DRAPER, SNODGRASS, MIKKELSEN & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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CRESTON, IOWA 50801

NEWS RELEASE

FOR IMMEDIATE RELEASE

Draper, Snodgrass, Mikkelsen & Co., P.C. today released an audit report on the City of Stuart, Iowa – Municipal Utilities.

The Utility's receipts totaled $1,808,427 for the year ended June 30, 2003. The receipts included $70,541 in interest on investments. The Utility also received note proceeds of $11,425 that are reported as other financing sources.

Disbursements for the year totaled $1,982,526 for business type function.

The report contains recommendations to the Utility Trustees and other Utility officials.

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

RECEIVED
FEB 23

STUART MUNICIPAL UTILITIES

INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
COMMENTS AND RECOMMENDATIONS

Year Ended June 30, 2003

STUART MUNICIPAL UTILITIES

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STUART MUNICIPAL UTILITIES

OFFICIALS

NAME	TITLE	TERM EXPIRES
Wallace Waddell	Chairman, Board of Trustees	January 1, 2007
Tom McFarland	Member, Board of Trustees	January 1, 2008
Steve Gilman	Member, Board of Trustees	January 1, 2005
Doug Christensen	Superintendent	
Ashraf Ashour	City Administrator	
Pat Cooper	Deputy Clerk	
Robert Feilmeyer	Utility Attorney	

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CRESTON, IOWA 50801

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Stuart Municipal Utilities
Stuart, Iowa

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Stuart Municipal Utilities, as of and for the year ended June 30, 2003. These financial statements are the responsibility of Utilities' officials. Our responsibility is to express an opinion 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 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 that our audit provides a reasonable basis for our opinion.

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.

As discussed in Note 9 to the financial statements, the Stuart Municipal Utilities, intends to implement 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; and Statement No. 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the Utilities' financial statements and related notes in the year of implementation. The revised requirements will include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the Utilities' financial activities in the Management's Discussion and Analysis introduction to the basic financial statements. However, the Utility has elected to continue using the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, based on our audit, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the Stuart Municipal Utilities as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2004, on our consideration of the Stuart Municipal Utilities' 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.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplemental information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial standards. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

Draper, Snodgrass McMahon & Co, P.C.

January 9, 2004

FINANCIAL STATEMENTS

STUART MUNICIPAL UTILITIES
COMBINED STATEMENT OF CASH TRANSACTIONS
Year Ended June 30, 2003

Exhibit A

	Enterprise Fund
RECEIPTS:	
Use of money and property	$ 70,541
Charges for service	1,608,816
Miscellaneous	129,070
Total receipts	$ 1,808,427
DISBURSEMENTS:	
Business type activities:	
Electric	$ 1,523,977
Water	458,549
Total disbursements	$ 1,982,526
DEFICIENCY OF RECEIPTS UNDER DISBURSEMENTS	$ (174,099)
OTHER FINANCING SOURCES:	
Loan proceeds	11,425
DEFICIENCY OF RECEIPTS AND OTHER FINANCING SOURCES UNDER DISBURSEMENTS	$ (162,674)
BALANCE, beginning of year	2,129,465
BALANCE, end of year	$ 1,966,791

The accompanying notes are an integral part of these financial statements.

STUART MUNICIPAL UTILITIES
COMPARISON OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - ACTUAL TO BUDGET
Year Ended June 30, 2003

Exhibit B

	Actual	Less Funds not Required to be Budgeted
RECEIPTS:		
Use of money and property	$ 70,541	$ -
Charges for services	1,608,816	-
Miscellaneous	129,070	-
Total receipts	$ 1,808,427	$ -
DISBURSEMENTS:		
Business type activities:		
Electric	$ 1,523,977	$ -
Water	458,549	-
Total disbursements	$ 1,982,526	$ -
DEFICIENCY OF RECEIPTS UNDER DISBURSEMENTS	$ (174,099)	$ -
OTHER FINANCING SOURCES:		
Loan proceeds	11,425	-
DEFICIENCY OF RECEIPTS AND OTHER FINANCING SOURCES UNDER DISBURSEMENTS	$ (162,674)	$ -
BALANCE, beginning of year	2,129,465	-
BALANCE, end of year	$ 1,966,791	$ -

The accompanying notes are an integral part of these financial statements.

