

**OGDEN MUNICIPAL UTILITIES**

**Independent Auditor's Reports  
Financial Statements and  
Supplementary Information  
Schedule of Findings**

**June 30, 2008**

# OGDEN MUNICIPAL UTILITIES

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## 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, 2012
Richard Smith	Trustee	January 1, 2014
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 Auditor's Report

Board of Trustees  
Ogden Municipal Utilities

We have audited the accompanying financial statement of the Ogden Municipal Utilities, Ogden, Iowa, as of and for the year ended June 30, 2008. This financial statement is the responsibility of the Utilities' officials. Our responsibility is to express an opinion on this financial statement 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is 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 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. Also, as discussed in Note 1, the financial statement of the Ogden Municipal Utilities is 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 statement referred to above present fairly, in all material respects, the cash basis financial position of the Ogden Municipal Utilities as of June 30, 2008, and the changes in its 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 December 22, 2008 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, contracts 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 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 10 and on pages 18 through 19 are not required parts of the basic financial statement, 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 made for the purpose of forming an opinion on the financial statement taken as a whole. The supplementary information included in Schedules 1, 2 and 3 is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in our audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

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

Peterson & Houston PC  
Boone, Iowa

December 22, 2008

## **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, 2008. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Charges for service receipts in the Utilities' Electric Department increased approximately 9% or \$129,008 over fiscal 2007. Charges for service receipts in the Utilities' Water Department decreased \$360 from fiscal 2007.
- Disbursements in the Electric Department increased approximately 7% or \$90,358 in fiscal 2008. Disbursements in the Water Department increased approximately 10% or \$24,192 in fiscal 2008.
- The Utilities' total cash basis net assets increased approximately 9% or \$96,292 from June 30, 2007 to June 30, 2008.

### **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 presents information on the Ogden Municipal Utilities' receipts and disbursements and whether the Utilities' cash basis financial position has improved or deteriorated as a result of the year's activities.

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

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 individual Enterprise Funds. In addition, the Schedule of Indebtedness provides details of the Utilities' debt at June 30, 2008.

### UTILITY-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The Utilities' Cash Basis Net Assets increased from \$1,102,765 to \$1,199,057. 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, 2008 and June 30, 2007 are presented below:

	Year Ended June 30,	
	<u>2008</u>	<u>2007</u>
Receipts:		
Operating receipts:		
Charges for services:		
Electric	\$ 1,498,474	\$ 1,339,466
Water	333,719	334,079
Miscellaneous	108,756	112,165
Non-operating receipts:		
Interest on investments	<u>47,329</u>	<u>38,437</u>
Total receipts	<u>1,988,278</u>	<u>1,854,147</u>
Disbursements:		
Electric	1,637,291	1,542,198
Water	<u>254,695</u>	<u>230,503</u>
Total disbursements	<u>1,891,986</u>	<u>1,854,147</u>
Change in cash basis net assets	96,292	81,446
Cash basis net assets beginning of year	<u>1,102,765</u>	<u>1,021,319</u>
Cash basis net assets end of year	<u>\$ 1,199,057</u>	<u>\$ 1,102,765</u>

- An increase in the electric charges for service receipts is the result of several factors. (1) A total of 13,482,000 KWHrs, a very slight, less than 1% increase, was sold to customers over the previous fiscal year. (2) During this period purchase power costs increased by approximately 12.5% or \$77,200. This increase is passed on thru the Energy Adjustment Charge. The Energy Adjustment Charge is a 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. Load Factor was 46% in 2009 compared to 44% in 2008

Purchase power costs increases of \$77,200; a 7,500 gallon purchase of fuel oil for generation at a cost of \$20,200; \$91,100 in improvements to the electric distribution facilities; a \$25,000 purchase of a surplus 69 kilovolt substation transformer for use when the supplier transmission system voltage is upgraded; and \$7,600 in generation plant maintenance represent the major disbursements for the Electric Department in fiscal 2008. The electric fund cash balance decreased by \$34,100 this fiscal year—a decrease of approximately 5%.

Interest income is primarily from certificates of deposit and is deposited in the daily operating fund. To produce maximum yield we use a combination of short term investment of daily operating funds, long term investment of restricted bond covenant funds and cash payments from external electric transmission projects. This income is deposited in the daily operating fund. Interest income increased approximately 13%, to \$29,955

- Shared expenditures with the Water Department include a \$15,750 purchase of a newer used Digger-Derrick truck.

