

**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, 2008

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

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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 2008)		
Bruce Towne	Trustee	July, 2008
Kevin Sturm	Trustee	July, 2009
Jeff Boerner	Trustee	July, 2011
Brad Lane	Trustee	July, 2012
Debra Tvrdik	Trustee	July, 2013
(After July 2008)		
Kevin Sturm	Trustee	July, 2009
Jeff Boerner	Trustee	July, 2011
Brad Lane	Trustee	July, 2012
Debra Tvrdik	Trustee	July, 2013
Bruce Towne	Trustee	July, 2014
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, 2008, 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, 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, 2008, 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 February 6, 2009 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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.L.C.
Certified Public Accountants

February 6, 2009

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

2008 FINANCIAL HIGHLIGHTS

- Operating receipts of the Utilities' business type activities increased 2.2%, or approximately \$27,000 from fiscal 2007 to fiscal 2008.
- Operating disbursements increased 0.6%, or approximately \$6,000 in fiscal 2008 from fiscal 2007.
- The Utilities' total cash basis net assets increased 26.8%, or approximately \$209,000, from June 30, 2007 to June 30, 2008.

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, readers 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, water and sewer funds are considered to be major funds of the Utilities.

The required financial statement for proprietary funds is 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>2008</u>	<u>2007</u>
Receipts:		
Program receipts:		
Charges for service	\$ 1,194	1,163
General receipts:		
Unrestricted interest on investments	36	26
Loan and bond proceeds	---	532
Intergovernmental	32	367
Other general receipts	<u>85</u>	<u>127</u>
Total receipts	<u>1,347</u>	<u>2,215</u>
Disbursements	<u>1,138</u>	<u>2,071</u>
Increase in cash balance	209	144
Cash basis fund balances beginning of year	<u>779</u>	<u>635</u>
Cash basis fund balances end of year	\$ 988	779
	=====	=====

Total business type activities receipts for the fiscal year were \$1.347 million compared to \$2.215 million last year. This decrease was due primarily to the receipt of \$32,000 revenue bond and grant proceeds in 2008 as compared to \$899,000 in 2007. The cash balance increased by approximately \$209,000 from the prior year. Total disbursements for the fiscal year decreased by 45.1% to a total of \$1.138 million. This decrease was due primarily to capital outlay expenditures of \$31,000 in 2008 compared to \$938,000 in 2007.

INDIVIDUAL MAJOR BUSINESS TYPE ACTIVITIES FUND ANALYSIS

- The Water Fund cash balance increased by \$40,282 to \$187,956.
- The Electric Fund cash balance increased by \$129,968 to \$670,124.
- The Sewer Fund cash balance increased by \$37,473 to \$102,623.

BUDGETARY HIGHLIGHTS

The Utilities did not exceed its budget.

DEBT ADMINISTRATION

At June 30, 2008, the Utilities had \$1,230,960 in loans, notes and bonds compared to \$1,305,691 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	<u>2008</u>	<u>2007</u>
Revenue note	\$ 162	186
Revenue bond	<u>1,069</u>	<u>1,120</u>
Total	\$ 1,231	1,306
	=====	=====

Debt decreased as a result of no new issuances this year.

2009 ECONOMIC FACTORS

Economic factors that will affect Gowrie Municipal Utilities for 2009 are an approximate 20% to 30% increase in the power cost from our supplier Central Iowa Power Cooperative (CIPCO). This is due to an increase in whole sale rates along with changes in our contract that reduce generation credits paid to us from CIPCO. The change in power cost alone will be over \$110,000 more compared to 2008. The second factor is approximately a 24% increase in garbage collection costs. These two changes in expenditures have required garbage rates to be increased and may require an increase in electric rates to the customer.

