

# **OGDEN MUNICIPAL UTILITIES**

**Independent Auditors' Report  
Financial Statements and  
Supplemental Information  
Schedule of Findings**

**June 30, 2005**

# OGDEN MUNICIPAL UTILITIES

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	4 – 5
Management's Discussion and Analysis	6 – 9
Basic Financial Statements:	
	<u>Exhibit</u>
Government Wide Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A 11
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 12
Notes to the Financial Statements	13 – 17
Required Supplementary Information:	
Budgetary Comparison Schedules of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis)	19
Notes to Required Supplementary Information – Budgetary Reporting	20
Other Supplementary Information:	
Schedule of Indebtedness	<u>Schedule</u> 1 22
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	23 – 24
Schedule of Findings	25 – 26

## OGDEN MUNICIPAL UTILITIES

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Darrell Heck	Chairman	January 1, 2010
Donna Sloan	Trustee	January 1, 2006
Richard Smith	Trustee	January 1, 2008
Daniel Wilson	Superintendent	Indefinite
Kathy Wallace	Utility Clerk	Indefinite
Linda Sunstrom	Utility Clerk	Indefinite

**PETERSON & HOUSTON, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

724 Story Street, Suite 601

Boone, IA 50036-2871

Gerald E. Peterson, CPA  
Kevin N. Houston, CPA

Telephone  
(515) 432-1176  
Fax Number  
(515) 432-1186

Independent Auditors' Report

Board of Trustees  
Ogden Municipal Utilities  
Ogden, IA 50212

We have audited the accompanying financial statements of the business type activities, each major fund, and the aggregate remaining fund information of the Ogden Municipal Utilities, a component unit of the City of Ogden, as of and for the year ended June 30, 2005, which collectively comprise the Utilities' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Utilities' officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to the 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 discussed in Note 1, the financial statements of the Ogden Municipal Utilities are intended to present only the results of the transactions of that portion of the financial reporting entity of the City of Ogden that is attributable to the transactions of the Utilities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, each major fund, and the aggregate remaining fund information of the Ogden Municipal Utilities as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2005 on our consideration of the Ogden Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 9 and on pages 19 through 20 are not required parts of the basic financial statement, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Ogden Municipal Utilities. The supplemental information included in Schedule 1 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 audits of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Peterson & Houston PC".

Peterson & Houston PC  
Boone, Iowa

November 11, 2005

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

Ogden Municipal Utilities 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, 2005. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- Charges for service receipts in the Utilities' Electric Department increased approximately 10%, or approximately \$113,515 from fiscal 2004 to fiscal 2005. Charges for service receipts in the Utilities' Water Department increased approximately 16% or approximately \$36,630 from fiscal 2004 to fiscal 2005.
- Disbursements in the Electric Department increased approximately 27%, or approximately \$307,700 in fiscal 2005 from fiscal 2004. Disbursements in the Water Department increased approximately 7% or \$17,400 in fiscal 2005.
- The Utilities' total cash basis net assets decreased approximately 4%, or approximately \$40,200 from June 30, 2004 to June 30, 2005.

### **USING THIS ANNUAL REPORT**

The Utilities have elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Utilities' cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. 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.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Utilities cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Utilities' financial statements. The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets provides information about the activities of Ogden Municipal Utilities as a whole and presents an overall view of the Utilities' finances.

The Statement of Cash Receipts, Disbursements and Changes in Cash Balances tells how the utilities' services were financed in the short term as well as what remains for future spending. Fund financial statements report Ogden Municipal Utilities operations in more detail.

Notes to the 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 Utilities' budget for the year.

Other Supplementary Information provides detailed information of the Utilities' debt at June 30, 2005.

### UTILITY-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The Utilities' Cash Basis Net Assets decreased from \$1,034,093 to \$993,855. The analysis that follows focuses on the changes in cash balances for the Utilities' Cash Basis Net Assets. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2005 and June 30, 2004 are presented below:

	Year Ended June 30,	
	2005	2004
Receipts:		
Operating receipts:		
Charges for services:		
Electric	\$ 1,204,252	\$ 1,090,737
Water	265,867	229,237
Miscellaneous	183,893	122,124
Non-operating receipts:		
Interest on investments	21,725	15,359
Total receipts	1,675,737	1,457,457
Disbursements:		
Electric	1,460,462	1,152,765
Water	255,513	238,141
Total disbursements	1,715,975	1,390,906
Change in cash basis net assets	(40,238)	66,551
Cash basis net assets beginning of year	1,034,093	967,542
Cash basis net assets end of year	\$ 993,855	\$ 1,034,093