- Water charges for service were flat in fiscal year 2008. Sales of water decreased approximately 1% or 490,000 gallons. An increase of approximately 30% or 5,828,000 gallons in the loss and unaccounted for category is reported this year. Major expenses for fiscal 2008 include production (wells) of \$68,000; treatment (chlorine and a corrosion inhibitor) of \$52,600; and the distribution system (meters, hydrants and pipes) of \$52,800. A computerized water distribution model to assist in future expansion and pipe replacement was authorized. This project expense to date is approximately \$7,800. The water fund cash balance increased by \$126,500, an increase of approximately 32%.

Interest income is from short term certificates of deposit and is deposited in the daily operating fund. Interest income increased approximately 46%, to \$17,372.

- Sales tax of \$59,000 and use tax of \$5,200 were collected and remitted to the State of Iowa.

## **BUDGETARY HIGHLIGHTS**

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

### **DEBT ADMINISTRATION**

At June 30, 2008, the Utilities' had approximately \$1,315,000 in revenue notes compared to \$1,440,000 last year.

### **RESTRICTED/UNRESTRICTED FUNDS**

- The Utilities' has restricted funds that are required by the Electric Revenue Capital Loan Notes agreement and the Electric Revenue Capital Loan Note, Series 2005. \$518,458 was restricted from Utility operations as of June 30, 2008.
- 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. \$26,754 was restricted from Utility operations as of June 30, 2008.
- The Utilities' Project Share Fund is an unrestricted fund. \$382 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. Unreserved funds reported are: Electric Fund - \$137,088, Water Fund - \$516,375 and Project Share - \$382 on June 30, 2008.

### **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 2009 electric and water rates and fees that will be charged. 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. New housing developments and new housing construction was non-existent last year and that looks to continue in the future. There are locations in the utilities service area that have infrastructure in place adjacent to vacant lots but there was minimal construction in those areas. In fiscal 2008 the utilities experienced an extremely small growth in kilowatt hour sales probably due to normal temperature fluctuations during the year. High fuel costs and high prices for copper and aluminum wire and ferrous metal products were major factors in this years' spending.

The Electric Department continues to purchase standard package quantities of certain types of distribution equipment and materials. This practice allows us to get a better price for equipment used in our ongoing voltage conversion and offers protection against future price increases. The downside of this practice shows expenses this fiscal year for equipment and materials that will be used in future fiscal years. A 6.8% “KWHr loss and unaccounted for”, up from 5.6% last year, although disappointing, is still within acceptable industry standards.

- The Water Department experienced decreased sales due to weather conditions. The higher “loss and unaccounted for” category in the Water Department is troubling however this value is strictly a true-up of numbers and its contributing values are beyond control. Management believes that a five year running average on the Water Department “loss and unaccounted for” category would give a better indication of operating efficiency.

Increases in the flushing category resulted from testing to allow the engineer to calibrate the water distribution model. This value will increase in future years as we do more yearly flushing to improve water quality in the distribution system. Major day to day expenses subject to large swings are the electricity used in pumping and chemicals used treat and disinfect the water.

### **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.

## **Financial Statement**

**OGDEN MUNICIPAL UTILITIES**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets**  
**As of and for the year ended June 30, 2008**

Operating receipts:	
Charges for service	\$ 1,832,193
Miscellaneous	108,756
Total operating receipts	<u>1,940,949</u>
Operating disbursements:	
Business type activities:	
Plant operation and maintenance	938,961
Distribution operation and maintenance	279,741
Employee expense	419,832
Accounting and collection	22,681
Administration	27,506
Customer refunds	9,895
Total operating disbursements	<u>1,698,616</u>
Excess of operating receipts over operating disbursements	<u>242,333</u>
Non-operating receipts (disbursements):	
Interest on investments	47,329
Debt service	(193,370)
Total non-operating receipts (disbursements)	<u>(146,041)</u>
Change in cash basis net assets	96,292
Cash basis net assets beginning of year	<u>1,102,765</u>
Cash basis net assets end of year	<u><u>\$ 1,199,057</u></u>
<b>Cash Basis Net Assets</b>	
Restricted for:	
Debt service	\$ 518,458
Customer deposits	26,754
Unrestricted	653,845
Total cash basis net assets	<u><u>\$ 1,199,057</u></u>

See notes to financial statement.

