

**GOWRIE MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF GOWRIE**

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

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Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before July 2006)		
Debra Tvrdik	Trustee	July, 2007
Bruce Towne	Trustee	July, 2008
Kevin Sturm	Trustee	July, 2009
Bob Schill	Trustee	July, 2005
Brad Lane	Trustee	July, 2006
(After July 2006)		
Debra Tvrdik	Trustee	July, 2007
Bruce Towne	Trustee	July, 2008
Kevin Sturm	Trustee	July, 2009
Jeff Boerner	Trustee	July, 2011
Brad Lane	Trustee	July, 2012
Charles Angstrom	Public Works Director	Indefinite
Patrice Klingson	Secretary	Indefinite
Johnson Law Firm	Attorney	Indefinite

Independent Auditor's Report

To the Board of Trustees of
Gowrie Municipal Utilities
Gowrie, Iowa

We have audited the accompanying financial statement of the business type activities, each major fund and the aggregate remaining fund information of Gowrie Municipal Utilities, a component unit of the City of Gowrie, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the Utilities' basic financial statement listed in the table of contents. This financial statement is the responsibility of the Utilities' management. Our responsibility is to express opinions on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash basis financial position of the business type activities of each major fund and the aggregate remaining fund information of Gowrie Municipal Utilities, a component unit of the City of Gowrie, as of June 30, 2006, 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 September 29, 2006 on our consideration of Gowrie Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 15 through 16 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise Gowrie Municipal Utilities' basic financial statement. Other supplementary information included in Schedules 1 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

September 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gowrie 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, 2006. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- . Operating receipts of the Utilities' business type activities increased 6.4%, or approximately \$71,000 from fiscal 2005 to fiscal 2006.
- . Operating disbursements increased 3.4%, or approximately \$33,000 in fiscal 2006 from fiscal 2005.
- . The Utilities' total cash basis net assets increased 11%, or approximately \$63,000, from June 30, 2005 to June 30, 2006.

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 Utilities' financial activities.

The Proprietary Fund Financial Statements report the Utilities' operations 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 Utilities' budget for the year.

Other Supplementary Information provides detailed information about the nonmajor proprietary funds and other detailed information.

Basis of Accounting

The 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 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 UTILITIES' FINANCIAL ACTIVITIES

Proprietary Fund Financial Statements

Proprietary funds account for the Utilities' Enterprise Funds. Enterprise Funds are used to report business type activities. Business type activities are financed primarily by user charges. The Utilities maintains five Enterprise Funds to provide separate information for the water, sewer, electric, garbage and meter deposit departments. The electric, sewer, and water funds are considered to be major funds of the Utilities.

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

FINANCIAL ANALYSIS COMPARISON

Changes in Cash Basis Fund Balances of Business Type Activities (Expressed in Thousands)		
	<u>Year ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Receipts:		
Program receipts:		
Charges for service	\$ 1,123	1,060
General receipts:		
Unrestricted interest on investments	14	6
Loan and bond proceeds	179	492
Intergovernmental	73	---
Other general receipts	<u>99</u>	<u>89</u>
Total receipts	<u>1,488</u>	<u>1,647</u>
Disbursements	<u>1,425</u>	<u>1,573</u>
Increase in cash balance	63	74
Cash basis fund balances beginning of year	<u>572</u>	<u>498</u>
Cash basis fund balances end of year	\$ 635 =====	572 =====

Total business type activities receipts for the fiscal year were \$1.488 million compared to \$1.647 million last year. This decrease was due primarily to the receipt of \$492,000 revenue bond proceeds in 2005 as compared to \$252,000 in 2006. The cash balance increased by approximately \$63,000 from the prior year. Total disbursements for the fiscal year decreased by 9.4% to a total of \$1.425 million.

INDIVIDUAL MAJOR BUSINESS TYPE ACTIVITIES FUND ANALYSIS

- The Water Fund cash balance decreased by \$20,004 to \$149,047.
- The Electric Fund cash balance increased by \$73,444 to \$428,255.
- The Sewer Fund cash balance increased by \$6,971 to \$35,048.

BUDGETARY HIGHLIGHTS

The Utilities did not exceed its budget.

