

**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, 2009

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-7
Basic Financial Statement:	<u>Exhibit</u>	
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	A	8
Notes to Financial Statements		9-14
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – Proprietary Funds		15
Notes to Required Supplementary Information – Budgetary Reporting		16
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	1	17
Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Electric Department	2	18-19
Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Water Department	3	20-23
Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balance – Sewer Department	4	24-25
Schedule of Cash Receipts, Disbursements and Changes in Cash Balance – Garbage Department	5	26
Schedule of Indebtedness	6	27-28

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Table of Contents

	<u>Page</u>
Note Maturities	7 29
Revenue Bond Maturities	8 30
Schedule of Insurance Coverage	9 31
Electric Department Data	10 32
Water Department Data	11 33
 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 <u>Government Auditing Standards</u>	 34-36
 Schedule of Findings	 37-40

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before July 2009)		
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
(After July 2009)		
Kevin Sturm	Trustee	July, 2015
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, 2009, which collectively comprise the Utilities' basic financial statement listed in the table of contents. This financial statement is the responsibility of the Gowrie Municipal 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, 2009, 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 January 15, 2010 on our consideration of Gowrie Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

January 15, 2010

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, 2009. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Operating receipts of the Utilities' business type activities increased 2.3%, or approximately \$29,000 from fiscal 2008 to fiscal 2009.
- Operating disbursements increased 11.4%, or approximately \$113,000 in fiscal 2009 from fiscal 2008.
- The Utilities' total cash basis fund balances increased 10.3%, or approximately \$102,000, from June 30, 2008 to June 30, 2009.

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 maintain 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>2009</u>	<u>2008</u>
Receipts:		
Program receipts:		
Charges for service	\$ 1,227	1,194
General receipts:		
Unrestricted interest on investments	28	36
Intergovernmental	---	32
Other general receipts	<u>82</u>	<u>85</u>
Total receipts	<u>1,337</u>	<u>1,347</u>
Disbursements	<u>1,235</u>	<u>1,138</u>
Increase in cash basis fund balances	102	209
Cash basis fund balances beginning of year	<u>988</u>	<u>779</u>
Cash basis fund balances end of year	\$ 1,090 =====	988 =====

Total business type activities receipts for the fiscal year were \$1.337 million compared to \$1.347 million last year. This decrease was due primarily to the receipt of \$32,000 in grant proceeds in 2008 that was not offset by an increase in revenue from charges for services in 2008. The cash balance increased by approximately \$102,000 over the prior year. Total disbursements for the fiscal year increased by 8.5% to a total of \$1.235 million. This increase was due primarily to an increase in operating disbursements of approximately \$113,000.

INDIVIDUAL MAJOR BUSINESS TYPE ACTIVITIES FUND ANALYSIS

- The Water Fund cash balance increased by \$26,029 to \$213,985.
- The Electric Fund cash balance increased by \$56,785 to \$726,909.
- The Sewer Fund cash balance increased by \$15,368 to \$117,991.

BUDGETARY HIGHLIGHTS

The Utilities did not exceed its budget.

DEBT ADMINISTRATION

At June 30, 2009, the Utilities had \$1,156,348 in notes and bonds compared to \$1,230,960 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	<u>2009</u>	<u>2008</u>
Revenue note	\$ 137	162
Revenue bond	<u>1,019</u>	<u>1,069</u>
Total	\$ 1,156	1,231
	=====	=====

Debt decreased as a result of no new issuances this year and principal payments of \$74,612 on existing debt.

2010 ECONOMIC FACTORS

During the 2010 fiscal year, Gowrie Municipal Utilities may look into doing a rate analysis to make certain they are charging enough for electricity. The Utilities are hoping to not increase rates during the next year now that fuel costs are coming back down.