Net	Budget	Variance Favorable (Unfavorable)
$ 70,541	$ -	$ 70,541
1,608,816	1,729,928	(121,112)
129,070	-	129,070
$ 1,808,427	$ 1,729,928	$ 78,499
$ 1,523,977	$ 1,755,996	$ 232,019
458,549	453,963	(4,586)
$ 1,982,526	$ 2,209,959	$ 227,433
$ (174,099)	$ (480,031)	$ 305,932
11,425	-	11,425
$ (162,674)	$ (480,031)	$ 317,357
2,129,465		
$ 1,966,791		

STUART MUNICIPAL UTILITIES
STATEMENT OF INDEBTEDNESS
Year Ended June 30, 2003

Exhibit C

OBLIGATION	Date of Issue	Interest Rate	Amount Originally Issued
Electric Revenue Capital Loan Notes	3-1-2000	5.15-6.15	$1,700,000
Water Revenue Capital Loan Notes	5-1-2001	4.10-5.40	$1,830,000
Equipment Loan	2-7-2001	6.00	$ 69,740
Equipment Loan	8-15-2002	4.50	$ 11,425

The accompanying notes are an integral part of these financial statements.

Balance Beginning Of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
$1,545,000	$ -	$ 85,000	$ 1,460,000	$ 89,435	$ -
$1,775,000	$ -	$ 60,000	$ 1,715,000	$ 89,993	$ -
$ 41,346	$ -	$ 24,032	$ 17,314	$ 1,838	$ -
$ -	$ 11,425	$ 3,800	$ 7,625	$ 196	$ -

STUART MUNICIPAL UTILIITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Note 1. Significant Accounting Policies

The Stuart Municipal Utilities is a governmental subdivision of the State of Iowa located in Adair and Guthrie Counties. The Utilities Board of Trustees is appointed by the Mayor of Stuart and approved by the Stuart City Council.

Reporting Entity:

The financial statements include all funds of the Stuart Municipal Utilities. The Utilities 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 Utilities are such that exclusion would cause the Utilities' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utilities 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 Utilities.

The Stuart Municipal Utilities is a component unit of the City of Stuart, Iowa.

Fund Accounting:

The accounts of the Utilities are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balance. The funds are classified as follows in the financial statements:

Enterprise Fund - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Basis of Accounting:

The Utilities maintains its financial records on the cash basis and the financial statements of the Utilities 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 the financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

STUART MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Note 1. Significant Accounting Policies

Budgets and Budgetary Accounting:

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

The Utilities' budget is submitted with the City of Stuart's budget. Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These 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. The utilities budget is included in the business type activities.

Cash and Time Deposits:

The Utilities pools cash resources of most funds in a combined bank account to facilitate the management of cash. The Utilities makes disbursements and investments from the combined cash account. Time deposits are stated at cost which approximates market. All interest earned on the combined cash account is credited to the operating fund.

Note 2. Deposits and Investments

The Utilities' deposits at June 30, 2003, were entirely covered by Federal Depository Insurance, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

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

Note 2. Deposits and Investments (continued)

The Utilities' investments are categorized to give an indication of the level of risk assumed by the Utilities at year-end. The Utilities' investment at June 30, 2003, consisted of Certificates of Deposits and are not subject to risk categorization.

Note 3. Pension and Retirement Benefits

The Utility 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 salary and the Utility is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Utilities' contribution to IPERS for the years ended June 30, 2003, 2002, and 2001 were $14,413, $13,217, and $14,020 respectively, equal to the required contributions for each year.