DEBT ADMINISTRATION

At June 30, 2006, the Utilities had \$884,703 in loans, notes and bonds compared to \$781,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	<u>2006</u>	<u>2005</u>
Loan payable	\$ 39	77
Revenue note	209	231
Revenue bond	<u>637</u>	<u>473</u>
	\$ 885	781
	=====	=====

Debt increased as a result of obtaining a sewer revenue bond for wastewater treatment system improvements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Gowrie Municipal Utilities' considered many factors when setting the fiscal year 2007 budget and fees that will be charged for services.

CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 Gowrie Municipal Utilities, 1102 Main Street, Gowrie, Iowa 50543.

Basic Financial Statement

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Exhibit A

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

As of and for the year ended June 30, 2006

	Enterprise Funds				<u>Total</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Other Nonmajor Proprietary Funds</u>	
Operating receipts:					
Use of money and property	\$ -	3,660	-	-	3,660
Charges for service	808,544	159,918	98,137	56,707	1,123,306
Miscellaneous	44,698	539	-	5,389	50,626
Total operating receipts	<u>853,242</u>	<u>164,117</u>	<u>98,137</u>	<u>62,096</u>	<u>1,177,592</u>
Operating disbursements:					
Business type activities	<u>759,837</u>	<u>92,251</u>	<u>94,476</u>	<u>59,840</u>	<u>1,006,404</u>
Total operating disbursements	<u>759,837</u>	<u>92,251</u>	<u>94,476</u>	<u>59,840</u>	<u>1,006,404</u>
Excess of operating receipts over operating disbursements	<u>93,405</u>	<u>71,866</u>	<u>3,661</u>	<u>2,256</u>	<u>171,188</u>
Non-operating receipts (disbursements):					
Interest on investments	6,042	6,737	802	148	13,729
Miscellaneous	43,620	1,061	519	-	45,200
Revenue bond proceeds	-	89,772	89,071	-	178,843
Intergovernmental	-	-	72,515	-	72,515
Capital outlay	(14,307)	(110,254)	(184,597)	-	(309,158)
Debt service	<u>(30,316)</u>	<u>(79,186)</u>	<u>-</u>	<u>-</u>	<u>(109,502)</u>
Total non-operating receipts (disbursements)	<u>5,039</u>	<u>(91,870)</u>	<u>(21,690)</u>	<u>148</u>	<u>(108,373)</u>
Excess (deficiency) of receipts over (under) disbursements	98,444	(20,004)	(18,029)	2,404	62,815
Operating transfers in (out)	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Net change in cash balances	73,444	(20,004)	6,971	2,404	62,815
Cash balances beginning of year	<u>354,811</u>	<u>169,051</u>	<u>28,077</u>	<u>20,369</u>	<u>572,308</u>
Cash balances end of year	<u>\$ 428,255</u>	<u>149,047</u>	<u>35,048</u>	<u>22,773</u>	<u>635,123</u>
Cash Basis Fund Balances					
Reserved for:					
Debt service	2,702	84,214	-	-	86,916
Improvements	-	88,503	-	-	88,503
Unreserved	<u>425,553</u>	<u>(23,670)</u>	<u>35,048</u>	<u>22,773</u>	<u>459,704</u>
Total cash basis fund balances	<u>\$ 428,255</u>	<u>149,047</u>	<u>35,048</u>	<u>22,773</u>	<u>635,123</u>

See notes to financial statements.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Gowrie Municipal Utilities is a component unit of the City of Gowrie, Iowa. These financial statements present the Enterprise funds of Gowrie Municipal Utilities only. Gowrie Municipal Utilities is legally separate from the City, but is financially accountable to the City. The Municipal Utilities is governed by a five-member board appointed by the City Council and the Municipal Utilities' operating budget is subject to the approval of the City Council. The Utilities provide water, electric, sewer and garbage services to the citizens of the City of Gowrie.

A. Reporting Entity

For financial reporting purposes, Gowrie Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. Gowrie Municipal 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 Municipal Utilities are such that exclusion would cause the Municipal 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 Municipal 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 Utilities has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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. All remaining proprietary funds are aggregated and reported as nonmajor proprietary funds.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2006

The Utilities report the following major proprietary funds:

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

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

The Sewer Fund accounts for the operation and maintenance of the Utilities' sewer system.