**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 a jointly-governed organization for which the Utilities is not financially accountable or that the nature and significance of the relationship with the Utilities is such that exclusion does not cause the Utilities' financial statements to be misleading or incomplete. The Utilities is a member of the Resale Power Group of Iowa – 28E Agreement.

B. Basis of Presentation

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 balances. The funds are classified as Enterprise Funds in the financial statement. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

C. Basis of Accounting

Ogden Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Utilities is 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. Restricted Assets and Net Assets

Funds set aside for bond principal and interest payments and customer meter deposits are classified as restricted.

E. Budgets and Budgetary Accounting

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

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

**2. Cash and Pooled Investments**

The Utilities' deposits in banks at June 30, 2008 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 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, as amended by Statement No. 40.

**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>Principal</u> <u>Amount</u>	<u>Interest</u>	<u>Total</u>
2009	\$130,000	\$61,804	\$191,804
2010	135,000	55,750	190,750
2011	145,000	49,220	194,220
2012	150,000	42,203	192,203
2013	160,000	34,688	194,688
2014	150,000	26,996	176,996
2015	140,000	19,545	159,545
2016	150,000	12,120	162,120
2017	<u>155,000</u>	<u>4,185</u>	<u>159,185</u>
	<u>\$ 1,315,000</u>	<u>\$ 306,511</u>	<u>\$ 1,621,511</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, 2008 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 3.90% of their annual salary and the Utilities are required to contribute 6.05% of annual payroll. Contribution requirements are established by State statute. The Utilities' contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$18,799, \$17,162 and \$17,412, 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. 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 \$15,500 at June 30, 2008. This liability has been computed based on rates of pay in effect at June 30, 2008.

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

**6. 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.

**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 \$6,000 for single coverage and \$12,000 for 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.

**9. Economic Dependency**

During the year ending June 30, 2008, the Utilities purchased approximately its entire 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, 2008**

	Proprietary Funds Actual	<u>Budgeted Amounts</u> Original & Final	Final to Actual Variance
Receipts:			
Use of money and property	47,329	-	(47,329)
Charges for service	1,832,193	2,750,000	917,807
Miscellaneous	108,756	-	(108,756)
Total receipts	1,988,278	2,750,000	761,722
Disbursements:			
Business type activities	1,891,986	2,750,000	858,014
Change in cash basis net assets	96,292	-	96,292
Cash basis net assets beginning of year	1,102,765	-	1,102,765
Cash basis net assets end of year	<u>\$ 1,102,765</u>	<u>\$ -</u>	<u>\$ 1,102,765</u>

See accompanying independent auditor's report.

## **OGDEN MUNICIPAL UTILITIES**

### Notes to Required Supplementary Information – Budget Reporting

June 30, 2008

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. 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. There were no budget amendments for the Utilities during the year ended June 30, 2008.

During the year ended June 30, 2008, disbursements did not exceed the amount budgeted.

## **Other Supplementary Information**

**OGDEN MUNICIPAL UTILITIES**  
**Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets**  
**Enterprise Funds**  
**Year ended June 30, 2008**

	Electric	Water	Project Share	Total
Operating receipts:				
Charges for services	\$ 1,498,474	\$ 333,719	\$ -	\$ 1,832,193
Miscellaneous	78,617	30,079	60	108,756
Total operating receipts	<u>1,577,091</u>	<u>363,798</u>	<u>60</u>	<u>1,940,949</u>
Operating disbursements:				
Business type activities:				
Plant operation and maintenance	856,542	82,419	-	938,961
Distribution operation and maintenance	226,967	52,774	-	279,741
Employee expense	322,489	97,343	-	419,832
Accounting and collection	13,164	9,517	-	22,681
Administration	14,864	12,642	-	27,506
Customer refunds	9,895	-	-	9,895
Total operating disbursements	<u>1,443,921</u>	<u>254,695</u>	<u>-</u>	<u>1,698,616</u>
Excess of operating receipts over operating disbursements	<u>133,170</u>	<u>109,103</u>	<u>60</u>	<u>242,333</u>
Non-operating receipts (disbursements):				
Interest on investments	29,955	17,372	2	47,329
Debt service	(193,370)	-	-	(193,370)
Total non-operating receipts (disbursements)	<u>(163,415)</u>	<u>17,372</u>	<u>2</u>	<u>(146,041)</u>
Change in cash basis net assets	(30,245)	126,475	62	96,292
Cash basis net assets beginning of year	<u>712,545</u>	<u>389,900</u>	<u>320</u>	<u>1,102,765</u>
Cash basis net assets end of year	<u>\$ 682,300</u>	<u>\$ 516,375</u>	<u>\$ 382</u>	<u>\$ 1,199,057</u>

See accompanying independent auditor's report.