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, 2008

	Enterprise Funds				Total
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Other Nonmajor Proprietary Funds</u>	
Operating receipts:					
Use of money and property	\$ -	3,960	-	-	3,960
Charges for service	824,041	162,407	143,198	64,729	1,194,375
Miscellaneous	44,612	1,107	-	5,296	51,015
Total operating receipts	<u>868,653</u>	<u>167,474</u>	<u>143,198</u>	<u>70,025</u>	<u>1,249,350</u>
Operating disbursements:					
Business type activities	<u>753,034</u>	<u>94,070</u>	<u>73,612</u>	<u>69,091</u>	<u>989,807</u>
Total operating disbursements	<u>753,034</u>	<u>94,070</u>	<u>73,612</u>	<u>69,091</u>	<u>989,807</u>
Excess of operating receipts over operating disbursements	<u>115,619</u>	<u>73,404</u>	<u>69,586</u>	<u>934</u>	<u>259,543</u>
Non-operating receipts (disbursements):					
Interest on investments	25,305	7,787	2,248	428	35,768
Miscellaneous	28,148	1,186	552	-	29,886
Revenue bond proceeds	-	-	45	-	45
Intergovernmental	-	-	32,214	-	32,214
Capital outlay	(8,789)	(1,260)	(20,639)	-	(30,688)
Debt service	<u>(30,315)</u>	<u>(40,835)</u>	<u>(46,533)</u>	<u>-</u>	<u>(117,683)</u>
Net non-operating receipts (disbursements)	<u>14,349</u>	<u>(33,122)</u>	<u>(32,113)</u>	<u>428</u>	<u>(50,458)</u>
Net change in cash balances	129,968	40,282	37,473	1,362	209,085
Cash balances beginning of year	<u>540,156</u>	<u>147,674</u>	<u>65,150</u>	<u>26,243</u>	<u>779,223</u>
Cash balances end of year	<u>\$ 670,124</u>	<u>187,956</u>	<u>102,623</u>	<u>27,605</u>	<u>988,308</u>
Cash Basis Fund Balances					
Reserved for:					
Debt service	\$ 2,561	78,397	4,092	-	85,050
Improvements	-	110,391	-	-	110,391
Unreserved	<u>667,563</u>	<u>(832)</u>	<u>98,531</u>	<u>27,605</u>	<u>792,867</u>
Total cash basis fund balances	<u>\$ 670,124</u>	<u>187,956</u>	<u>102,623</u>	<u>27,605</u>	<u>988,308</u>

See notes to financial statements.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2008

(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, 2008

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' waste water treatment and sanitary 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.

Under the terms of grant agreements, the Utilities fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the Utilities' policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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, 2008, 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, 2008

(2) Cash

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 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, 2008. During the year, the Utilities deposited excess funds in certificates of deposit.

(3) Notes and Bonds Payable

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

Year Ending <u>June 30,</u>	<u>Revenue Notes</u>		<u>Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$24,627	5,689	50,000	32,070	74,627	37,759
2010	25,534	4,782	50,000	30,570	75,534	35,352
2011	26,474	3,841	52,000	29,070	78,474	32,911
2012	27,449	2,866	54,000	27,510	81,449	30,376
2013	28,461	1,855	56,000	25,890	84,461	27,745
2014-2018	29,415	807	301,000	103,530	330,415	104,337
2019-2023	---	---	350,000	55,500	350,000	55,500
2024-2026	---	---	156,000	8,310	156,000	8,310
Total	\$ 161,960	19,840	1,069,000	312,450	1,230,960	332,290
	=====	=====	=====	=====	=====	=====

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2008

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 \$95,000 principal had been paid by the Utilities as of June 30, 2008. 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 principal and interest on the water revenue bonds 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 improvements did not cost as much as anticipated so the bond proceeds came to \$628,000 of which \$53,000 principal had been paid by the Utilities as of June 30, 2008. The bonds are 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 principal and interest on the sewer revenue bonds falling due in the same year.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2008

(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 3.90% of their annual covered salary and the Utilities is required to contribute 6.05% of covered salary. Contribution requirements are established by state statute. The Utilities' contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$13,762, \$12,595, and \$13,014 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, 2008, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 9,582
	=====

This liability has been computed based on rates of pay in effect at June 30, 2008.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2008

(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.

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, 2008

	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	\$ 39,728	12,920	12,920	26,808
Charges for service	1,194,375	1,168,200	1,168,200	26,175
Miscellaneous	<u>80,901</u>	<u>74,350</u>	<u>74,350</u>	<u>6,551</u>
Total receipts	<u>1,315,004</u>	<u>1,255,470</u>	<u>1,255,470</u>	<u>59,534</u>
Disbursements:				
Business type activities	<u>1,138,178</u>	<u>1,255,470</u>	<u>1,255,470</u>	<u>117,292</u>
Excess of receipts over disbursements	176,826	-	-	176,826
Other financing sources, net	<u>32,259</u>	<u>-</u>	<u>-</u>	<u>32,259</u>
Excess of receipts and other financing sources over disbursements and other financing uses	209,085	-	-	209,085
Balances beginning of year	<u>779,223</u>	<u>(625,903)</u>	<u>(625,903)</u>	<u>1,405,126</u>
Balances end of year	<u><u>\$ 988,308</u></u>	<u><u>(625,903)</u></u>	<u><u>(625,903)</u></u>	<u><u>1,614,211</u></u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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 nine major classes of disbursements, known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise 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, 2008, Utility disbursements did not exceed the amounts budgeted.