C. Measurement Focus and Basis of Accounting

The Gowrie 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 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, 2006, disbursements did not exceed the amounts budgeted in the business type activities function.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2006

(2) Cash

The Utilities' deposits in banks at June 30, 2006 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 Utilities 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 Utilities Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utilities had no investments at June 30, 2006. During the year, the Utilities deposited excess funds in certificates of deposit.

(3) Loans, Notes and Bonds Payable

Annual debt service requirements to maturity for loans, revenue notes and revenue bonds payable are as follows:

Year Ending	Loans		Revenue Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<u>June 30,</u>								
2007	\$ 38,990	777	22,907	7,408	49,000	19,112	110,897	27,297
2008	---	---	23,751	6,565	51,000	17,642	74,751	24,207
2009	---	---	24,626	5,690	53,000	16,112	77,626	21,802
2010	---	---	25,533	4,783	40,071	14,522	65,604	19,305
2011	---	---	26,473	3,842	26,000	13,320	52,473	17,162
2011-2024	---	---	<u>85,352</u>	<u>5,531</u>	<u>418,000</u>	<u>92,910</u>	<u>503,352</u>	<u>98,441</u>
Total	\$ 38,990	777	208,642	33,819	637,071	173,618	884,703	208,214
	=====	=====	=====	=====	=====	=====	=====	=====

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2006

On April 29, 2003 a loan agreement was entered into between Security Savings Bank and Gowrie Municipal Utilities. The loan was for \$150,000 with a fixed interest rate of 2.65% and maturity date of May 1, 2007. The loan calls for eight semi-annual payments of \$19,890 beginning November 1, 2003. The loan is secured by a commercial security agreement dated April 29, 2003. Proceeds from this loan were used to redeem the Water Revenue Capital Loan Notes, Series 1991. The notes were redeemed on May 1, 2003 at par value of \$150,000 plus accrued interest.

On March 9, 2004 an electric revenue note was entered into between Security Savings Bank and Gowrie Municipal Utilities. The note was for \$250,000 with a fixed interest rate of 3.65% and maturity date of June 1, 2014. The note calls for twenty semi-annual payments of \$15,158 beginning December 1, 2004. The note is secured by a commercial security agreement dated March 9, 2004. Proceeds from this note were used to finance electrical improvements. The note resolution established an "Electric Revenue Fund" to be set aside and used in maintaining and operating the electric system and after payment of operating expenses be used to pay principal and interest on the note.

State Revolving Fund Loan Proceeds

The Utilities approved issuance of Water Revenue Bonds of \$695,000 to pay for improvements to the water treatment plant. The improvements did not cost as much as anticipated so the bond proceeds came to \$589,000 of which \$48,000 principal had been paid by the Utilities as of June 30, 2006. The remaining proceeds are to be repaid over a twenty-year period starting June 1, 2005, with a fixed interest rate of 3.00%. The revenue bond resolution establishes that the water utilities maintain net revenues at a level not less than 110% of the amount of principal and interest on the water revenue bond falling due in the same year. The resolution also establishes a sinking fund which is to be depleted at least once each bond year except for a reasonable carryover amount.

The Utilities approved issuance of Sewer Revenue Bonds of \$700,000 to pay for improvements to the wastewater treatment system. The Utilities is drawing down funds as needed to pay for this project. As of June 30, 2006, \$96,071 had been received. The Utilities anticipates receiving the balance of the loan proceeds during the next fiscal year. These proceeds are

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2006

to be repaid over a twenty-year period starting June 1, 2006, with a fixed interest rate of 3.00%. The revenue bond resolution establishes that the wastewater treatment system maintain net revenues at a level not less than 110% of the amount of principal and interest on the sewer revenue bond falling due in the same year.

(4) Pension and Retirement Benefits

The Utilities 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 Utilities is required to contribute 5.75% of covered salary. Contribution requirements are established by state statute. The Utilities' contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$13,014, \$12,435, and \$12,612 respectively, equal to the required contributions for each year.

(5) 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. Sick leave hours accumulate and are paid only when used. These accumulations are not recognized as disbursements by the Utilities until used or paid. The Utilities' approximate liability for earned vacation payable to employees at June 30, 2006, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 10,819
	=====

This liability has been computed based on rates of pay in effect at June 30, 2006.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2006

(6) Risk Management

Gowrie 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. The Utilities assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Construction Commitment

The Gowrie Municipal Utilities has entered into a contract for approximately \$1,200,000 for wastewater treatment system improvements. As of June 30, 2006, costs of approximately \$95,526 had been incurred. The balance of the contract remaining at June 30, 2006 will be paid as work on the project progresses.