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, 2009

	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	\$ -	4,680	-	-	4,680
Charges for service	854,745	157,474	140,081	74,478	1,226,778
Miscellaneous	40,973	575	-	4,880	46,428
Total operating receipts	<u>895,718</u>	<u>162,729</u>	<u>140,081</u>	<u>79,358</u>	<u>1,277,886</u>
Operating disbursements:					
Business type activities	<u>849,494</u>	<u>98,177</u>	<u>79,433</u>	<u>75,903</u>	<u>1,103,007</u>
Total operating disbursements	<u>849,494</u>	<u>98,177</u>	<u>79,433</u>	<u>75,903</u>	<u>1,103,007</u>
Excess of operating receipts over operating disbursements	<u>46,224</u>	<u>64,552</u>	<u>60,648</u>	<u>3,455</u>	<u>174,879</u>
Non-operating receipts (disbursements):					
Interest on investments	21,256	4,256	2,037	320	27,869
Miscellaneous	28,752	814	1,732	-	31,298
Capital outlay	(9,131)	(2,538)	(5,361)	-	(17,030)
Debt service	<u>(30,316)</u>	<u>(41,055)</u>	<u>(43,688)</u>	<u>-</u>	<u>(115,059)</u>
Net non-operating receipts (disbursements)	<u>10,561</u>	<u>(38,523)</u>	<u>(45,280)</u>	<u>320</u>	<u>(72,922)</u>
Net change in cash balances	56,785	26,029	15,368	3,775	101,957
Cash balances beginning of year	<u>670,124</u>	<u>187,956</u>	<u>102,623</u>	<u>27,605</u>	<u>988,308</u>
Cash balances end of year	<u>\$ 726,909</u>	<u>213,985</u>	<u>117,991</u>	<u>31,380</u>	<u>1,090,265</u>
Cash Basis Fund Balances					
Reserved for:					
Debt service	\$ 2,546	78,317	3,575	-	84,438
Improvements	-	119,249	-	-	119,249
Unreserved	<u>724,363</u>	<u>16,419</u>	<u>114,416</u>	<u>31,380</u>	<u>886,578</u>
Total cash basis fund balances	<u>\$ 726,909</u>	<u>213,985</u>	<u>117,991</u>	<u>31,380</u>	<u>1,090,265</u>

See notes to financial statements.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2009

(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, 2009

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, 2009, 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, 2009

(2) Cash

The Utilities' deposits in banks at June 30, 2009 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, 2009. 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 are as follows:

Year Ending June 30,	Revenue Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 25,533	4,782	50,000	30,570	75,533	35,352
2011	26,474	3,842	52,000	29,070	78,474	32,912
2012	27,449	2,867	54,000	27,510	81,449	30,377
2013	28,460	1,856	56,000	25,890	84,460	27,746
2014	29,432	807	57,000	24,210	86,432	25,017
2015-2019	---	---	310,000	94,500	310,000	94,500
2020-2024	---	---	360,000	45,000	360,000	45,000
2025-2026	---	---	80,000	3,630	80,000	3,630
Total	\$ 137,348	14,154	1,019,000	280,380	1,156,348	294,534

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2009

Revenue Note

The Utilities have pledged future electric customer receipts, net of specified operating disbursements, to repay \$250,000 in electric revenue notes issued in March 2004. Proceeds from the notes provided financing for electric system improvements. The notes are payable solely from electric customer net receipts and are payable through 2014. Annual principal and interest payments on the notes are expected to require less than 66 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$151,502. For the current year, principal and interest paid and total customer net receipts were \$30,316 and \$46,224 respectively.

The resolution providing for the issuance of the revenue note includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) An "Electric Revenue Fund" is 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.

Revenue Bonds

The Utilities have pledged future water customer receipts, net of specified operating disbursements, to repay \$695,000 in water revenue bonds issued in July 2004. Proceeds from the bonds provided financing for improvements to the water treatment plant. The bonds are payable solely from water customer net receipts and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 72 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$589,300. For the current year, principal and interest paid and total customer net receipts were \$41,055 and \$56,681 respectively.

The Utilities have pledged future sewer customer receipts, net of specified operating disbursements, to repay \$700,000 in sewer revenue bonds issued in May 2006. Proceeds from the bonds provided financing for the construction of improvements to the wastewater treatment system. The bonds are payable solely from sewer customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2009

to require less than 72 percent of net receipts. The total principal and interest remaining to be paid on bonds is \$710,080. For the current year, principal and interest paid and total customer net receipts were \$43,688 and \$60,648 respectively.

The resolutions providing for the issuance of the water and sewer revenue bonds include the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to water and sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

(4) Pension and Retirement Benefits

The Utilities contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the Utilities are required to contribute 6.35% of covered salary. Contribution requirements are established by state statute. The Utilities' contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$15,323, \$13,762, and \$12,595 respectively, equal to the required contributions for each year.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statements

June 30, 2009

(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. Sick leave hours accumulate and are paid only when used. The Utilities' approximate liability for earned vacation payable to employees at June 30, 2009, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 7,794
	=====

This liability has been computed based on rates of pay in effect at June 30, 2009.

