbursements for business type activities totaled \$694,457.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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CITY OF GLIDDEN

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

JUNE 30, 2004

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City of Glidden

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Cynthia Kerkhoff	Mayor	Jan 2004
Tom Schroeder	Council Member	Jan 2004
Tony Ball	Council Member	Jan 2004
Virgil Lappe	Council Member	Jan 2004
Larry Littlefield	Council Member	Jan 2006
Deanne Arrowsmith	Council Member	Jan 2006
(After January 2004)		
Cynthia Kerkhoff	Mayor	Jan 2006
Tom Schroeder	Council Member	(Resigned)
Bob Linde (Appointed)	Council Member	Nov 2005
Deanne Arrowsmith	Council Member	Jan 2006
Larry Littlefield	Council Member	Jan 2006
Virgil Lappe	Council Member	Jan 2008
Tony Ball	Council Member	Jan 2008
Loren Lodge	Finance Director	Indefinite
Colleen McClue	Clerk	(Resigned)
Suzy Danner	Clerk	Indefinite
Raymond 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, 2004, 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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, 2003.

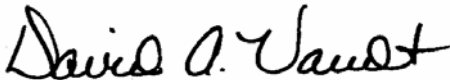
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2003, as discussed in the preceding paragraph, the financial statements referred to above present 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, 2004, 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.

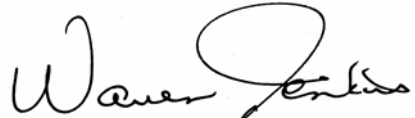
As described in Note 10, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2004 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed 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 3 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, 2003, 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

September 24, 2004

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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful, and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental funds increased by approximately \$475,000 due to a \$200,000 transfer to the Capital Projects Fund from the Enterprise, Electric Fund and donations of approximately \$205,000 credited to the Capital Projects Fund for the swimming pool project.
- The cash basis net assets for the City's business type activities decreased by approximately \$137,000 due to the \$200,000 transfer from the Enterprise, Electric Fund to the Capital Projects Fund.

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.

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, the reader 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 that 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 fees and related 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) 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 statement provides 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.

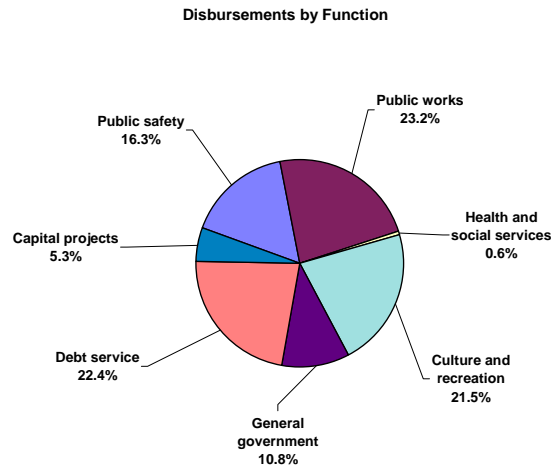
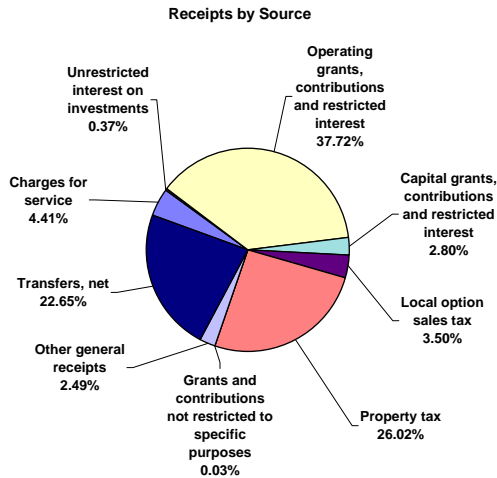
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the water, sewer, electric, garbage and meter deposit operations.

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 sharply from a year ago, increasing from \$426,580 to \$901,728. The analysis that follows focuses on the changes in cash balances for governmental activities.

Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2004
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 39,409
Operating grants, contributions and restricted interest	336,976
Capital grants, contributions and restricted interest	24,981
General receipts:	
Property tax	232,391
Local option sales tax	31,285
Grants and contributions not restricted to specific purposes	294
Unrestricted interest on investments	3,340
Other general receipts	22,247
Transfers, net	202,370
Total receipts and transfers	<u>893,293</u>
Disbursements:	
Public safety	68,286
Public works	97,059
Health and social services	2,330
Culture and recreation	89,700
General government	45,016
Debt service	93,652
Capital projects	22,102
Total disbursements	<u>418,145</u>
Increase in cash basis net assets	475,148
Cash basis net assets beginning of year	<u>426,580</u>
Cash basis net assets end of year	<u><u>\$ 901,728</u></u>



The increase in cash basis net assets is due to a \$200,000 transfer to the Capital Projects Fund from the Enterprise, Electric Fund and donations of approximately \$205,000 credited to the Capital Projects Fund for the swimming pool project.

<u>Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2004</u>
Receipts:	
Program receipts:	
Water	\$ 143,771
Sewer	67,723
Electric	451,811
Garbage	72,391
Meter Deposit	8,486
General receipts:	
Unrestricted interest on investment	8,270
Other general receipts	7,500
Total receipts	<u>759,952</u>
Disbursements and transfers:	
Water	129,996
Sewer	60,558
Electric	423,337
Garbage	76,837
Meter Deposit	3,699
Transfers	202,370
Total disbursements and transfers	<u>896,797</u>
Decrease in cash basis net assets	(136,845)
Cash basis net assets beginning of year	<u>723,686</u>
Cash basis net assets end of year	<u><u>\$ 586,841</u></u>

The total business type activities cash basis net assets decreased from a year ago, from \$723,686 to \$586,811. The decrease is due the transfer from the Enterprise, Electric Fund to the Capital Projects Fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Glidden completed the year, its governmental funds reported a combined fund balance of \$901,728, an increase of more than \$475,000 above last year's total of \$426,580. 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 \$66,272 over the prior year, to a year-end balance of \$218,212. This increase is attributable to a general reduction in expenses due to cut-backs in State aid that was anticipated by the Council. Also, the swimming pool did not operate during the summer of 2004 which saved the City some operating costs.
- The Road Use Tax Fund cash balance increased by \$21,550, to \$87,723 during the fiscal year. The annual street resurfacing work, with an estimated cost of \$34,000, was done after the fiscal year end and will be paid during the subsequent fiscal year.
- The Debt Service Fund cash balance decreased by \$16,387, to \$118,885 during the fiscal year. The yearly principal payment for the library improvement promissory note of \$10,000 was paid from funds on hand.
- The Capital Projects Fund cash balance increased by \$397,640, to a year-end balance \$415,968 at June 30, 2004. The City started fundraising for a new swimming pool and collected over \$200,000 in the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$12,744, to a year end balance of \$98,106. The City Council increased water rates late in the fiscal year which contributed to the increase in the year-end balance.
- The Sewer Fund cash balance increased by \$6,428, to a year end balance of \$81,317 with no significant changes.
- The Electric Fund cash balance decreased by \$157,440, to a year end balance of \$366,328. The decrease was due to the \$200,000 transfer to the Capital Projects Fund for the swimming pool project.
- The Garbage Fund cash balance decreased by \$3,394, to a year end balance of \$25,626. The City increased garbage rates during the year, but the landfill and garbage hauler rates also increased.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 10, 2004 and resulted in an overall decrease of \$80,000 in operating disbursements due to a \$250,000 reduction for an economic development project and a \$170,000 increase for the swimming pool.

DEBT ADMINISTRATION

At June 30, 2004, the City had \$360,000 in long-term debt, as shown below, compared to \$438,750 last year.

Outstanding Debt at Year-End	
	June 30, 2004
General obligation notes	\$ 300,000
Promissory note	60,000
Total	\$ 360,000

City debt payments in FY2004 reduced outstanding debt by \$78,750, without the re-issuance of any new debt.

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 \$360,000 is significantly below its constitutional debt limit of approximately \$900,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Formulation of the FY2005 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 FY2005 assessed value has declined \$772,644 from the FY2004 level. As a result, there are no new positions or services in the upcoming budget, though the City was able to retain all existing positions and services for FY2005.

Second, the City can no longer depend upon State intergovernmental revenue, as some 5.5% of the City's general revenues (\$14,000) were eliminated outright by the State during FY2004 (and no such funds were budgeted in FY2005).