Required Supplementary Information

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - Proprietary Funds

Required Supplementary Information

Year ended June 30, 2006

	Proprietary Funds	<u>Budgeted Amounts</u>		Final to Actual
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Variance</u>
Receipts:				
Use of money and property	\$ 17,389	11,550	11,550	5,839
Charges for service	1,123,306	1,169,568	1,169,568	(46,262)
Miscellaneous	<u>95,826</u>	<u>69,650</u>	<u>69,650</u>	<u>26,176</u>
Total receipts	<u>1,236,521</u>	<u>1,250,768</u>	<u>1,250,768</u>	<u>(14,247)</u>
Disbursements:				
Business type activities	<u>1,425,064</u>	<u>1,728,868</u>	<u>1,728,868</u>	<u>303,804</u>
Excess (deficiency) of receipts over (under) disbursements	(188,543)	(478,100)	(478,100)	289,557
Other financing sources, net	<u>251,358</u>	<u>478,100</u>	<u>478,100</u>	<u>(226,742)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	62,815	-	-	62,815
Balances beginning of year	<u>572,308</u>	<u>(588,430)</u>	<u>(588,430)</u>	<u>1,160,738</u>
Balances end of year	<u>\$ 635,123</u>	<u>(588,430)</u>	<u>(588,430)</u>	<u>1,223,553</u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities
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Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

In accordance with the Code of Iowa, the City Council of the City of Gowrie annually adopts a budget on the cash basis following required public notice and hearing for all funds. Gowrie Municipal Utilities' budget is part of the City of Gowrie's budget. 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 Funds 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. Gowrie Municipal Utilities' disbursements are under the business type activities function. During the year ended June 30, 2006, Utility disbursements did not exceed the amounts budgeted.

Other Supplementary Information

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 2

Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Fund - Electric Department

As of and for the year ended June 30, 2006

	<u>Electric Revenue</u>	<u>Electric Sinking</u>	<u>Total</u>
Refunds	721	-	721
Contribution to City	25,209	-	25,209
Distribution supplies and material	18,091	-	18,091
	<u>523,323</u>	<u>-</u>	<u>523,323</u>
Total operating disbursements	<u>759,837</u>	<u>-</u>	<u>759,837</u>
Excess of operating receipts over operating disbursements	<u>93,405</u>	<u>-</u>	<u>93,405</u>
Non-operating receipts (disbursements):			
Interest on investments	5,943	99	6,042
Miscellaneous	43,620	-	43,620
Capital outlay:			
Boom truck	(14,307)	-	(14,307)
Debt service:			
Principal payments	-	(22,092)	(22,092)
Interest payments	-	(8,224)	(8,224)
Total non-operating receipts (disbursements)	<u>35,256</u>	<u>(30,217)</u>	<u>5,039</u>
Excess (deficiency) of receipts over (under) disbursements	128,661	(30,217)	98,444
Operating transfers in	-	30,300	30,300
Operating transfers out	<u>(55,300)</u>	<u>-</u>	<u>(55,300)</u>
Net change in cash balances	73,361	83	73,444
Cash balances beginning of year	<u>352,192</u>	<u>2,619</u>	<u>354,811</u>
Cash balances end of year	<u>\$ 425,553</u>	<u>2,702</u>	<u>428,255</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	2,702	2,702
Unreserved	<u>425,553</u>	<u>-</u>	<u>425,553</u>
Total cash basis fund balances	<u>\$ 425,553</u>	<u>2,702</u>	<u>428,255</u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Fund - Water Department