Note 4. Capital Loan Notes and Other Debt Payable

Annual debt service requirements to maturity for capital loan notes and other debt payable are as follows:

Year Ending June 30,	Principal		
	Capital Loan Notes	Other Debt	Total
2004	$ 155,000	$ 21,114	$ 176,114
2005	155,000	3,825	158,825
2006	170,000	—	170,000
2007	180,000	—	180,000
2008	185,000	—	185,000
2009	195,000	—	195,000
2010	205,000	—	205,000
2011	220,000	—	220,000

Note 4. Capital Loan Notes and Other Debt Payable (continued)

Year Ending June 30,	Principal: Capital Loan Notes	Principal: Other Debt	Principal: Total
2012	$ 230,000	$ —	$ 230,000
2013	245,000	—	245,000
2014	260,000	—	260,000
2015	275,000	—	275,000
2016	700,000	—	700,000
	$3,175,000	$ 24,939	$3,199,939

Year Ending June 30,	Interest: Capital Loan Notes	Interest: Other Debt	Interest: Total
2003	$ 172,361	$ 750	$ 173,111
2005	164,660	173	164,833
2006	156,851	—	156,851
2007	148,150	—	148,150
2008	138,821	—	138,821
2009	129,080	—	129,080
2010	118,685	—	118,685
2011	107,559	—	107,559
2012	95,455	—	95,455
2013	82,374	—	82,374
2014	68,745	—	68,745
2015	53,777	—	53,777
2016	37,800	—	37,800
	$1,474,318	$ 923	$1,475,241

Note 4. Capital Loan Notes and Other Debt Payable (continued)

The resolutions providing for the issuance of the capital loan notes – Water Revenue and Electric Revenue include the following provisions.

a. The notes will only be redeemed from the future net earnings of the municipal water utility and the noteholders hold a lien on the future earnings of the funds.

b. Sufficient monthly transfers shall be made to a separate Sinking Fund for the purpose of making the note principal and interest payments when due.

c. Additional monthly transfers shall be made to a Reserve Fund until a specific minimum balance has been accumulated. This fund shall be used solely for paying principal and interest when the sinking fund balance is insufficient.

d. A separate Improvement Fund for Water Revenue shall be established requiring monthly deposits until a minimum of $15,000 is accumulated. This fund is restricted for the purpose of paying for extraordinary maintenance and repairs and capital improvements to the system or for note and interest payments which the other funds might be unable to make.

Note 5. Compensated Absences

Utility employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Utility until used or paid. The Utilities' approximate liability for earned vacation payments payable to employees at June 30, 2003, is as follows:

Type of Benefit	Amount
Vacation	$10,971

This liability has been computed based on rates of pay as of June 30, 2003. Sick leave is payable when used. The Utility allows employees to carry over a limited number of unused sick leave hours for subsequent use but does not pay employees for unused hours held upon separation from service.

Note 6. Contingency

In January, 1993, the Utilities received notice from the Iowa Department of Economic Development of disallowance of CDBG grant funds totaling $86,531. The Utilities subsequently requested forgiveness of the disallowance. A final decision is pending.

Note 7. Risk Management

Stuart Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks did not exceed commercial insurance coverage in the past three fiscal years.

Note 8. Subsequent Events

In September 2003, the Utility Board approved the purchase of a new boring machine at a cost of $53,500.

In October 2003, the Utility Board approved the issuance of electric capital loan notes not to exceed $385,000 in conjunction with the wind turbine project.

In December 2003, the Utility Board approved the purchase of property at a cost of $35,000 for the purpose of locating the wind turbine.