(6) Risk Management

Gowrie Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utilities assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Subsequent Events

Subsequent events have been evaluated through January 15, 2010, which is the date the financial statements were available to be issued.

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, 2009

	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	\$ 32,549	18,720	18,720	13,829
Charges for service	1,226,778	1,185,800	1,185,800	40,978
Miscellaneous	<u>77,726</u>	<u>70,102</u>	<u>70,102</u>	<u>7,624</u>
Total receipts	<u>1,337,053</u>	<u>1,274,622</u>	<u>1,274,622</u>	<u>62,431</u>
Disbursements:				
Business type activities	<u>1,235,096</u>	<u>1,273,962</u>	<u>1,273,962</u>	<u>38,866</u>
Excess of receipts over disbursements	101,957	660	660	101,297
Balances beginning of year	<u>988,308</u>	<u>(625,903)</u>	<u>(625,903)</u>	<u>1,614,211</u>
Balances end of year	<u>\$ 1,090,265</u>	<u>(625,243)</u>	<u>(625,243)</u>	<u>1,715,508</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, 2009

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, 2009, 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, 2009

	<u>Garbage</u>	<u>Meter Deposits</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 74,478	-	74,478
Miscellaneous	-	4,880	4,880
Total operating receipts	<u>74,478</u>	<u>4,880</u>	<u>79,358</u>
Operating disbursements:			
Business type activities	<u>71,807</u>	<u>4,096</u>	<u>75,903</u>
Total operating disbursements	<u>71,807</u>	<u>4,096</u>	<u>75,903</u>
Excess of operating receipts over operating disbursements	<u>2,671</u>	<u>784</u>	<u>3,455</u>
Non-operating receipts:			
Interest on investments	<u>252</u>	<u>68</u>	<u>320</u>
Net change in cash balances	2,923	852	3,775
Cash balances beginning of year	<u>21,401</u>	<u>6,204</u>	<u>27,605</u>
Cash balances end of year	<u>24,324</u>	<u>7,056</u>	<u>31,380</u>
Cash Basis Fund Balances			
Unreserved	<u>24,324</u>	<u>7,056</u>	<u>31,380</u>
Total cash basis fund balances	<u>\$ 24,324</u>	<u>7,056</u>	<u>31,380</u>

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, 2009

	<u>Electric Revenue</u>	<u>Electric Sinking</u>	<u>Total</u>
Operating receipts:			
Charges for service:			
Sale of electricity	\$ 854,114	-	854,114
Reconnection fees	<u>631</u>	<u>-</u>	<u>631</u>
	<u>854,745</u>	<u>-</u>	<u>854,745</u>
Miscellaneous:			
Merchandise and labor sales	9,909	-	9,909
Sales tax collected	<u>31,064</u>	<u>-</u>	<u>31,064</u>
	<u>40,973</u>	<u>-</u>	<u>40,973</u>
Total operating receipts	<u>895,718</u>	<u>-</u>	<u>895,718</u>
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	174,988	-	174,988
FICA - Employer's portion	13,387	-	13,387
IPERS - Employer's portion	11,001	-	11,001
Group insurance	40,985	-	40,985
Uniforms	754	-	754
Workers compensation	<u>4,985</u>	<u>-</u>	<u>4,985</u>
	<u>246,100</u>	<u>-</u>	<u>246,100</u>
Services and commodities:			
Advertising and legal publication	1,382	-	1,382
Consulting and legal	5,055	-	5,055
Power purchased	427,990	-	427,990
General insurance	14,243	-	14,243
Miscellaneous contractual work	6,188	-	6,188
Postage and shipping	1,330	-	1,330
Sales and property tax remitted	44,047	-	44,047
Telephone	1,453	-	1,453
Travel and conference	118	-	118
Utility service	15,348	-	15,348
Dues and membership	5,019	-	5,019
Buildings and maintenance supplies	1,951	-	1,951
Minor equipment	1,850	-	1,850
Motor vehicle supplies and maintenance	5,395	-	5,395
Office supplies	8,619	-	8,619
Operating supplies and materials	20,971	-	20,971