Other Supplementary Information

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, 2008

	<u>Garbage</u>	<u>Meter Deposits</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 64,729	-	64,729
Miscellaneous	-	5,296	5,296
Total operating receipts	64,729	5,296	70,025
Operating disbursements:			
Business type activities	62,776	6,315	69,091
Total operating disbursements	62,776	6,315	69,091
Excess (deficiency) of operating receipts over (under) operating disbursements	1,953	(1,019)	934
Non-operating receipts (disbursements):			
Interest on investments	319	109	428
Net non-operating receipts (disbursements)	319	109	428
Net change in cash balances	2,272	(910)	1,362
Cash balances beginning of year	19,129	7,114	26,243
Cash balances end of year	21,401	6,204	27,605
Cash Basis Fund Balances			
Unreserved	21,401	6,204	27,605
Total cash basis fund balances	\$ 21,401	6,204	27,605

See accompanying independent auditor's report.

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, 2008

	<u>Electric Revenue</u>	<u>Electric Sinking</u>	<u>Total</u>
Operating receipts:			
Charges for service:			
Sale of electricity	\$ 823,766	-	823,766
Reconnection fees	275	-	275
	824,041	-	824,041
Miscellaneous:			
Merchandise and labor sales	13,559	-	13,559
Sales tax collected	31,053	-	31,053
	44,612	-	44,612
Total operating receipts	868,653	-	868,653
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	159,876	-	159,876
FICA - Employer's portion	12,230	-	12,230
IPERS - Employer's portion	9,618	-	9,618
Group insurance	32,781	-	32,781
Uniforms	650	-	650
Workers compensation	4,112	-	4,112
	219,267	-	219,267
Services and commodities:			
Advertising and legal publication	1,848	-	1,848
Consulting and legal	1,289	-	1,289
Power purchased	383,275	-	383,275
General insurance	14,780	-	14,780
Miscellaneous contractual work	4,424	-	4,424
Postage and shipping	2,277	-	2,277
Sales and property tax remitted	42,307	-	42,307
Telephone	1,618	-	1,618
Travel and conference	8	-	8
Utility service	15,385	-	15,385
Dues and membership	6,447	-	6,447
Buildings and maintenance supplies	3,127	-	3,127
Minor equipment	3,085	-	3,085
Motor vehicle supplies and maintenance	5,766	-	5,766
Office supplies	5,718	-	5,718
Operating supplies and materials	2,295	-	2,295

(continued)

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, 2008

	<u>Electric Revenue</u>	<u>Electric Sinking</u>	<u>Total</u>
Refunds	318	-	318
Contribution to City	21,424	-	21,424
Distribution supplies and material	18,376	-	18,376
	<u>533,767</u>	<u>-</u>	<u>533,767</u>
Total operating disbursements	<u>753,034</u>	<u>-</u>	<u>753,034</u>
Excess of operating receipts over operating disbursements	<u>115,619</u>	<u>-</u>	<u>115,619</u>
Non-operating receipts (disbursements):			
Interest on investments	25,228	77	25,305
Miscellaneous	28,148	-	28,148
Capital outlay:			
Equipment	(8,789)	-	(8,789)
Debt service:			
Principal payments	-	(23,776)	(23,776)
Interest payments	-	(6,539)	(6,539)
Net non-operating receipts (disbursements)	<u>44,587</u>	<u>(30,238)</u>	<u>14,349</u>
Excess (deficiency) of receipts over (under) disbursements	160,206	(30,238)	129,968
Operating transfers in	-	30,020	30,020
Operating transfers out	<u>(30,020)</u>	<u>-</u>	<u>(30,020)</u>
Net change in cash balances	130,186	(218)	129,968
Cash balances beginning of year	<u>537,377</u>	<u>2,779</u>	<u>540,156</u>
Cash balances end of year	<u>\$ 667,563</u>	<u>2,561</u>	<u>670,124</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	2,561	2,561
Unreserved	<u>667,563</u>	<u>-</u>	<u>667,563</u>
Total cash basis fund balances	<u>\$ 667,563</u>	<u>2,561</u>	<u>670,124</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, 2008