As of and for the year ended June 30, 2006

	Water Operations & <u>Maintenance</u>	Water <u>Sinking-Well</u>	Water Sinking <u>2004 Project</u>
Operating receipts:			
Use of money and property:			
Tower rent	\$ -	-	-
Charges for service:			
Sale of water	156,739	-	-
Reconnection fees	<u>275</u>	<u>-</u>	<u>-</u>
	<u>157,014</u>	<u>-</u>	<u>-</u>
Miscellaneous:			
Merchandise and labor sales	<u>539</u>	<u>-</u>	<u>-</u>
Total operating receipts	<u>157,553</u>	<u>-</u>	<u>-</u>
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	33,019	-	-
FICA - Employer's portion	2,526	-	-
IPERS - Employer's portion	1,898	-	-
Group insurance	6,119	-	-
Uniforms	195	-	-
Workers compensation	<u>1,313</u>	<u>-</u>	<u>-</u>
	<u>45,070</u>	<u>-</u>	<u>-</u>
Services and commodities:			
Advertising and legal publication	443	-	-
Consulting and legal	2,419	-	-
General insurance	3,439	-	-
Miscellaneous contractual work	8,708	-	-
Postage and shipping	661	-	-
Telephone	983	-	-
Travel and conference	253	-	-
Utility service	13,881	-	-
Dues and memberships	392	-	-
Building and maintenance supplies	2,695	-	-
Chemicals and testing	3,377	-	-
Motor vehicle supplies and maintenance	666	-	-
Office supplies	1,755	-	-
Operating supplies and materials	734	-	-
Distribution supplies and material	4,748	-	-
Refunds	1,246	-	-
Contribution to City	<u>781</u>	<u>-</u>	<u>-</u>
	<u>47,181</u>	<u>-</u>	<u>-</u>
Total operating disbursements	<u>92,251</u>	<u>-</u>	<u>-</u>

Schedule 3

<u>Water Reserve</u>	<u>Water Tower Maintenance</u>	<u>Water Improvement</u>	<u>Total</u>
-	3,660	-	3,660
-	2,904	-	159,643
-	-	-	275
-	2,904	-	159,918
-	-	-	539
-	6,564	-	164,117
-	-	-	33,019
-	-	-	2,526
-	-	-	1,898
-	-	-	6,119
-	-	-	195
-	-	-	1,313
-	-	-	45,070
-	-	-	443
-	-	-	2,419
-	-	-	3,439
-	-	-	8,708
-	-	-	661
-	-	-	983
-	-	-	253
-	-	-	13,881
-	-	-	392
-	-	-	2,695
-	-	-	3,377
-	-	-	666
-	-	-	1,755
-	-	-	734
-	-	-	4,748
-	-	-	1,246
-	-	-	781
-	-	-	47,181
-	-	-	92,251

(continued)

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Fund - Water Department

As of and for the year ended June 30, 2006

	Water Operations & <u>Maintenance</u>	Water <u>Sinking-Well</u>	Water Sinking <u>2004 Project</u>
Excess of operating receipts over operating disbursements	65,302	-	-
Non-operating receipts (disbursements):			
Interest on investments	2,799	-	-
Miscellaneous	1,061	-	-
Proceeds from state revolving loan	89,772	-	-
Capital outlay:			
Water plant project	(86,994)	-	-
Equipment	(23,260)	-	-
Debt service:			
Principal payments	-	(37,972)	(22,000)
Interest payments	-	(1,808)	(17,406)
Total non-operating receipts (disbursements)	<u>(16,622)</u>	<u>(39,780)</u>	<u>(39,406)</u>
Excess (deficiency) of receipts over (under) disbursements	48,680	(39,780)	(39,406)
Operating transfers in	19,183	39,780	45,000
Operating transfers out	<u>(84,600)</u>	<u>-</u>	<u>(19,183)</u>
Net change in cash balances	(16,737)	-	(13,589)
Cash balances beginning of year	<u>(6,933)</u>	<u>3,210</u>	<u>17,093</u>
Cash balances end of year	<u>\$ (23,670)</u>	<u>3,210</u>	<u>3,504</u>
Cash Basis Fund Balances			
Reserved for:			
Debt service	\$ -	3,210	3,504
Improvements	-	-	-
Unreserved	<u>(23,670)</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ (23,670)</u>	<u>3,210</u>	<u>3,504</u>

See accompanying independent auditor's report.