Note 9. Prospective Accounting Change

The Governmental Accounting Standards Board has issued 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; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the Utilities' financial activities. However, the Utility has elected to continue using the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

SUPPLEMENTAL INFORMATION

STUART MUNICIPAL UTILITIES
COMBINING SCHEDULE OF CASH TRANSACTIONS
ENTERPRISE FUNDS - ELECTRIC AND WATER
Year Ended June 30, 2003

Schedule 1

	Electric	Water	Water Revenue Bond Sinking
RECEIPTS:			
Uses of money and property:			
Interest on investments	$ 53,211	$ 12,200	$ -
Charges for services:			
Sale of electricity	$ 1,205,763	$ -	$ -
Sale of water	-	397,148	-
Connection fees	3,345	2,560	-
	$ 1,209,108	$ 399,708	$ -
Miscellaneous:			
Miscellaneous	$ 44,148	$ 4,162	$ -
Total receipts	$ 1,306,467	$ 416,070	$ -
DISBURSEMENTS:			
Electric:			
Personal services	$ 216,966	$ -	$ -
Services and commodities	1,002,356	-	-
Capital outlay	14,638	-	-
Debt service:			
Principal redemption	109,032	-	-
Interest	91,497	-	-
	$ 1,434,489	$ -	$ -
Water:			
Personal services	$ -	$ 125,958	$ -
Services and commodities	-	164,142	150
Capital outlay	-	14,160	-
Debt service:			
Principal redemption	-	3,800	60,000
Interest	-	196	90,143
	$ -	$ 308,256	$ 150,293
Total disbursements	$ 1,434,489	$ 308,256	$ 150,293

See accompanying Independent Auditors' Report

Water Principal and Interest Reserve	Water Bond Refunding	Total
$ 2,234	$ 131	$ 67,776
$ -	$ -	$1,205,763
-	-	397,148
-	-	5,905
$ -	$ -	$1,608,816
$ -	$ -	$ 48,310
$ 2,234	$ 131	$1,724,902
$ -	$ -	$ 216,966
-	-	1,002,356
-	-	14,638
-	-	109,032
-	-	91,497
$ -	$ -	$1,434,489
$ -	$ -	$ 125,958
-	-	164,292
-	-	14,160
-	-	63,800
-	-	90,339
$ -	$ -	$ 458,549
$ -	$ -	$1,893,038

STUART MUNICIPAL UTILITIES
COMBINING SCHEDULE OF CASH TRANSACTIONS
ENTERPRISE FUNDS - TOTAL
Year Ended June 30, 2003

Schedule 1
(continued)

	Electric	Water	Water Revenue Bond Sinking
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	$ (128,022)	$ 107,814	$ (150,293)
OTHER FINANCING SOURCES (USES):			
Operating transfers in (out):			
Loan proceeds	$ -	$ 11,425	$ -
Utility insurance deductible	211,596	-	-
Water	-	(145,000)	145,000
Total other financing sources (uses)	$ 211,596	$ (133,575)	$ 145,000
EXCESS (DEFICIENCY) OF RECIEPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	$ 83,574	$ (25,761)	$ (5,293)
Balance, beginning of year	1,407,079	42,977	15,703
Balance, end of year	$ 1,490,653	$ 17,216	$ 10,410

See accompanying Independent Auditors' Report.

Water Principal and Interest Reserve	Water Bond Refunding	Total
$ 2,234	$ 131	$ (168,136)
$ -	$ -	$ 11,425
-	-	211,596
-	-	-
$ -	$ -	$ 223,021
$ 2,234	$ 131	$ 54,885
359,899	8,946	1,834,604
$ 362,133	$ 9,077	$1,889,489

STUART MUNICIPAL UTILITIES
COMBINING SCHEDULE OF CASH TRANSACTIONS
ENTERPRISE FUNDS - OTHERS
Year Ended June 30, 2003

Schedule 2

	Sales Tax	Equipment Capital Improvement
RECEIPTS:		
Uses of money and property:		
Interest on investments	$ -	$ -
Miscellaneous:		
Sales tax collections	$ 63,823	$ -
Returned checks reimbursed	-	-
Customer deposits	-	-
	$ 63,823	$ -
Total receipts	$ 63,823	$ -
DISBURSEMENTS:		
Sales tax payments	$ 68,287	$ -
Returned checks	-	-
Customer refunds	-	-
Total disbursements	$ 68,287	$ -
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	$ (4,464)	$ -
OTHER FINANCING SOURCES (USES):		
Operating transfers in (out):		
Electric	$ -	$ -
Total other financing sources (uses)	$ -	$ -
EXCESS (DEFICIENCY) OF RECIEPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	$ (4,464)	$ -
Balance, beginning of year	2,492	12,010
Balance, end of year	$ (1,972)	$ 12,010

See accompanying Independent Auditors' Report.