(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, 2009

	<u>Electric Revenue</u>	<u>Electric Sinking</u>	<u>Total</u>
Refunds	55	-	55
Contribution to City	21,132	-	21,132
Distribution supplies and material	<u>21,248</u>	-	<u>21,248</u>
	<u>603,394</u>	-	<u>603,394</u>
Total operating disbursements	<u>849,494</u>	-	<u>849,494</u>
Excess of operating receipts over operating disbursements	<u>46,224</u>	-	<u>46,224</u>
Non-operating receipts (disbursements):			
Interest on investments	21,225	31	21,256
Miscellaneous	28,752	-	28,752
Capital outlay:			
Equipment	(9,131)	-	(9,131)
Debt service:			
Principal payments	-	(24,612)	(24,612)
Interest payments	-	(5,704)	(5,704)
Net non-operating receipts (disbursements)	<u>40,846</u>	<u>(30,285)</u>	<u>10,561</u>
Excess (deficiency) of receipts over (under) disbursements	87,070	(30,285)	56,785
Operating transfers in	-	30,270	30,270
Operating transfers out	<u>(30,270)</u>	-	<u>(30,270)</u>
Net change in cash balances	56,800	(15)	56,785
Cash balances beginning of year	<u>667,563</u>	<u>2,561</u>	<u>670,124</u>
Cash balances end of year	<u>\$ 724,363</u>	<u>2,546</u>	<u>726,909</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	2,546	2,546
Unreserved	<u>724,363</u>	-	<u>724,363</u>
Total cash basis fund balances	<u>\$ 724,363</u>	<u>2,546</u>	<u>726,909</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, 2009

	<u>Water Operations & Maintenance</u>	<u>Water Sinking 2004 Project</u>	<u>Water Reserve</u>
Operating receipts:			
Use of money and property:			
Tower rent	\$ -	-	-
Charges for service:			
Sale of water	154,493	-	-
Reconnection fees	452	-	-
	<u>154,945</u>	<u>-</u>	<u>-</u>
Miscellaneous:			
Merchandise and labor sales	575	-	-
Total operating receipts	<u>155,520</u>	<u>-</u>	<u>-</u>
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	36,697	-	-
FICA - Employer's portion	2,807	-	-
IPERS - Employer's portion	2,296	-	-
Group insurance	5,315	-	-
Uniforms	200	-	-
Workers compensation	1,052	-	-
	<u>48,367</u>	<u>-</u>	<u>-</u>
Services and commodities:			
Advertising and legal publication	553	-	-
Consulting and legal	1,555	-	-
General insurance	3,300	-	-
Miscellaneous contractual work	17,156	-	-
Postage and shipping	565	-	-
Telephone	1,159	-	-
Travel and conference	54	-	-
Utility service	11,957	-	-
Dues and memberships	477	-	-
Building and maintenance supplies	339	-	-
Chemicals and testing	2,072	-	-
Motor vehicle supplies and maintenance	758	-	-
Office supplies	2,563	-	-
Operating supplies and materials	559	-	-
Distribution supplies and material	6,081	-	-
Contribution to City	662	-	-
	<u>49,810</u>	<u>-</u>	<u>-</u>
Total operating disbursements	<u>98,177</u>	<u>-</u>	<u>-</u>

Schedule 3

<u>Water Tower Maintenance</u>	<u>Water Improvement</u>	<u>Total</u>
<u>4,680</u>	<u>-</u>	<u>4,680</u>
2,529	-	157,022
<u>-</u>	<u>-</u>	<u>452</u>
<u>2,529</u>	<u>-</u>	<u>157,474</u>
<u>-</u>	<u>-</u>	<u>575</u>
<u>7,209</u>	<u>-</u>	<u>162,729</u>
-	-	36,697
-	-	2,807
-	-	2,296
-	-	5,315
-	-	200
<u>-</u>	<u>-</u>	<u>1,052</u>
<u>-</u>	<u>-</u>	<u>48,367</u>
-	-	553
-	-	1,555
-	-	3,300
-	-	17,156
-	-	565
-	-	1,159
-	-	54
-	-	11,957
-	-	477
-	-	339
-	-	2,072
-	-	758
-	-	2,563
-	-	559
-	-	6,081
<u>-</u>	<u>-</u>	<u>662</u>
<u>-</u>	<u>-</u>	<u>49,810</u>
<u>-</u>	<u>-</u>	<u>98,177</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, 2009