Schedule 3

<u>Water Reserve</u>	<u>Water Tower Maintenance</u>	<u>Water Improvement</u>	<u>Total</u>
-	6,564	-	71,866
3,433	505	-	6,737
-	-	-	1,061
-	-	-	89,772
-	-	-	(86,994)
-	-	-	(23,260)
-	-	-	(59,972)
-	-	-	(19,214)
<u>3,433</u>	<u>505</u>	<u>-</u>	<u>(91,870)</u>
3,433	7,069	-	(20,004)
-	-	-	103,963
<u>(180)</u>	<u>-</u>	<u>-</u>	<u>(103,963)</u>
3,253	7,069	-	(20,004)
<u>104,986</u>	<u>30,695</u>	<u>20,000</u>	<u>169,051</u>
<u>108,239</u>	<u>37,764</u>	<u>20,000</u>	<u>149,047</u>
77,500	-	-	84,214
30,739	37,764	20,000	88,503
-	-	-	(23,670)
<u>108,239</u>	<u>37,764</u>	<u>20,000</u>	<u>149,047</u>

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 4

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balance
Proprietary Fund - Sewer Department

As of and for the year ended June 30, 2006

Operating receipts:	
Charges for service:	
Sewer rental fees	\$ 98,137
Total operating receipts	98,137
Operating disbursements:	
Business type activities:	
Personal services:	
Salaries and wages	29,164
FICA - Employer's portion	2,231
IPERS - Employer's portion	1,677
Group insurance	5,846
Uniforms	195
Workers compensation	946
	40,059
Services and commodities:	
Advertising and legal publication	258
Consulting and legal	481
General insurance	2,513
Miscellaneous contractual work	37,405
Postage and shipping	402
Telephone	472
Travel and conference	158
Utility service	8,962
Dues and membership	180
Building and maintenance supplies	266
Motor vehicle supplies and maintenance	667
Office supplies	1,317
Operating supplies and materials	1,121
Distribution supplies and materials	215
	54,417
Total operating disbursements	94,476

(continued)

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 4

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balance
Proprietary Fund - Sewer Department

As of and for the year ended June 30, 2006

Excess of operating receipts over operating disbursements	<u>3,661</u>
Non-operating receipts (disbursements):	
Interest on investments	802
Miscellaneous	519
Proceeds from state revolving loan	89,071
Intergovernmental - Community Development Block Grant	72,515
Capital outlay:	
Wastewater improvements project	<u>(184,597)</u>
Total non-operating receipts (disbursements)	<u>(21,690)</u>
Deficiency of receipts under disbursements	(18,029)
Operating transfer in	<u>25,000</u>
Net change in cash balance	6,971
Cash balance beginning of year	<u>28,077</u>
Cash balance end of year	<u>\$ 35,048</u>
Cash Basis Fund Balance	
Unreserved	<u>35,048</u>
Total cash basis fund balance	<u><u>\$ 35,048</u></u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 5

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balance
Proprietary Fund - Garbage Department

As of and for the year ended June 30, 2006

Operating receipts:	
Charges for service:	
Garbage service	\$ 56,707
Total operating receipts	<u>56,707</u>
Operating disbursements:	
Business type activities:	
Services and commodities:	
Miscellaneous contractual work	48,814
Other agency payments	<u>5,530</u>
Total operating disbursements	<u>54,344</u>
Excess of operating receipts over operating disbursements	2,363
Non-operating receipts:	
Interest on investments	<u>103</u>
Excess of receipts over disbursements	2,466
Cash balance beginning of year	<u>14,035</u>
Cash balance end of year	<u><u>\$ 16,501</u></u>
Cash Basis Fund Balance	
Unreserved	<u>16,501</u>
Total cash basis fund balance	<u><u>\$ 16,501</u></u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule of Indebtedness

Year ended June 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Loan payable - Security Savings Bank	Apr 29, 2003	2.65%	\$ 150,000
Electric Revenue Note - Security Savings Bank	Mar 9, 2004	3.65%	\$ 250,000
Water Revenue Bonds - State Revolving Fund	Jul 20, 2004	3.00%	\$ 695,000
Sewer Revenue Bonds - State Revolving Fund	May 15, 2006	3.00%	\$ 700,000

See accompanying independent auditor's report.