Utility Insurance Deductible	Utility Self-Insurance	Insufficient Funds	Utility Deposits	Total
$ 2,517	$ 248	$ -	$ -	$ 2,765
$ -	$ -	$ -	$ -	$ 63,823
-	-	2,712	-	2,712
-	-	-	14,225	14,225
$ -	$ -	$ 2,712	$ 14,225	$ 80,760
$ 2,517	$ 248	$ 2,712	$ 14,225	$ 83,525
$ -	$ -	$ -	$ -	$ 68,287
-	-	2,352	-	2,352
-	-	-	18,849	18,849
$ -	$ -	$ 2,352	$ 18,849	$ 89,488
$ 2,517	$ 248	$ 360	$ (4,624)	$ (5,963)
$(211,596)	$ -	$ -	$ -	$ (211,596)
$(211,596)	$ -	$ -	$ -	$ (211,596)
$(209,079)	$ 248	$ 360	$ (4,624)	$ (217,559)
228,259	18,021	2,750	31,329	294,861
$ 19,180	$ 18,269	$ 3,110	$ 26,705	$ 77,302

STUART MUNICIPAL UTILITIES
COMBINING SCHEDULE OF CASH TRANSACTIONS
ENTERPRISE FUNDS - TOTAL
Year Ended June 30, 2003

Schedule 3

	Electric and Water	Other	Total
RECEIPTS:			
Use of money and property:			
Interest on investments	$ 67,776	$ 2,765	$ 70,541
Charges for services:			
Sale of electricity	$ 1,205,763	$ -	$1,205,763
Sale of water	397,148	-	397,148
Connection fees	5,905	-	5,905
	$ 1,608,816	$ -	$1,608,816
Miscellaneous:			
Sales tax collections	$ -	$ 63,823	$ 63,823
Returned checks	-	2,712	2,712
Customer deposits	-	14,225	14,225
Miscellaneous	48,310	-	48,310
	$ 48,310	$ 80,760	$ 129,070
Total receipts	$ 1,724,902	$ 83,525	$1,808,427
DISBURSEMENTS:			
Electric:			
Personal services	$ 216,966	$ -	$ 216,966
Services and commodities	1,002,356	89,488	1,091,844
Capital outlay	14,638	-	14,638
Debt service:			
Principal redemption	109,032	-	109,032
Interest	91,497	-	91,497
	$ 1,434,489	$ 89,488	$1,523,977
Water:			
Personal services	$ 125,958	$ -	$ 125,958
Services and commodities	164,292	-	164,292
Capital outlay	14,160	-	14,160
Debt service:			
Principal redemption	63,800	-	63,800
Interest	90,339	-	90,339
	$ 458,549	$ -	$ 458,549
Total disbursements	$ 1,893,038	$ 89,488	$1,982,526

See accompanying Independent Auditors' Report

STUART MUNICIPAL UTILITIES
COMBINING SCHEDULE OF CASH TRANSACTIONS
ENTERPRISE FUNDS - TOTAL
Year Ended June 30, 2003

Schedule 3
(continued)

	Electric and Water	Other	Total
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	$ (168,136)	$ (5,963)	$ (174,099)
OTHER FINANCING SOURCES (USES):			
Operating transfers in (out):			
Loan proceeds	$ 11,425	$ -	$ 11,425
Utility insurance deductible	211,596	(211,596)	-
Water	-	-	-
Total other financing sources (uses)	$ 223,021	$ (211,596)	$ 11,425
EXCESS (DEFICIENCY) OF RECIEPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	$ 54,885	$ (217,559)	$ (162,674)
Balance, beginning of year	1,834,604	294,861	2,129,465
Balance, end of year	$ 1,889,489	$ 77,302	$1,966,791

See accompanying Independent Auditors' Report.