The proposed FY2005 Budget contains total revenues of \$2,243,869 and expenditures of \$2,403,116. This \$2 million-plus budget contains a number of "one-time" components, including:

- Issuance and expenditure of a \$600,000 note to construct the Swimming Pool Project; and
- The first full year of local option sales tax collection and disbursement.

The proposed FY2005 levy is \$12.18314 per \$1,000 of assessed valuation; a reduction from \$12.23437 per \$1,000 in FY2004. Unfortunately, the City has maximized its General Fund levy limit of \$8.10, and will levy its Emergency Fund levy limit of \$0.27 in FY2005. The reduction in valuation results in a direct reduction in general revenue. Utilizing local option sales tax for debt service has resulted in a reduction of the debt service tax levy from \$2.04997 in FY2004 to \$1.37591 in FY2005.

These parameters were taken into account when adopting the budget for FY2005.

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, IA 51443.

City of Glidden

Basic Financial Statements

City of Glidden

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 68,286	-	16,888	20,997
Public works	97,059	-	104,359	-
Health and social services	2,330	-	-	-
Culture and recreation	89,700	37,913	12,285	-
General government	45,016	1,496	700	-
Debt service	93,652	-	-	-
Capital projects	22,102	-	202,744	3,984
Total governmental activities	418,145	39,409	336,976	24,981
Business type activities:				
Water	129,996	143,771	-	-
Sewer	60,588	67,723	-	-
Electric	423,337	451,811	-	-
Garbage	76,837	72,043	348	-
Meter deposit	3,699	8,409	77	-
Total business type activities	694,457	743,757	425	-
Total	\$ 1,112,602	783,166	337,401	24,981
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 purpose				
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:				
Streets				
Debt service				
Capital projects				
Fire department				
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
(30,401)	-	(30,401)
7,300	-	7,300
(2,330)	-	(2,330)
(39,502)	-	(39,502)
(42,820)	-	(42,820)
(93,652)	-	(93,652)
184,626	-	184,626
(16,779)	-	(16,779)
-	13,775	13,775
-	7,135	7,135
-	28,474	28,474
-	(4,446)	(4,446)
-	4,787	4,787
-	49,725	49,725
(16,779)	49,725	32,946
180,110	-	180,110
15,363	-	15,363
36,918	-	36,918
31,285	-	31,285
294	462	756
3,340	8,270	11,610
22,247	7,038	29,285
202,370	(202,370)	-
491,927	(186,600)	305,327
475,148	(136,875)	338,273
426,580	723,686	1,150,266
\$ 901,728	586,811	1,488,539
\$ 87,723	-	87,723
118,885	-	118,885
415,968	-	415,968
41,192	-	41,192
60,940	-	60,940
177,020	586,811	763,831
\$ 901,728	586,811	1,488,539