**OGDEN MUNICIPAL UTILITIES**  
**Schedule of Indebtedness**  
**Year ended June 30, 2008**

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%	\$ 1,260,000	\$ 1,260,000	\$ -	\$ 100,000	\$ 1,160,000	\$ 61,270	\$ -
Electric Capital Loan Note	10/25/2005	4.00%	180,000	180,000	-	25,000	155,000	6,700	-
Total Revenue Notes			<u>\$ 1,440,000</u>	<u>\$ 1,440,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 1,315,000</u>	<u>\$ 67,970</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**OGDEN MUNICIPAL UTILITIES**  
**Note Maturities**  
**June 30, 2008**

Year Ending June 30,	Revenue Notes					
	Electric Capital Loan Notes Issued November 1, 2001			Electric Capital Loan Notes Issued October 25, 2005		
	Interest Rates		Amount	Interest Rates		Amount
2009	4.65%	\$ 105,000	4.00%	\$ 25,000		\$ 130,000
2010	4.75%	110,000	4.00%	25,000		135,000
2011	4.90%	115,000	4.00%	30,000		145,000
2012	5.00%	120,000	4.00%	30,000		150,000
2013	5.10%	130,000	4.00%	30,000		160,000
2014	5.15%	135,000	4.00%	15,000		150,000
2015	5.25%	140,000				140,000
2016	5.30%	150,000				150,000
2017	5.40%	155,000				155,000
Total		<u>\$ 1,160,000</u>		<u>\$ 155,000</u>		<u>\$ 1,315,000</u>

See accompanying independent auditor's report.

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

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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 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

Board of Trustees  
Ogden Municipal Utilities

We have audited the financial statement of the Ogden Municipal Utilities, Ogden, Iowa, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 22, 2008. Our report expressed an unqualified opinion on the financial statement which was 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Ogden Municipal Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ogden Municipal Utilities' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Ogden municipal Utilities' ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Ogden Municipal Utilities' financial statement that is more than inconsequential will not be prevented or detected by the Ogden Municipal Utilities' internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by the Ogden Municipal Utilities' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above reported is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ogden Municipal Utilities' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, 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.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2008 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.

Ogden Municipal Utilities' response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Utilities' response, we did not audit the Ogden Municipal Utilities' response and, accordingly, we express no opinion on it.

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



Peterson & Houston, P.C.  
Boone, Iowa

December 22, 2008

**OGDEN MUNICIPAL UTILITIES**  
**Schedule of Findings**  
**Year Ended June 30, 2008**

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

**Significant Deficiencies**

I-A-08 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-08 Preparation of Financial Statements – As is the case with similar governmental entities, the Utilities have historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Utilities' ability to prepare financial statements in accordance with the cash basis of accounting is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Recommendation – The Utilities should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements, and determine if it is in the best interest of the Utilities to continue to outsource this task to its external auditors.

Response – The Utilities have evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements and determined that it is in the best interest of the Utilities to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Conclusion – Response accepted.

**OGDEN MUNICIPAL UTILITIES**  
**Schedule of Findings**  
**Year Ended June 30, 2008**

**Part I: Findings Related to the Financial Statements (continued):**

**Instances of Non-Compliance**

No matters were noted.

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

- II-A-07 Certified Budget – The budget certified by the City of Ogden includes amounts for the Utilities. Disbursements for the year ended June 30, 2008 did not exceed the amount budgeted.
- II-B-07 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-C-07 Travel Expense – No disbursement of Utilities money for travel expenses of spouses of the Utilities’ officials or employees was noted.
- II-D-07 Business Transactions – No business transactions between the Utilities and Utilities’ officials or employees were noted.
- II-E-07 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-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-07 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.
- II-H-07 Revenue Notes – The Utilities have complied with the electric revenue note resolution requirements for the year ended June 30, 2008.