	Water Operations & <u>Maintenance</u>	Water Sinking <u>2004 Project</u>	Water <u>Reserve</u>
Operating receipts:			
Use of money and property:			
Tower rent	\$ -	-	-
Charges for service:			
Sale of water	158,929	-	-
Reconnection fees	<u>775</u>	<u>-</u>	<u>-</u>
	<u>159,704</u>	<u>-</u>	<u>-</u>
Miscellaneous:			
Merchandise and labor sales	<u>1,107</u>	<u>-</u>	<u>-</u>
Total operating receipts	<u>160,811</u>	<u>-</u>	<u>-</u>
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	36,381	-	-
FICA - Employer's portion	2,784	-	-
IPERS - Employer's portion	2,201	-	-
Group insurance	5,528	-	-
Uniforms	200	-	-
Workers compensation	<u>1,256</u>	<u>-</u>	<u>-</u>
	<u>48,350</u>	<u>-</u>	<u>-</u>
Services and commodities:			
Advertising and legal publication	581	-	-
Consulting and legal	560	-	-
General insurance	3,389	-	-
Miscellaneous contractual work	8,147	-	-
Postage and shipping	644	-	-
Telephone	988	-	-
Travel and conference	54	-	-
Utility service	13,509	-	-
Dues and memberships	362	-	-
Building and maintenance supplies	893	-	-
Chemicals and testing	2,770	-	-
Motor vehicle supplies and maintenance	770	-	-
Office supplies	1,816	-	-
Operating supplies and materials	5,450	-	-
Distribution supplies and material	5,186	-	-
Contribution to City	<u>601</u>	<u>-</u>	<u>-</u>
	<u>45,720</u>	<u>-</u>	<u>-</u>
Total operating disbursements	<u>94,070</u>	<u>-</u>	<u>-</u>

Schedule 3

<u>Water Tower Maintenance</u>	<u>Water Improvement</u>	<u>Total</u>
<u>3,960</u>	<u>-</u>	<u>3,960</u>
2,703	-	161,632
<u>-</u>	<u>-</u>	<u>775</u>
<u>2,703</u>	<u>-</u>	<u>162,407</u>
<u>-</u>	<u>-</u>	<u>1,107</u>
<u>6,663</u>	<u>-</u>	<u>167,474</u>
-	-	36,381
-	-	2,784
-	-	2,201
-	-	5,528
-	-	200
<u>-</u>	<u>-</u>	<u>1,256</u>
<u>-</u>	<u>-</u>	<u>48,350</u>
-	-	581
-	-	560
-	-	3,389
-	-	8,147
-	-	644
-	-	988
-	-	54
-	-	13,509
-	-	362
-	-	893
-	-	2,770
-	-	770
-	-	1,816
-	-	5,450
-	-	5,186
<u>-</u>	<u>-</u>	<u>601</u>
<u>-</u>	<u>-</u>	<u>45,720</u>
<u>-</u>	<u>-</u>	<u>94,070</u>

(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, 2008

	Water Operations & <u>Maintenance</u>	Water Sinking <u>2004 Project</u>	Water <u>Reserve</u>
Excess of operating receipts over operating disbursements	<u>66,741</u>	<u>-</u>	<u>-</u>
Non-operating receipts (disbursements):			
Interest on investments	4,013	-	2,618
Miscellaneous	1,186	-	-
Capital outlay:			
Equipment	(1,260)	-	-
Debt service:			
Principal payments	-	(24,000)	-
Interest payments	-	<u>(16,835)</u>	<u>-</u>
Net non-operating receipts (disbursements)	<u>3,939</u>	<u>(40,835)</u>	<u>2,618</u>
Excess (deficiency) of receipts over (under) disbursements	70,680	(40,835)	2,618
Operating transfers in	-	37,015	-
Operating transfers out	<u>(37,015)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	33,665	(3,820)	2,618
Cash balances beginning of year	<u>(34,497)</u>	<u>4,717</u>	<u>111,872</u>
Cash balances end of year	<u>\$ (832)</u>	<u>897</u>	<u>114,490</u>
Cash Basis Fund Balances			
Reserved for:			
Debt service	\$ -	897	77,500
Improvements	-	-	36,990
Unreserved	<u>(832)</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ (832)</u>	<u>897</u>	<u>114,490</u>

See accompanying independent auditor's report.