STUART MUNICIPAL UTILITIES
NOTE MATURITIES
Year Ended June 30, 2003

Schedule 4

Year Ending June 30,	CAPITAL LOAN NOTES				
	Electric Revenue Issued March 1, 2000		Water Revenue Issued May 1, 2001		Total Capital Loan Notes
	Interest Rates	Amount	Interest Rates	Amount	
2004	5.45%	$ 90,000	4.30%	$ 65,000	$ 155,000
2005	5.50%	90,000	4.40%	65,000	155,000
2006	5.55%	100,000	4.50%	70,000	170,000
2007	5.60%	105,000	4.60%	75,000	180,000
2008	5.65%	110,000	4.70%	75,000	185,000
2009	5.70%	115,000	4.80%	80,000	195,000
2010	5.80%	120,000	4.90%	85,000	205,000
2011	5.85%	130,000	5.00%	90,000	220,000
2012	5.90%	135,000	5.10%	95,000	230,000
2013	6.00%	145,000	5.20%	100,000	245,000
2014	6.10%	155,000	5.25%	105,000	260,000
2015	6.15%	165,000	5.30%	110,000	275,000
2016		-	5.40%	700,000	700,000
		$1,460,000		$1,715,000	$3,175,000

Year Ending June 30,	Other Debt				
	Equipment Loan		Equipment Loan		Total Other Debt
	Interest Rates	Amount	Interest Rates	Amount	
2004	6.00%	$ 17,314	4.50%	$ 3,800	$ 21,114
2005		-	4.50%	3,825	3,825
		$ 17,314		$ 7,625	$ 24,939

See accompanying Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Trustees
Stuart Municipal Utilities
Stuart, Iowa

We have audited the financial statements of Stuart Municipal Utilities as of and for the year ended June 30, 2003, and have issued our report thereon dated January 9, 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 Stuart Municipal Utilities financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2003, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Stuart Municipal Utilities' 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 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 Stuart Municipal Utilities' 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, we believe none of the reportable conditions described in the schedule of findings is a material weakness.

This report is intended for the information of the Stuart Municipal Utilities federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Stuart Municipal Utilities 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.

Oneyer, Sandgrove, Middleton & Co., P.C.

January 9, 2004

STUART MUNICIPAL UTILITIES
SCHEDULE OF FINDINGS
Year Ended June 30, 2003

REPORTABLE CONDITIONS:

2003-A Segregation of Duties – One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

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

Response – We will consider this.

Conclusion – Response acknowledged. Stuart Municipal Utilities should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

OTHER FINDINGS RELATED TO STATUTORY REPORTING:

2003-1 Official Depositories – A resolution naming official depositories has been approved by the Stuart Municipal Utilities. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.

2003-2 Certified Budget – Disbursements during the year ended June 30, 2003, did not exceed the amounts budgeted in the Business Type Activities Function.

2003-3 Questionable Disbursements – We noted no disbursements that would not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

2003-4 Travel Expense – No disbursements of the Stuart Municipal Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.

2003-5 Business Transactions – No business transactions between the Stuart Municipal Utilities and Utilities' officials or employees were noted.

STUART MUNICIPAL UTILITIES
SCHEDULE OF FINDINGS
Year Ended June 30, 2003

2003-6 Bond Coverage – Surety bond coverage of Stuart Municipal Utilities officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

2003-7 Trustee Minutes – No transactions were found that we believe should have been approved in the Trustee minutes but were not.

2003-8 Revenue Bonds – The Utilities has complied with the provisions of the revenue bond indentures.

2003-9 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and Stuart Municipal Utilities' investment policy were noted.

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