	Water Operations & <u>Maintenance</u>	Water Sinking <u>2004 Project</u>	Water <u>Reserve</u>
Excess of operating receipts over operating disbursements	<u>57,343</u>	<u>-</u>	<u>-</u>
Non-operating receipts (disbursements):			
Interest on investments	2,607	-	786
Miscellaneous	814	-	-
Capital outlay:			
Equipment	(2,538)	-	-
Debt service:			
Principal payments	-	(25,000)	-
Interest payments	-	(16,055)	-
Net non-operating receipts (disbursements)	<u>883</u>	<u>(41,055)</u>	<u>786</u>
Excess (deficiency) of receipts over (under) disbursements	58,226	(41,055)	786
Operating transfers in	-	40,975	-
Operating transfers out	<u>(40,975)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	17,251	(80)	786
Cash balances beginning of year	<u>(832)</u>	<u>897</u>	<u>114,490</u>
Cash balances end of year	<u>\$ 16,419</u>	<u>817</u>	<u>115,276</u>
Cash Basis Fund Balances			
Reserved for:			
Debt service	\$ -	817	77,500
Improvements	-	-	37,776
Unreserved	<u>16,419</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 16,419</u>	<u>817</u>	<u>115,276</u>

See accompanying independent auditor's report.

Schedule 3

<u>Water Tower Maintenance</u>	<u>Water Improvement</u>	<u>Total</u>
<u>7,209</u>	<u>-</u>	<u>64,552</u>
863	-	4,256
-	-	814
-	-	(2,538)
-	-	(25,000)
<u>-</u>	<u>-</u>	<u>(16,055)</u>
<u>863</u>	<u>-</u>	<u>(38,523)</u>
8,072	-	26,029
-	-	40,975
<u>-</u>	<u>-</u>	<u>(40,975)</u>
8,072	-	26,029
<u>53,401</u>	<u>20,000</u>	<u>187,956</u>
<u>61,473</u>	<u>20,000</u>	<u>213,985</u>
-	-	78,317
61,473	20,000	119,249
<u>-</u>	<u>-</u>	<u>16,419</u>
<u>61,473</u>	<u>20,000</u>	<u>213,985</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, 2009

	<u>Sewer Revenue</u>	<u>Sewer Sinking</u>	<u>Total</u>
Operating receipts:			
Charges for service:			
Sewer rental fees	\$ 140,081	-	140,081
Total operating receipts	140,081	-	140,081
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	32,326	-	32,326
FICA - Employer's portion	2,473	-	2,473
IPERS - Employer's portion	2,027	-	2,027
Group insurance	5,290	-	5,290
Uniforms	200	-	200
Workers compensation	1,442	-	1,442
	43,758	-	43,758
Services and commodities:			
Advertising and legal publication	230	-	230
Consulting and legal	2,113	-	2,113
General insurance	2,412	-	2,412
Miscellaneous contractual work	11,395	-	11,395
Postage and shipping	308	-	308
Telephone	744	-	744
Travel and conference	330	-	330
Utility service	12,523	-	12,523
Dues and membership	524	-	524
Building and maintenance supplies	679	-	679
Motor vehicle supplies and maintenance	835	-	835
Office supplies	1,785	-	1,785
Operating supplies and materials	1,727	-	1,727
Distribution supplies and materials	70	-	70
	35,675	-	35,675
Total operating disbursements	79,433	-	79,433

(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, 2009

	<u>Sewer Revenue</u>	<u>Sewer Sinking</u>	<u>Total</u>
Excess of operating receipts over operating disbursements	<u>60,648</u>	<u>-</u>	<u>60,648</u>
Non-operating receipts (disbursements):			
Interest on investments	2,037	-	2,037
Miscellaneous	1,732	-	1,732
Capital outlay:			
Equipment	(5,361)	-	(5,361)
Debt service:			
Principal payments	-	(25,000)	(25,000)
Interest payments	-	(18,688)	(18,688)
Net non-operating receipts (disbursements)	<u>(1,592)</u>	<u>(43,688)</u>	<u>(45,280)</u>
Excess (deficiency) of receipts over (under) disbursements	59,056	(43,688)	15,368
Operating transfer in	-	43,171	43,171
Operating transfer out	<u>(43,171)</u>	<u>-</u>	<u>(43,171)</u>
Net change in cash balances	15,885	(517)	15,368
Cash balances beginning of year	<u>98,531</u>	<u>4,092</u>	<u>102,623</u>
Cash balances end of year	<u>\$ 114,416</u>	<u>3,575</u>	<u>117,991</u>
Cash Basis Fund Balances			
Reserved for:			
Debt service	\$ -	3,575	3,575
Unreserved	<u>114,416</u>	<u>-</u>	<u>114,416</u>
Total cash basis fund balances	<u>\$ 114,416</u>	<u>3,575</u>	<u>117,991</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, 2009