Schedule 3

<u>Water Tower Maintenance</u>	<u>Water Improvement</u>	<u>Total</u>
<u>6,663</u>	<u>-</u>	<u>73,404</u>
1,156	-	7,787
-	-	1,186
-	-	(1,260)
-	-	(24,000)
-	-	(16,835)
<u>1,156</u>	<u>-</u>	<u>(33,122)</u>
7,819	-	40,282
-	-	37,015
<u>-</u>	<u>-</u>	<u>(37,015)</u>
7,819	-	40,282
<u>45,582</u>	<u>20,000</u>	<u>147,674</u>
<u>53,401</u>	<u>20,000</u>	<u>187,956</u>
-	-	78,397
53,401	20,000	110,391
-	-	(832)
<u>53,401</u>	<u>20,000</u>	<u>187,956</u>

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 4

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

As of and for the year ended June 30, 2008

	<u>Sewer Revenue</u>	<u>Sewer Sinking</u>	<u>Total</u>
Operating receipts:			
Charges for service:			
Sewer rental fees	\$ 143,198	-	143,198
Total operating receipts	143,198	-	143,198
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	32,111	-	32,111
FICA - Employer's portion	2,457	-	2,457
IPERS - Employer's portion	1,943	-	1,943
Group insurance	5,528	-	5,528
Uniforms	200	-	200
Workers compensation	835	-	835
	43,074	-	43,074
Services and commodities:			
Advertising and legal publication	162	-	162
Consulting and legal	1,939	-	1,939
General insurance	2,482	-	2,482
Miscellaneous contractual work	8,151	-	8,151
Postage and shipping	608	-	608
Telephone	502	-	502
Travel and conference	7	-	7
Utility service	11,591	-	11,591
Dues and membership	218	-	218
Building and maintenance supplies	655	-	655
Motor vehicle supplies and maintenance	791	-	791
Office supplies	1,275	-	1,275
Operating supplies and materials	1,630	-	1,630
Distribution supplies and materials	527	-	527
	30,538	-	30,538
Total operating disbursements	73,612	-	73,612

(continued)

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 4

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

As of and for the year ended June 30, 2008

	<u>Sewer Revenue</u>	<u>Sewer Sinking</u>	<u>Total</u>
Excess of operating receipts over operating disbursements	<u>69,586</u>	<u>-</u>	<u>69,586</u>
Non-operating receipts (disbursements):			
Interest on investments	2,248	-	2,248
Miscellaneous	552	-	552
Proceeds from state revolving loan	45	-	45
Intergovernmental - Community Development Block Grant	32,214	-	32,214
Capital outlay:			
Wastewater improvements project	(15,293)	-	(15,293)
Equipment	(5,346)	-	(5,346)
Debt service:			
Principal payments	-	(27,000)	(27,000)
Interest payments	<u>-</u>	<u>(19,533)</u>	<u>(19,533)</u>
Net non-operating receipts (disbursements)	<u>14,420</u>	<u>(46,533)</u>	<u>(32,113)</u>
Excess (deficiency) of receipts over (under) disbursements	84,006	(46,533)	37,473
Operating transfer in	-	46,690	46,690
Operating transfer out	<u>(46,690)</u>	<u>-</u>	<u>(46,690)</u>
Net change in cash balances	37,316	157	37,473
Cash balances beginning of year	<u>61,215</u>	<u>3,935</u>	<u>65,150</u>
Cash balances end of year	<u>\$ 98,531</u>	<u>4,092</u>	<u>102,623</u>
Cash Basis Fund Balances			
Reserved for:			
Debt service	\$ -	4,092	4,092
Unreserved	<u>98,531</u>	<u>-</u>	<u>98,531</u>
Total cash basis fund balances	<u>\$ 98,531</u>	<u>4,092</u>	<u>102,623</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, 2008

Operating receipts:	
Charges for service:	
Garbage service	\$ 64,729
Total operating receipts	<u>64,729</u>
Operating disbursements:	
Business type activities:	
Services and commodities:	
Miscellaneous contractual work	59,352
Other agency payments	<u>3,424</u>
Total operating disbursements	<u>62,776</u>
Excess of operating receipts over operating disbursements	1,953
Non-operating receipts:	
Interest on investments	<u>319</u>
Excess of receipts over disbursements	2,272
Cash balance beginning of year	<u>19,129</u>
Cash balance end of year	<u>\$ 21,401</u>
Cash Basis Fund Balance	
Unreserved	<u>\$ 21,401</u>
Total cash basis fund balance	<u>\$ 21,401</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, 2008

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
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>\$ 185,736</u>	<u>-</u>	<u>23,776</u>	<u>161,960</u>	<u>6,539</u>	<u>-</u>
<u>\$ 518,000</u>	<u>-</u>	<u>24,000</u>	<u>494,000</u>	<u>16,835</u>	<u>-</u>
<u>\$ 601,955</u>	<u>45</u>	<u>27,000</u>	<u>575,000</u>	<u>19,533</u>	<u>-</u>