Schedule 6

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ <u>76,962</u>	<u>-</u>	<u>37,972</u>	<u>38,990</u>	<u>1,808</u>	<u>-</u>
\$ <u>230,734</u>	<u>-</u>	<u>22,092</u>	<u>208,642</u>	<u>8,224</u>	<u>-</u>
\$ <u>473,228</u>	<u>89,772</u>	<u>22,000</u>	<u>541,000</u>	<u>17,406</u>	<u>-</u>
\$ <u>-</u>	<u>96,071</u>	<u>-</u>	<u>96,071</u>	<u>-</u>	<u>-</u>

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 7

Loan and Note Maturities

June 30, 2006

Year Ending <u>June 30,</u>	Loan Payable		Electric Revenue Note	
	Issued April 29, 2003		Issued March 9, 2004	
	Interest Rates	Amount	Interest Rates	Amount
2007	2.65 %	38,990	3.65 %	\$ 22,907
2008		-	3.65	23,751
2009		-	3.65	24,626
2010		-	3.65	25,533
2011		-	3.65	26,473
2012		-	3.65	27,448
2013		-	3.65	28,459
2014		-	3.65	29,445
Total		\$ 38,990		\$ 208,642

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 8

Revenue Bond Maturities

June 30, 2006

Year Ending June 30,	<u>Water Revenue Bonds</u>		<u>Sewer Revenue Bonds</u>		<u>Total</u>
	<u>Series 2004 Issued July 20, 2004</u>		<u>Series 2006 Issued June 1, 2006</u>		
	Interest		Interest		
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	
2007	3.00 %	\$ 23,000	3.00 %	\$ 26,000	\$ 49,000
2008	3.00	24,000	3.00	27,000	51,000
2009	3.00	25,000	3.00	28,000	53,000
2010	3.00	25,000	3.00	15,071	40,071
2011	3.00	26,000		-	26,000
2012	3.00	27,000		-	27,000
2013	3.00	28,000		-	28,000
2014	3.00	28,000		-	28,000
2015	3.00	29,000		-	29,000
2016	3.00	30,000		-	30,000
2017	3.00	31,000		-	31,000
2018	3.00	32,000		-	32,000
2019	3.00	33,000		-	33,000
2020	3.00	34,000		-	34,000
2021	3.00	35,000		-	35,000
2022	3.00	36,000		-	36,000
2023	3.00	37,000		-	37,000
2024	3.00	38,000		-	38,000
	Total	<u>\$ 541,000</u>		<u>\$ 96,071</u>	<u>\$ 637,071</u>

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 2

Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Fund - Electric Department

As of and for the year ended June 30, 2006

	<u>Electric Revenue</u>	<u>Electric Sinking</u>	<u>Total</u>
Operating receipts:			
Charges for service:			
Sale of electricity	\$ 807,341	-	807,341
Reconnection fees	1,203	-	1,203
	808,544	-	808,544
Miscellaneous:			
Merchandise and labor sales	12,250	-	12,250
Sales tax collected	32,448	-	32,448
	44,698	-	44,698
Total operating receipts	853,242	-	853,242
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	164,187	-	164,187
FICA - Employer's portion	12,561	-	12,561
IPERS - Employer's portion	9,439	-	9,439
Group insurance	45,190	-	45,190
Uniforms	600	-	600
Workers compensation	4,537	-	4,537
	236,514	-	236,514
Services and commodities:			
Advertising and legal publication	1,658	-	1,658
Consulting and legal	1,544	-	1,544
Power purchased	358,170	-	358,170
General insurance	13,729	-	13,729
Miscellaneous contractual work	1,684	-	1,684
Postage and shipping	1,599	-	1,599
Sales and property tax remitted	43,077	-	43,077
Telephone	1,509	-	1,509
Travel and conference	506	-	506
Utility service	17,236	-	17,236
Dues and membership	5,177	-	5,177
Buildings and maintenance supplies	3,709	-	3,709
Minor equipment	981	-	981
Motor vehicle supplies and maintenance	7,138	-	7,138
Office supplies	6,048	-	6,048
Operating supplies and materials	15,537	-	15,537

(continued)

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 1

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

As of and for the year ended June 30, 2006

	Garbage	Meter Deposits	Total
Operating receipts:			
Charges for service	\$ 56,707	-	56,707
Miscellaneous	-	5,389	5,389
Total operating receipts	56,707	5,389	62,096
Operating disbursements:			
Business type activities	54,344	5,496	59,840
Total operating disbursements	54,344	5,496	59,840
Excess (deficiency) of operating receipts over (under) operating disbursements	2,363	(107)	2,256
Non-operating receipts (disbursements):			
Interest on investments	103	45	148
Total non-operating receipts (disbursements)	103	45	148
Excess (deficiency) of receipts over (under) disbursements	2,466	(62)	2,404
Cash balances beginning of year	14,035	6,334	20,369
Cash balances end of year	\$ 16,501	6,272	22,773
Cash Basis Fund Balances			
Unreserved:			
Enterprise funds	16,501	6,272	22,773
Total cash basis fund balances	\$ 16,501	6,272	22,773