City of Glidden

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

As of and for the year ended June 30, 2004

	General	Special Revenue Road Use Tax
Receipts:		
Property tax	\$ 159,154	-
Tax increment financing collections	-	-
Other city tax	6,344	-
Licenses and permits	1,496	-
Use of money and property	8,065	-
Intergovernmental	40,087	104,359
Charges for service	14,602	-
Miscellaneous	33,258	-
Total receipts	<u>263,006</u>	<u>104,359</u>
Disbursements:		
Operating:		
Public safety	66,070	-
Public works	8,601	77,809
Health and social services	2,330	-
Culture and recreation	78,090	-
General government	40,930	-
Debt service	-	-
Capital projects	-	-
Total disbursements	<u>196,021</u>	<u>77,809</u>
Excess (deficiency) of receipts over (under) disbursements	<u>66,985</u>	<u>26,550</u>
Other financing sources (uses):		
Sale of capital assets	-	-
Operating transfers in	5,149	-
Operating transfers out	(5,862)	(5,000)
Total other financing sources (uses)	<u>(713)</u>	<u>(5,000)</u>
Net change in cash balances	66,272	21,550
Cash balances beginning of year	151,940	66,173
Cash balances end of year	<u>\$ 218,212</u>	<u>87,723</u>
Cash Basis Fund Balances		
Reserved:		
Debt service	\$ -	-
Fire department	41,192	-
Unreserved:		
General fund	177,020	-
Special revenue funds	-	87,723
Capital projects fund	-	-
Permanent fund	-	-
Total cash basis fund balances	<u>\$ 218,212</u>	<u>87,723</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
36,918	-	19,400	215,472
-	-	15,363	15,363
261	-	31,426	38,031
-	-	-	1,496
1,864	2,120	-	12,049
-	-	-	144,446
-	-	-	14,602
-	202,745	113	236,116
39,043	204,865	66,302	677,575
-	-	2,216	68,286
-	-	10,649	97,059
-	-	-	2,330
-	-	11,610	89,700
-	-	4,086	45,016
55,430	-	38,222	93,652
-	22,102	-	22,102
55,430	22,102	66,783	418,145
(16,387)	182,763	(481)	259,430
-	-	13,348	13,348
-	231,862	-	237,011
-	(16,985)	(6,794)	(34,641)
-	214,877	6,554	215,718
(16,387)	397,640	6,073	475,148
135,272	18,328	54,867	426,580
118,885	415,968	60,940	901,728
118,885	-	-	118,885
-	-	-	41,192
-	-	-	177,020
-	-	39,962	127,685
-	415,968	-	415,968
-	-	20,978	20,978
118,885	415,968	60,940	901,728

City of Glidden

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

As of and for the year ended June 30, 2004

	Water	Sewer
Operating receipts:		
Use of money and property	\$ -	-
Charges for service	142,476	67,723
Miscellaneous	1,295	-
Total operating receipts	143,771	67,723
Operating disbursements:		
Business type activities	129,996	60,588
Excess (deficiency) of operating receipts over (under) operating disbursements	13,775	7,135
Non-operating receipts:		
Interest on investments	1,184	755
Miscellaneous	785	538
Total non-operating receipts	1,969	1,293
Excess (deficiency) of receipts over (under) disbursements	15,744	8,428
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers out	(3,000)	(2,000)
Total other financing sources (uses)	(3,000)	(2,000)
Net change in cash balances	12,744	6,428
Cash balances beginning of year	85,362	74,889
Cash balances end of year	\$ 98,106	81,317
Cash Basis Fund Balances		
Unreserved	\$ 98,106	81,317

See notes to financial statements.

Enterprise Funds			
Electric	Garbage	Nonmajor Meter Deposit	Total
-	348	77	425
451,811	72,043	8,409	742,462
-	-	-	1,295
451,811	72,391	8,486	744,182
423,337	76,837	3,699	694,457
28,474	(4,446)	4,787	49,725
6,331	-	-	8,270
5,125	1,052	-	7,500
11,456	1,052	-	15,770
39,930	(3,394)	4,787	65,495
12,630	-	-	12,630
(210,000)	-	-	(215,000)
(197,370)	-	-	(202,370)
(157,440)	(3,394)	4,787	(136,875)
523,768	29,020	10,647	723,686
366,328	25,626	15,434	586,811
366,328	25,626	15,434	586,811

City of Glidden

City of Glidden

Notes to Financial Statements

June 30, 2004

(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 and electric 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 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 governmental funds are aggregated and reported as nonmajor governmental 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 Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt

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 Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

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

The Garbage Fund accounts for the operation of the City's system of solid waste removal.

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.

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, 2004, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

(2) Cash

The City's deposits in banks at June 30, 2004 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.

(3) Notes Payable

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

Year Ending June 30,	General Obligation Notes	
	Principal	Interest
2005	\$ 68,750	12,540
2006	63,750	10,148
2007	53,750	7,839
2008	53,750	5,774
2009	20,000	3,690
2010-2011	40,000	3,730
Total	\$ 300,000	43,721

The Code of Iowa requires principal and interest on general obligation notes to be paid from the Debt Service Fund. However, during the year, \$38,222 of general obligation note principal and interest was paid from the Special Revenue, Tax Increment Financing Fund.

During the 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, 2004, the balance of this note was \$60,000.