Operating receipts:	
Charges for service:	
Garbage service	\$ 74,478
Total operating receipts	<u>74,478</u>
Operating disbursements:	
Business type activities:	
Services and commodities:	
Miscellaneous contractual work	68,463
Other agency payments	<u>3,344</u>
Total operating disbursements	<u>71,807</u>
Excess of operating receipts over operating disbursements	2,671
Non-operating receipts:	
Interest on investments	<u>252</u>
Net change in cash balances	2,923
Cash balance beginning of year	<u>21,401</u>
Cash balance end of year	<u>\$ 24,324</u>
Cash Basis Fund Balance	
Unreserved	<u>\$ 24,324</u>
Total cash basis fund balance	<u>\$ 24,324</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, 2009

<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>
\$ 161,960	-	24,612	137,348	5,704	-
\$ 494,000	-	25,000	469,000	16,055	-
\$ 575,000	-	25,000	550,000	18,688	-

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 7

Note Maturities

June 30, 2009

Year Ending <u>June 30,</u>	<u>Electric Revenue Note</u> <u>Issued March 9, 2004</u>	
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2010	3.65	\$ 25,533
2011	3.65	26,474
2012	3.65	27,449
2013	3.65	28,460
2014	3.65	<u>29,432</u>
Total		<u>\$ 137,348</u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 8

Revenue Bond Maturities

June 30, 2009

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	
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>\$ 469,000</u>		<u>\$ 550,000</u>	<u>\$ 1,019,000</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, 2009

<u>Insurer</u>	<u>Coverage</u>	<u>Amount</u>
Employers Mutual Casualty Insurance Company (Expires 4-1-2010)	<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>	4,178,735
	<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>Workers 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 4-1-2010)	<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, 2009

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

Commercial	137
Residential	471
Street lights	1

2. Electricity purchased – 8,157,397 K.W.H.

3. Electricity billed – 7,379,809 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, 2009

Number of customers served 485

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, 2009, which collectively comprise the Utilities' basic financial statement listed in the table of contents, and have issued our report thereon dated January 15, 2010. 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-09 and I-B-09 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. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2009, 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

January 15, 2010

Gowrie Municipal Utilities

A Component Unit of the City of Gowrie

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-09 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-09 Preparation of Financial Statements – The Utilities do not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to the Gowrie Municipal Utilities. It is the responsibility of 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.

Gowrie Municipal Utilities

A Component Unit of the City of Gowrie

Schedule of Findings

Year ended June 30, 2009

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, 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 the risks to be accepted in preparation of the financial statements.

Conclusion – Responses accepted.

I-C-09 Personnel Policy – The Utility has a written personnel policy but certain parts are not clearly defined. The policy does not state who is to earn comp time.

Recommendation – In order to clear up any misunderstanding, the Utility should review and revise its personnel policy to state who and how much comp time can be earned.

Response – We will work on revising the policy.

Conclusion – Response 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, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - The City of Gowrie and Gowrie Municipal Utilities submit a combined budget. Utility disbursements during the year ended June 30, 2009, did not exceed the amounts budgeted.
- II-B-09 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-09 Travel Expense - No disbursements of Utilities’ money for travel expenses of spouses of Utilities’ officials or employees were noted.
- II-D-09 Business Transactions – No business transactions between the Utilities and Utilities’ officials or employees were noted.
- II-E-09 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-09 Board of Trustees Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

Although minutes of Trustees proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The Utility should publish minutes as required.

Response – We will publish minutes as required. This was an oversight this year because the secretary was on leave for a short time.

Conclusion – Response accepted.

Gowrie Municipal Utilities

A Component Unit of the City of Gowrie

Schedule of Findings

Year ended June 30, 2009

- II-G-09 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-09 Revenue Bond and Notes – No instances of noncompliance with the revenue bond and note resolutions were noted.