The increase in receipts for the Electric Department is the result of a full year of revenues versus a half year in FY 2004 from increased purchase power costs that started in January 2004. This increase is the result of a 5 year purchase power contract that the Utilities signed in 2003. Utility Electric rates remain the same, however the Energy Adjustment Charge automatically increases to ensure costs associated with energy purchases and generation are collected. The Energy Adjustment Charge is variable component applied to the kilowatt consumption of all customers monthly to reflect cost variables that occur monthly and seasonally. The average purchase power cost varies monthly due the system load factor. Winter months tend to have lower per kilowatt-hour costs because of a higher load factor and summer months have higher per kilowatt-hour costs because of a lower load factor. Increased costs for purchase power, improvements to generation and distribution facilities and a one time expense for a new basket truck represent the major disbursement increases for fiscal 2005. The electric fund cash balance decreased by \$103,380 in this fiscal year.

An increase in charges for service receipts for the Water Department of \$36,630 is reported. A Water Rate increase in the last half of FY 2004 produced this increase as sales of water were down from the previous year. New computer equipment, software, office equipment replacement and engineering fees for the water tower repainting represent the major disbursement increases for fiscal 2005. The water fund cash balance increased by \$63,041 in this fiscal year.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Utilities did not amend its' original budget.

### **DEBT ADMINISTRATION**

At June 30, 2005, the Utilities' had approximately \$1,445,000 in revenue notes compared to \$1,535,000 last year.

### **RESTRICTED/UNRESTRICTED FUNDS**

- The Utilities' has restricted funds that are required by the Electric Revenue Capital Loan Notes agreement. \$446,212 was restricted from Utility operations as of June 30, 2005.
- The Utilities' has a Customer Deposit Fund which is also a restricted fund. It is used as a security deposit for customers that fail to meet Utility credit guidelines. \$24,454 was restricted from Utility operations as of June 30, 2005.
- The Utilities' has Project Share Fund which is an unrestricted fund. \$265 is available to help low income customers.
- The Utilities' Operating Funds are unrestricted and are used to fund daily operation activities. These funds are short term certificates of deposits and cash in checking accounts

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

At the time these financial statements were prepared and audited, the Utilities were aware of several existing conditions that may affect its financial health in the future:

- Ogden Municipal Utilities' appointed officials and management considered many factors when setting the fiscal year 2006 electric and water rates and fees that will be charged. In the last half of fiscal 2005, a new water rate schedule was implemented to ensure that capital funds are available for capital expense and improvements, eliminating the need for a Revenue Bond issue. This will result in lower rates because no bond and interest payment is needed. During fiscal 2006 the Utilities' has approved a contract in the amount of \$153,200 to repaint the water tower. In the first half of fiscal 2006, the Utilities entered into a loan agreement to provide funding to rebuild one mile of 35KV transmission line because of the P-70 road-widening project, estimated cost of \$200,000 and a new electric rate schedule will be implemented in the last half of fiscal 2006 to pay off the capital loan notes. Presently both Departments are providing adequate revenues with their rate structures. These rate structures are reviewed approximately every five years and monitored annually to adequately fund all requirements and system improvements.

- There are several economic factors that may or will impact the Utilities. Although there have not been any significant new housing developments, there are areas in the utilities service area that have infrastructure in place adjacent to vacant lots. We are seeing some new residential construction on a yearly basis resulting in potential revenue growth which will spread fixed operating cost over a larger customer base. In fiscal 2006 the utilities will experience kilowatt hour sale growth due to higher than normal temperatures during the summer months. The Water Department should also see growth with increased sales due to weather conditions.

- There has been a reduction in commercial businesses in the past several years. While some were smaller retail loads we have experienced some loss of kilowatt hour sales in off-peak months. Increased kilowatt hour sales have been observed in several of the utilities larger customers. Water sales have been minimally impacted by the reduction in commercial businesses.

## **CONTACTING THE UTILITIES FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, the public and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Daniel L. Wilson, Superintendent, Ogden Municipal Utilities, Ogden, Iowa.

## **Basic Financial Statements**

**OGDEN MUNICIPAL UTILITIES**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets**  
**As of and for the year ended June 30, 2005**

Operating receipts:	
Charges for service	\$ 1,470,119
Miscellaneous	183,893
Total operating receipts	<u>1,654,012</u>
Operating disbursements:	
Business type activities:	
Plant operation and maintenance	745,630
Distribution operation and maintenance	314,008
Employee expense	408,458
Accounting and collection	43,223
Administration	31,373
Customer refunds	9,578
Total operating disbursements	<u>1,552,270</u>
Excess of operating receipts over operating disbursements	<u>101,742</u>
Non-operating receipts (disbursements):	
Interest on investments	21,725
Debt service	(163,705)
Total non-operating receipts (disbursements)	<u>(141,980)</u>
Change in cash basis net assets	(40,238)
Cash basis net assets beginning of year	<u>1,034,093</u>
Cash basis net assets end of year	<u><u>\$ 993,855</u></u>
<b>Cash Basis Net Assets</b>	
Restricted	
Debt service	\$ 446,212
Customer deposits	24,454
Unrestricted	<u>523,189</u>
Total cash basis net assets	<u><u>\$ 993,855</u></u>

See notes to financial statements.