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 9

Schedule of Insurance Coverage

Year ended June 30, 2006

<u>Insurer</u>	<u>Coverage</u>	<u>Amount</u>
Employers Mutual Casualty Insurance Company (Expires 4-1-2007)	<u>Comprehensive General Liability</u>	\$ 2,000,000/\$2,000,000
	Bodily injury	1,000,000/1,000,000
	Fire damage	100,000
	Medical expense	5,000
	<u>Blanket Building and Personal Property</u>	3,977,169
	<u>Automobile Coverage</u>	
	Bodily injury	1,000,000
	Collision (\$1,000 deductible)	ACV, or cost of repairs
	Comprehensive (\$100 deductible)	ACV, or cost of repairs
	Uninsured motorist	1,000,000
Underinsured motorist	1,000,000	
Medical payments	5,000	
	<u>Umbrella Liability</u>	2,000,000/2,000,000
	Retained limit	10,000
	<u>Comprehensive Employee Dishonesty Bond</u>	
	Public employees (\$2,000 deductible)	200,000
	Forgery or alteration (\$250 deductible)	10,000
	<u>Worker's Compensation</u>	500,000
	<u>Board Members and Employees Liability</u>	
	Each loss (\$1,500 deductible)	1,000,000
	Aggregate	1,000,000
	<u>Premise Burglary</u>	
	Inside/outside premises	10,000/10,000
	Premise burglary	15,000
Cincinnati Insurance Company (Expires 4-1-2007)	<u>Boiler Insurance</u>	
	Engines and generators (\$25,000 deductible)	5,000,000

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 10

Electric Department Data

Year ended June 30, 2006

1. Number of customers by rate category (by meters)

Commercial	148
Residential	476
Street lights	7

2. Electricity purchased – 8,077,449 K.W.H.

3. Electricity billed – 7,306,697 K.W.H.

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 11

Water Department Data

Year ended June 30, 2006

Number of customers served 497

Water rates:

\$3.25 per 1,000 gallons - \$11.00 minimum plus \$.50 per additional outlet or connection point in one building.

\$.10 per 1,000 gallons for water tower maintenance.

See accompanying independent auditor's report.

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

To the Board of Trustees of
Gowrie Municipal Utilities
Gowrie, Iowa

We have audited the accompanying financial statement of the business type activities, each major fund, and the aggregate remaining fund information of the Gowrie Municipal Utilities, a component unit of the City of Gowrie, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the Utilities' basic financial statement and have issued our report thereon dated September 29, 2006. 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 Gowrie 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 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 Gowrie 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 item I-A-06 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, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gowrie 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2006, 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 citizens of Gowrie Municipal Utilities and other parties to whom Gowrie Municipal Utilities may report including federal awarding agencies and pass-through entities. 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 Gowrie 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.

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

September 29, 2006

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie
Schedule of Findings
Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

I-A-06 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. 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 segregation of duties is difficult with a limited number of office employees. However, the Utilities should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Based upon the size of our office staff, duties are segregated to the greatest extent possible.

Conclusion - Response acknowledged. The Utilities should utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget - The City of Gowrie and Gowrie Municipal Utilities submit a combined budget. Utility disbursements during the year ended June 30, 2006, did not exceed the amounts budgeted.

Gowrie Municipal Utilities

A Component Unit of the City of Gowrie

Schedule of Findings

Year ended June 30, 2006

- II-B-06 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No disbursements of Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.
- II-D-06 Business Transactions - No business transactions between the Utilities and Utilities' officials or employees were noted.
- II-E-06 Bond Coverage - Surety bond coverage of Utilities' officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board of Trustees Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

The Board went into closed session on December 21, 2006. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and document the specific exemption of the Code.

Response – We will comply with the Code requirements for closed sessions.

Conclusion – Response accepted.

- II-G-06 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 the Utilities' investment policy were noted.
- II-H-06 Revenue Bond and Notes – The Utilities has complied with the revenue bond and note resolutions.