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2004 was \$8,992, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory 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 compensatory leave payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 12,000
Compensatory leave	<u>1,000</u>
Total	<u>\$ 13,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Community Development	\$ 390
	Capital Projects	4,355
	Permanent:	
	Cemetery Perpetual Care	404
		<u>5,149</u>
Capital Projects	General	5,862
	Special Revenue:	
	Road Use Tax	5,000
	Local Option Sales Tax	6,000
	Enterprise:	
	Water	3,000
	Sewer	2,000
	Electric	210,000
		<u>231,862</u>
Enterprise:		
Electric	Capital Projects	<u>12,630</u>
Total		<u>\$ 249,641</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 with over 490 members from 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 300 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 annual contributions to the Pool for the year ended June 30, 2004 were \$25,111.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also 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, 2004, 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 claim 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.

(8) Deficit Balance

The Special Revenue, Tax Increment Financing Fund had a deficit balance of \$9,510 at June 30, 2004. The deficit balance was a result of debt service paid prior to availability of funds. The deficit will be eliminated upon the sale of subdivision lots.

(9) Subsequent Events

In September 2004, the City entered into construction contracts totaling approximately \$1.3 million for a swimming pool project to be financed from the sale of \$600,000 of notes, with the balance coming from grants and donations.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

City of Glidden

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, 2004

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 215,472	-
Tax increment financing collections	15,363	-
Other city tax	38,031	-
Licenses and permits	1,496	-
Use of money and property	12,049	8,695
Intergovernmental	144,446	-
Charges for service	14,602	742,462
Miscellaneous	236,116	8,795
Total receipts	<u>677,575</u>	<u>759,952</u>
Disbursements:		
Public safety	68,286	-
Public works	97,059	-
Health and social services	2,330	-
Culture and recreation	89,700	-
Community and economic development	-	-
General government	45,016	-
Debt service	93,652	-
Capital projects	22,102	-
Business type activities	-	694,457
Total disbursements	<u>418,145</u>	<u>694,457</u>
Excess (deficiency) of receipts over (under) disbursements	259,430	65,495
Other financing sources, net	<u>215,718</u>	<u>(202,370)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	475,148	(136,875)
Balances beginning of year	<u>426,580</u>	<u>723,686</u>
Balances end of year	<u>\$ 901,728</u>	<u>586,811</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
215,472	215,935	215,935	(463)
15,363	28,399	28,399	(13,036)
38,031	1,656	1,656	36,375
1,496	1,255	1,255	241
20,744	46,562	46,562	(25,818)
144,446	142,120	172,120	(27,674)
757,064	736,665	736,665	20,399
244,911	4,000	174,000	70,911
<u>1,437,527</u>	<u>1,176,592</u>	<u>1,376,592</u>	<u>60,935</u>
68,286	49,955	49,955	(18,331)
97,059	128,575	128,575	31,516
2,330	5,625	5,625	3,295
89,700	120,875	120,875	31,175
-	253,000	3,000	3,000
45,016	67,900	67,900	22,884
93,652	89,684	89,684	(3,968)
22,102	28,000	198,000	175,898
694,457	1,023,670	1,023,670	329,213
<u>1,112,602</u>	<u>1,767,284</u>	<u>1,687,284</u>	<u>574,682</u>
324,925	(590,692)	(310,692)	635,617
<u>13,348</u>	<u>-</u>	<u>-</u>	<u>13,348</u>
338,273	(590,692)	(310,692)	648,965
<u>1,150,266</u>	<u>1,106,072</u>	<u>1,099,873</u>	<u>50,393</u>
<u>1,488,539</u>	<u>515,380</u>	<u>789,181</u>	<u>699,358</u>

City of Glidden

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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 ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Permanent Fund and Proprietary 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 decreased budgeted disbursements by \$80,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