**OGDEN MUNICIPAL UTILITIES**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2005**

	Enterprise Funds			Total
	Electric	Water	Non-Major Project Share	
Operating receipts:				
Charges for services	\$ 1,204,252	\$ 265,867	\$ -	\$ 1,470,119
Miscellaneous	136,138	47,655	100	183,893
Total operating receipts	<u>1,340,390</u>	<u>313,522</u>	<u>100</u>	<u>1,654,012</u>
Operating disbursements:				
Business type activities:				
Plant operation and maintenance	675,492	70,138	-	745,630
Distribution operation and maintenance	261,611	52,397	-	314,008
Employee expense	312,260	96,198	-	408,458
Accounting and collection	24,097	19,126	-	43,223
Administration	13,719	17,654	-	31,373
Customer refunds	9,578	-	-	9,578
Total operating disbursements	<u>1,296,757</u>	<u>255,513</u>	<u>-</u>	<u>1,552,270</u>
Excess of operating receipts over operating disbursements	<u>43,633</u>	<u>58,009</u>	<u>100</u>	<u>101,742</u>
Non-operating receipts (disbursements):				
Interest on investments	16,692	5,032	1	21,725
Debt service	(163,705)	-	-	(163,705)
Total non-operating receipts (disbursements)	<u>(147,013)</u>	<u>5,032</u>	<u>1</u>	<u>(141,980)</u>
Net change in cash balances	(103,380)	63,041	101	(40,238)
Cash balances beginning of year	804,490	229,439	164	1,034,093
Cash balances end of year	<u>\$ 701,110</u>	<u>\$ 292,480</u>	<u>\$ 265</u>	<u>\$ 993,855</u>
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	\$ 446,212	\$ -	\$ -	\$ 446,212
Customer deposits	24,454	-	-	24,454
Unreserved	230,444	292,480	265	523,189
Total cash basis fund balances	<u>\$ 701,110</u>	<u>\$ 292,480</u>	<u>\$ 265</u>	<u>\$ 993,855</u>

See notes to financial statements.

**OGDEN MUNICIPAL UTILITIES**  
**Notes to the Financial Statements**

**1. Summary of Significant Accounting Policies**

A. Reporting Entity

Ogden Municipal Utilities is a component unit of the City of Ogden, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Utilities is governed by a three-member board of trustees appointed by the City Council, which exercises oversight responsibility under this criteria. The Utilities provide water and electric utilities for the residents of the City of Ogden and collects sewer fees on behalf of the City of Ogden.

The Utilities also participate in several jointly governed organizations for which the Utilities are not financially accountable or that the nature and significance of the relationship with the Utilities are such that exclusion does not cause the Utilities' financial statements to be misleading or incomplete.

The Utilities are a member of the following entities:

- South Iowa Municipal Electric Co-op Association (SIMECA) – Co-operative Association
- Resale Power Group of Iowa – 28E Agreement

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets reports information on all of the activities of the Utilities. For the most part, the effect of interfund activity has been removed from this statement.

Net assets are reported in two categories:

*Restricted net assets* results 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 that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

**OGDEN MUNICIPAL UTILITIES**  
**Notes to the Financial Statements**

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

Fund Financial Statements – Separate financial statements are provided for proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements. The remaining enterprise fund is reported as a nonmajor enterprise fund.

The Utilities report the following proprietary funds:

Electric and Water Funds – These funds account for the operation and maintenance of the Utilities’ electric and water systems. Security deposits received from the customers to insure payment of electric and water bills of \$24,454 are being held as restricted customer deposits at June 30, 2005.

Project Share Fund – This fund is utilized to account for donations received to assist customers who are unable to pay their electric and water bills.

C. Basis of Accounting

Ogden Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements 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 accounting principles generally accepted in the United States.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**2. Cash and Pooled Investments**

The Utilities’ deposits in banks at June 30, 2005 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.

**OGDEN MUNICIPAL UTILITIES**  
**Notes to the Financial Statements**

**2. Cash and Pooled Investments (Continued)**

The Utilities are 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 Board of Trustees; 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.

The Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**3. Electric Revenue Capital Loan Notes**

Annual debt service requirements to maturity for the revenue notes are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u>	<u>Total</u>
2006	4.20	\$ 90,000	\$ 69,165	\$ 159,165
2007	4.40	95,000	65,185	160,185
2008	4.55	100,000	60,820	160,820
2009	4.65	105,000	56,104	161,104
2010	4.75	110,000	51,050	161,050
2011	4.90	115,000	45,620	160,620
2012	5.00	120,000	39,803	159,803
2013	5.10	130,000	33,488	163,488
2014	5.15	135,000	26,696	161,696
2015	5.25	140,000	19,545	159,545
2016	5.30	150,000	12,120	162,120
2017	5.40	<u>155,000</u>	<u>4,185</u>	<u>159,185</u>
		<u>\$ 1,445,000</u>	<u>\$ 483,781</u>	<u>\$ 1,928,781</u>

As part of the Electric Revenue Loan Notes agreement the following pertinent requirements were made effective for the Electric Revenue Fund:

- 1) A Sinking Fund must be established and an amount equal to 1/12 of principal and interest due at the next installment shall be deposited to the Sinking Fund.

**OGDEN MUNICIPAL UTILITIES**  
**Notes to the Financial Statements**

**3. Electric Revenue Capital Loan Notes (Continued)**

- 2) A Reserve Account must be established and maintained at \$170,000. This account may be used if the Sinking Fund does not have adequate funds to pay principal and interest.
- 3) An Improvement Fund must be established and maintained at \$100,000. The fund may be used for extraordinary maintenance on the electrical systems or may be used to pay principal and interest. The Fund must be replenished with \$2,700 monthly payments.

Funds can only be deposited in financial institutions which are members of the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2005 the note requirements have been satisfied.

**4. Pension and Retirement Benefits**

The Utilities contribute 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 Utilities are required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The Utilities' contribution to IPERS for the years ended June 30, 2005 and 2004 were \$15,796 and \$16,516 equal to the required contributions for each year.

**5. Risk Management**

The Utilities are 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 except for the possible damage to the Utilities' distribution system which is currently uninsured. Settled claims from these risks, except for the Utilities' distribution system, have not exceeded commercial insurance coverage in any of the past three fiscal years.

**OGDEN MUNICIPAL UTILITIES**  
**Notes to the Financial Statements**

**6. Compensated Absences**

Utilities' employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Utilities until used or paid. The Utilities' approximate liability for earned vacation termination payments payable to employees was \$11,600 at June 30, 2005.

**7. Related Party Transaction**

As stated in Note 1, Ogden Municipal Utilities is a component unit of the City of Ogden, Iowa. The Utilities receive a processing fee of \$2,250 on a quarterly basis for the computation and collection of the sewer rentals for the City of Ogden.

**8. Commitments and Contingencies**

The Utilities provide their employees and their dependents with comprehensive health care coverage. A portion of the coverage is self-funded by the Utilities. Under the insurance policy terms with the employees, the Utilities' self-funded liability would be limited each plan year to an aggregate liability limit of \$5,900 per single coverage and \$11,800 per family coverage. For this purpose, the plan year operates from January 1 through December 31.

As stated earlier, the Utilities do not have insurance coverage for possible catastrophic damage to the Utilities' distribution system. The Utilities have determined the insurance coverage premium to be cost prohibitive. The probability and amount of loss, if any, is undeterminable.

The Utilities have signed contracts for two major projects since June 30, 2005. The contracts are for the cleaning and painting of the water tower for \$151,000 and for the movement of a transmission line for \$115,000. The Utilities have also issued \$200,000 Electric Revenue Capital Loan Notes since June 30, 2005.

**9. Economic Dependency**

During the year ending June 30, 2005, the Utilities purchased approximately all of its electric power source from one supplier.

## **Required Supplementary Information**

**OGDEN MUNICIPAL UTILITIES**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements, and Changes in Balances -**  
**Budget and Actual (Cash Basis)**  
**Required Supplementary Information**  
**Year ended June 30, 2005**

	Proprietary	<u>Budgeted Amounts</u>		Final to Actual
	Funds Actual	Original	Original	Variance
Receipts:				
Use of money and property	21,725	-	-	(21,725)
Charges for service	1,470,119	2,800,000	2,800,000	1,329,881
Miscellaneous	183,893	-	-	(183,893)
Total receipts	<u>1,675,737</u>	<u>2,800,000</u>	<u>2,800,000</u>	<u>1,124,263</u>
Disbursements:				
Business type activities	<u>1,715,975</u>	<u>2,800,000</u>	<u>2,800,000</u>	<u>1,084,025</u>
Change in cash basis net assets	<u>(40,238)</u>	<u>-</u>	<u>-</u>	<u>(40,238)</u>
Cash basis net assets beginning of year	<u>1,034,093</u>	<u>-</u>	<u>-</u>	<u>1,034,093</u>
Cash basis net assets end of year	<u>\$ 993,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 993,855</u>

See accompanying independent auditors' report.