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 7

Note Maturities

June 30, 2008

Year Ending <u>June 30,</u>	Electric Revenue Note	
	Issued March 9, 2004	
	Interest Rates	Amount
2009	3.65 %	\$ 24,627
2010	3.65	25,534
2011	3.65	26,474
2012	3.65	27,449
2013	3.65	28,461
2014	3.65	29,415
Total		\$ 161,960

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 8

Revenue Bond Maturities

June 30, 2008

Year Ending June 30,	Water Revenue Bonds		Sewer Revenue Bonds		Total
	Series 2004 Issued July 20, 2004		Series 2006 Issued June 1, 2006		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2009	3.00 %	\$ 25,000	3.00 %	\$ 25,000	50,000
2010	3.00	25,000	3.00	25,000	50,000
2011	3.00	26,000	3.00	26,000	52,000
2012	3.00	27,000	3.00	27,000	54,000
2013	3.00	28,000	3.00	28,000	56,000
2014	3.00	28,000	3.00	29,000	57,000
2015	3.00	29,000	3.00	29,000	58,000
2016	3.00	30,000	3.00	30,000	60,000
2017	3.00	31,000	3.00	31,000	62,000
2018	3.00	32,000	3.00	32,000	64,000
2019	3.00	33,000	3.00	33,000	66,000
2020	3.00	34,000	3.00	34,000	68,000
2021	3.00	35,000	3.00	35,000	70,000
2022	3.00	36,000	3.00	36,000	72,000
2023	3.00	37,000	3.00	37,000	74,000
2024	3.00	38,000	3.00	38,000	76,000
2025		-	3.00	39,000	39,000
2026		-	3.00	41,000	41,000
	Total	<u>\$ 494,000</u>		<u>\$ 575,000</u>	<u>\$ 1,069,000</u>

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, 2008

<u>Insurer</u>	<u>Coverage</u>	<u>Amount</u>
Employers Mutual Casualty Insurance Company (Expires 4-1-2009)	<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>	4,097,780
	<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 4-1-2009)	<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, 2008

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

Commercial	142
Residential	480
Street lights	1

2. Electricity purchased – 8,322,017 K.W.H.

3. Electricity billed – 7,579,192 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, 2008

Number of customers served 487

Water rates:

\$3.50 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, 2008, which collectively comprise the Utilities' basic financial statement listed in the table of contents, and have issued our report thereon dated February 6, 2009. Our report expressed unqualified opinions 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Gowrie Municipal Utilities' internal control over financial reporting.

Accordingly, we do not express an opinion on the effectiveness of Gowrie 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

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 Gowrie 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 Gowrie Municipal Utilities' financial statements that is more than inconsequential will not be prevented or detected by Gowrie Municipal Utilities' internal control. We consider the deficiencies in internal control described in Part I of 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 statements will not be prevented or detected by Gowrie 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, of the significant deficiencies described above, we believe items I-A-08 and I-B-08 are material weaknesses.

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.

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.

Gowrie Municipal Utilities' responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Utilities' responses, we did not audit Gowrie Municipal Utilities' responses and, accordingly, we express no opinion on them.

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.L.C.
Certified Public Accountants

February 6, 2009

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie
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. 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. The Utilities has one employee handling most of the financial duties, including reconciling accounts and recording financial data.

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.

I-B-08 Financial Reporting – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. Gowrie Municipal Utilities does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Gowrie Municipal Utilities

A Component Unit of the City of Gowrie

Schedule of Findings

Year ended June 30, 2008

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the Utilities’ management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate.

Conclusion – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Gowrie Municipal Utilities

A Component Unit of the City of Gowrie

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - The City of Gowrie and Gowrie Municipal Utilities submit a combined budget. Utility disbursements during the year ended June 30, 2008, did not exceed the amounts budgeted.
- II-B-08 Questionable Disbursements – No disbursements 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-08 Travel Expense - No disbursements of Utilities’ money for travel expenses of spouses of Utilities’ officials or employees were noted.
- II-D-08 Business Transactions – No business transactions between the Utilities and Utilities’ officials or employees were noted.
- II-E-08 Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure the coverage is adequate for current operations.
- II-F-08 Board of Trustees Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-08 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-08 Revenue Bond and Notes – No instances of noncompliance with the revenue bond and note resolutions were noted.