Other Supplementary Information

City of Glidden

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

As of and for the year ended June 30, 2004

		Local Option Sales Tax	Special Tax Increment Financing
Receipts:			
Property tax	\$ 19,400	-	-
Tax increment financing collections	-	-	15,363
Other city tax	141	31,285	-
Miscellaneous	-	-	-
Total receipts	<u>19,541</u>	<u>31,285</u>	<u>15,363</u>
Disbursements:			
Operating:			
Public safety	2,216	-	-
Public works	10,649	-	-
Culture and recreation	11,454	-	-
General government	4,086	-	-
Debt service	-	-	38,222
Total disbursements	<u>28,405</u>	<u>-</u>	<u>38,222</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(8,864)</u>	<u>31,285</u>	<u>(22,859)</u>
Other financing sources (uses):			
Sale of capital assets	-	-	13,348
Operating transfers out	-	(6,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(6,000)</u>	<u>13,348</u>
Net change in cash balances	(8,864)	25,285	(9,511)
Cash balances beginning of year	<u>33,051</u>	<u>-</u>	<u>1</u>
Cash balances end of year	<u>\$ 24,187</u>	<u>25,285</u>	<u>(9,510)</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 24,187	25,285	(9,510)
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 24,187</u>	<u>25,285</u>	<u>(9,510)</u>

See accompanying independent auditor's report.

Revenue	Permanent	
Community Development	Cemetery Perpetual Care	Total
-	-	19,400
-	-	15,363
-	-	31,426
-	113	113
-	113	66,302
<hr/>		
-	-	2,216
-	-	10,649
156	-	11,610
-	-	4,086
-	-	38,222
156	-	66,783
<hr/>		
(156)	113	(481)
<hr/>		
-	-	13,348
(390)	(404)	(6,794)
(390)	-	6,554
<hr/>		
(546)	(291)	6,073
546	21,269	54,867
<hr/>		
-	20,978	60,940
<hr/>		
-	-	39,962
-	20,978	20,978
<hr/>		
-	20,978	60,940
<hr/>		

City of Glidden
 Schedule of Indebtedness
 Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Corporate purpose	Jun 17, 1991	2.65%	\$ 220,000
Storm sewer	Feb 1, 1996	5.50-6.25	300,000
Corporate purpose	Mar 5, 1998	2.65	270,000
Total			
Promissory note:			
Library improvement	Apr 1, 2000	0.00%	\$ 100,000

See accompanying independent auditor's report.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
40,000	15,000	25,000	1,060
160,000	20,000	140,000	9,370
168,750	33,750	135,000	4,472
<u>\$ 368,750</u>	<u>68,750</u>	<u>300,000</u>	<u>14,902</u>
<u>70,000</u>	<u>10,000</u>	<u>60,000</u>	<u>-</u>

Schedule 3

City of Glidden

Note Maturities

June 30, 2004

General Obligation Notes							
Year Ending June 30,	Corporate Purpose Issued Jun 17, 1991		Storm Sewer Issued Feb 1, 1996		Corporate Purpose Issued Mar 5, 1998		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2005	2.65%	\$ 15,000	5.50%	\$ 20,000	2.65%	\$ 33,750	\$ 68,750
2006	2.65	10,000	5.75	20,000	2.65	33,750	63,750
2007		-	5.85	20,000	2.65	33,750	53,750
2008		-	5.95	20,000	2.65	33,750	53,750
2009		-	6.05	20,000		-	20,000
2010		-	6.15	20,000		-	20,000
2011		-	6.25	20,000		-	20,000
Total		<u>\$ 25,000</u>		<u>\$ 140,000</u>		<u>\$ 135,000</u>	<u>\$ 300,000</u>

See accompanying independent auditor's report.



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 Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Glidden, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 24, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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, 2004 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. Prior audit statutory comments have been resolved except for item (9).


Internal Control Over Financial Reporting

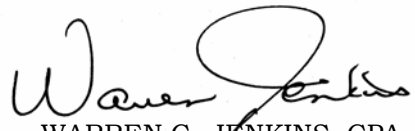
In planning and performing our audit, we considered the City of Glidden's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Glidden's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior audit reportable conditions have been resolved except for item (A).

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

September 24, 2004

City of Glidden
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (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 of those of another. One person has control over each of the following areas:

- (1) Cash – handling petty cash, reconciling and depositing.
- (2) Receipts – receiving, recording and custody.
- (3) Utility billing – billing, collecting, depositing, posting to customer accounts and reconciliation of billings to collections and delinquents.

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 utilizing currently available personnel.

Response – We will review this and make changes to include documented reviews.

Conclusion – Response accepted.

- (B) Disbursements – On June 28, 2004 the City issued a check for \$34,000 for a partial payment of street resurfacing, then held it until the work was completed in the fall of 2004. The Special Revenue, Road Use Tax Fund balance was adjusted to add back this payment to the June 30, 2004 balance.