## **OGDEN MUNICIPAL UTILITIES**

### Notes to Required Supplementary Information – Budget Reporting

June 30, 2005

The Utilities prepares a budget and submits it to the City Council of the City of Ogden, Iowa. 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 classes of disbursements, known as functions, not by fund. The Utilities' disbursements are budgeted in the business type activities function. During the year ended June 30, 2005, there were no amendments nor was the budget exceeded.

## **Other Supplementary Information**

**OGDEN MUNICIPAL UTILITIES**  
**Schedule of Indebtedness**  
**Year ended June 30, 2005**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
Revenue Notes:									
Electric Capital Loan Notes	11/1/2001	3.40-5.40%	\$ 1,700,000	1,535,000	-	90,000	1,445,000	73,305	-

See accompanying independent auditors' report.

**PETERSON & HOUSTON, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

724 Story Street, Suite 601

Boone, IA 50036-2871

Gerald E. Peterson, CPA  
Kevin N. Houston, CPA

Telephone  
(515) 432-1176  
Fax Number  
(515) 432-1186

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

Board of Trustees  
Ogden Municipal Utilities  
Ogden, IA 50212

We have audited the accompanying financial statements of the business type activities, each major fund, and the aggregate remaining fund information of the Ogden Municipal Utilities as of and for the year ended June 30, 2005, which collectively comprise the Utilities' basic financial statements listed in the table of contents and have issued our report thereon dated November 11, 2005. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ogden Municipal Utilities' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Ogden Municipal Utilities' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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 that the reportable condition described in the accompanying Schedule of Findings is not a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ogden Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and other parties to whom the Ogden Municipal Utilities 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 Ogden 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.

A handwritten signature in cursive script, appearing to read "Peterson & Houston, P.C.", written in dark ink.

Peterson & Houston, P.C.  
Boone, Iowa

November 11, 2005

**OGDEN MUNICIPAL UTILITIES**  
**Schedule of Findings**  
**Year Ended June 30, 2005**

**Part I: Findings Related to the Financial Statements:**

**Instances of Non-Compliance**

No matters were noted.

**Reportable Conditions**

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, and the posting of the cash receipts to the cash receipts journal can be done by the same person.

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

Response – Most of the job responsibilities are alternated each month. We will continue to review situations where duties can be alternated.

Conclusion – Response accepted.

I-B-05 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Trustees or a Trustee-designated independent person should review the reconciliations and monitor delinquencies.

Response – Procedures will be established and implemented as recommended.

Conclusion – Response accepted.

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

II-A-05 Official Depositories – A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

**OGDEN MUNICIPAL UTILITIES**  
**Schedule of Findings**  
**Year Ended June 30, 2005**

**Part II: Other Findings Related to Required Statutory Reporting (Continued):**

II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005 did not exceed the amount budgeted.

II-C-05 Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General’s Opinion dated April 25, 1979, were noted.

II-D-05 Travel Expense – No disbursement of Utilities money for travel expenses of spouses of the Utilities’ officials or employees was noted.

II-E-05 Business Transactions – Business transactions between the Utilities and Utilities’ officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Sun Graphics & Signs, Owned by Jeff Sunstrom, Spouse of Linda Sunstrom, Utility Clerk	Signage on Basket Truck	<u>\$ 389</u>

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the total transaction with the individual was less than \$1,500 during the fiscal year.

II-F-05 Bond Coverage – Surety bond coverage of Utilities’ officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-H-05 Revenue Notes – The Utilities have complied with the electric revenue note resolution requirements for the year ended June 30, 2005.

II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investments provisions of Chapters 12B and 12C of the Code of Iowa and the Utilities’ investments policy were noted.

NEWS RELEASE

FOR RELEASE November 30, 2005

Peterson & Houston, P.C. today released an audit report on the Ogden Municipal Utilities, Ogden, Iowa.

The Utilities' receipts totaled \$1,675,737 for the year ended June 30, 2005, a 15% increase from 2004. The receipts included \$1,470,119 in charges for service and \$21,725 in interest on investments.

Disbursements for the year totaled \$1,715,975, a 23% increase from the prior year, and included \$1,229,228 for operating disbursements and \$163,705 for debt service.

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