Recommendation – Checks should only be issued for claims which have already been incurred and an invoice is on file for approval by the Council.

Response – We will not write and hold checks in the future.

Conclusion – Response accepted.

- (C) 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

City of Glidden

Schedule of Findings

Year ended June 30, 2004

compliance with applicable laws and regulations. The following weaknesses in the City's computer-based systems were noted:

The City does not have written policies for:

- Requiring password changes every 60 to 90 days or to maintain password privacy and confidentiality.
- An internet policy.
- A policy prohibiting installation of non-licensed software.
- An anti-virus policy.
- A disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over computer based systems.

Response – We will establish policies for all of these recommendations.

Conclusion – Response accepted.

- (D) Separately Maintained Records – The Fire Department maintains separate accounting records for its operation. 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 that 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 – We will require the Fire Department to submit financial reports.

Conclusion – Response accepted.

- (E) Timesheets – We noted one City employee did not submit timesheets. Also, one employee used sick leave which had not been earned.

Recommendation – All City employees should submit timesheets as required by the City personnel policy. Sick pay should not be allowed if sick time has not been earned.

Response – We are currently working on an employment contract which will clear this up.

Conclusion – Response accepted.

City of Glidden

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the public safety and debt service functions. Chapter 384.20 of the Code of Iowa states in part that 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 – We will amend the budget in sufficient amounts in the future.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Bob Linde, Council Member, owner of Linde Equipment Co.	Repair	\$ 1,136

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 was less than \$2,500 during the fiscal year.

- (6) 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 insure the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not published within fifteen days of the meeting as required by Chapter 372.13(6) of the Code of Iowa.

City of Glidden

Schedule of Findings

Year ended June 30, 2004

Recommendation – The Council should comply with Chapter 372.13(6) of the Code of Iowa and publish minutes as required.

Response – We will make sure the minutes are published as required.

Conclusion – Response accepted.

- (8) 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.

- (9) Financial Condition – At June 30, 2004, the City had a deficit balance of \$9,510 in the Special Revenue, Tax Increment Financing Fund.

Recommendation – The City should evaluate the reason for this deficit and investigate alternatives to eliminate this deficit in order to return this account to a sound financial position.

Response – We anticipated the sale of subdivision lots in fiscal year 2004 that did not occur until fiscal year 2005. Currently, this account has a positive balance.

Conclusion – Response accepted.

- (10) Swimming Pool – In July 2003, the City Council established certain operating procedures for the swimming pool project, as follows:

“A motion was made to confirm that invoices must be submitted for payment for the advertising, meetings and planning for the pool project, not to exceed \$5,000 and, in accordance with Iowa Code 384.20, all donations and grant monies will be submitted in their original form to the City for receipt into the passbook savings account set up at the First Bank & Trust in Glidden. No one, other than City staff, will be authorized to withdraw or deposit funds into this account.”

In November 2003, a fundraiser was held and the receipts and expenditures were not accounted for through the City's account as required by the Council's procedures established in July 2003.

It is unclear whether the Pool Committee was an official committee of the City prior to Council Resolution number 2003-27, dated November 24, 2003. This resolution was subsequently repealed in December 2003 and replaced with Ordinance number 2003-05 creating a swimming pool board.

Recommendation – In the future, the City should ensure compliance with Chapter 384.20 of the Code of Iowa.

Response – As soon as the situation was discovered, the City took action to ensure compliance with State Code of Iowa. The account opened by the Committee was closed and all money was accounted for and remitted to the City for deposit into the passbook savings account established for this purpose.

Conclusion – Response accepted.

City of Glidden

Schedule of Findings

Year ended June 30, 2004

- (11) 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 notes, 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 – All general obligation notes will be paid from the Debt Service Fund. We will transfer the portion to be paid from Special Revenue, Tax Increment Financing Fund to the Debt Service Fund when due.

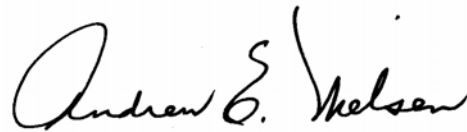
Conclusion – Response accepted.

City of Glidden

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Paul F. Kearney, CGFM, Senior Auditor
Michael J. Gentry, Jr., 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