

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

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

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Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kevin Sturm	Trustee	July, 2015
Jeff Boerner	Trustee	July, 2017
Brad Lane	Trustee	July, 2018
Debra Tvrdik	Trustee	July, 2019
Lynn Rittgers	Trustee	July, 2020
Charles Angstrom	Public Works Director	Indefinite
Patrice Klingson	Secretary	Indefinite
Johnson Law Firm	Attorney	Indefinite

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Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statement

We have audited the accompanying financial statement of Gowrie Municipal Utilities, a component unit of the City of Gowrie, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash basis financial position of the Gowrie Municipal Utilities, a component unit of the City of Gowrie, Iowa, as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Also, as discussed in Note 1, the financial statement of the Gowrie Municipal Utilities is intended to present only the results of the transactions of that portion of the financial reporting entity of the City of Gowrie, Iowa that is attributable to the transactions of the Utilities. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statement, Gowrie Municipal Utilities adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement of Gowrie Municipal Utilities. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 11, is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statement taken as a whole.

The other information, the Utilities' Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the Utilities Proportionate Share of the Net Pension Liability and the Schedule of Utilities Contributions on pages 5 through 8 and 20 through 24, has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2016 on our consideration of Gowrie Municipal Utilities' internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Gowrie Municipal Utilities' internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

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

March 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gowrie Municipal Utilities provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Utilities' financial statement, which follows.

2015 FINANCIAL HIGHLIGHTS

- Operating receipts of the Utilities increased 0.2%, or approximately \$2,000 from fiscal 2014 to fiscal 2015.
- Operating disbursements decreased 0.2%, or approximately \$3,000 in fiscal 2015 compared to fiscal 2014.
- The Utilities' cash balance decreased 11.9%, or approximately \$108,000, from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management’s Discussion and Analysis introduces the financial statement and provides an analytical overview of the Utilities’ financial activities.
- The Statement of Cash Receipts, Disbursements and Change in Cash Balance presents information on the Gowrie Municipal Utilities’ receipts and disbursements, non-operating receipts and disbursements and whether the Utilities’ cash basis financial position has improved or deteriorated as a result of the year’s activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.
- Other Information further explains and supports the financial statement with a comparison of the Utilities’ budget for the year.
- Supplementary Information provides detailed information about the individual Enterprise funds. In addition, the Schedule of Indebtedness provides details of the Utilities’ indebtedness at June 30, 2015.

FINANCIAL ANALYSIS OF THE GOWRIE MUNICIPAL UTILITIES

Statement of Cash Receipts, Disbursements and Change in Cash Balance

The purpose of the statement is to present the receipts received by the Gowrie Municipal Utilities and the disbursements paid by the Utilities, both operating and non-operating. The statement also presents a fiscal snapshot of the Utilities’ cash balance at year end. Over time, readers of the financial statement are able to determine the Gowrie Municipal Utilities’ cash basis financial position by analyzing the increase and decrease in cash basis balance.

The Utilities’ maintain five Enterprise Funds to provide separate information for the water, sewer, electric, garbage and meter deposit departments. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2015 and June 30, 2014 is as follows:

	Changes in Cash Balance (Expressed in Thousands)	
	<u>Year ended June 30,</u> <u>2015</u>	<u>2014</u>
Receipts:		
Program receipts:		
Charges for service	\$ 1,316	1,338
General receipts:		
Unrestricted interest on investments	3	3

Other general receipts	<u>104</u>	<u>78</u>
Total receipts	<u>1,423</u>	<u>1,419</u>
Disbursements	<u>1,531</u>	<u>1,389</u>
Change in cash balance	(108)	30
Cash balance beginning of year	<u>908</u>	<u>878</u>
Cash balance end of year	\$ 800	908
	<u>=====</u>	<u>=====</u>

Total receipts for the fiscal year were \$1.423 million compared to \$1.419 million last year. The increase was due to an increase in miscellaneous receipts. The cash balance decreased by approximately \$108,000 from the prior year. Total disbursements for the fiscal year increased by 10.2% to a total of \$1.531 million.

BUDGETARY HIGHLIGHTS

The Gowrie Municipal Utilities prepares a budget on the cash basis of accounting and submits it to the City of Gowrie, Iowa.

The Utilities' receipts were \$10,680 more than budgeted. This was primarily due to the Utilities' receiving more miscellaneous receipts than anticipated.

Total disbursements were \$34,557 more than budgeted. This was primarily due to the water tower maintenance project paid for during the year.

DEBT ADMINISTRATION

At June 30, 2015, the Utilities had \$1,118,576 in notes and bonds outstanding, compared to \$1,208,169 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	<u>2015</u>	<u>2014</u>
Revenue note	\$ 427	458
Revenue bond	<u>692</u>	<u>750</u>
Total	\$ 1,119	1,208
	<u>=====</u>	<u>=====</u>

ECONOMIC FACTORS BEARING ON THE UTILITIES' FUTURE

Current economic conditions play a significant role in the day to day operations of the Utilities. These conditions include, but are not limited to maintaining machinery and equipment.

The water tower was painted in the fall of 2014. After an inspection revealed the paint was not to spec in areas, the board decided to make a partial payment (\$100,000) and have JR Stelzer Co. come back in the fall of 2015 to add another coat of paint.

In the spring of 2015, Gowrie Municipal Utilities (GMU) is planning to implement a meter replacement project, swapping out both electric and water meters for new radio read meters. The cost of the project is approximately \$91,650 for the water meters and \$33,000 for the electric meters. The time frame to finish the project depends on the availability of workers to change out the meters. GMU hopes to have it completed in 1 ½ to 2 years. The new meters should provide a more accurate reading and therefore an increase in revenue. A rate study would still be in order to more accurately determine if rates are set at a level high enough to maintain bond obligations and expenses in general.

CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT

This financial report is designed to provide our 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.

Financial Statement

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Exhibit A

Statement of Cash Receipts, Disbursements, and Change in Cash Balance
Proprietary Fund
As of and for the year ended June 30, 2015

	<u>Enterprise</u>
Operating receipts:	
Use of money and property	\$ 19,008
Charges for service	1,315,977
Miscellaneous	<u>55,804</u>
Total operating receipts	<u>1,390,789</u>
Operating disbursements:	
Business type activities	<u>1,218,331</u>
Total operating disbursements	<u>1,218,331</u>
Excess of operating receipts over operating disbursements	<u>172,458</u>
Non-operating receipts (disbursements):	
Interest on investments	2,734
Miscellaneous	29,737
Capital outlay	(185,300)
Debt service	<u>(127,455)</u>
Net non-operating receipts (disbursements)	<u>(280,284)</u>
Change in cash balance	(107,826)
Cash balance beginning of year	<u>908,285</u>
Cash balance end of year	<u><u>800,459</u></u>
Cash Basis Fund Balance	
Restricted for:	
Debt service	101,847
Customer deposits	7,715
Improvements	54,484
Unrestricted	<u>636,413</u>
Total cash basis fund balance	<u><u>\$ 800,459</u></u>

See notes to financial statements.

Gowrie Municipal Utilities
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Notes to Financial Statement

June 30, 2015

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Gowrie Municipal Utilities is a component unit of the City of Gowrie, Iowa as determined by criteria specified by the Governmental Accounting Standards Board. Gowrie Municipal Utilities is legally separate from the City, but is financially accountable to the City. The Utilities is governed by a five-member board appointed by the City Council and the 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.

B. Basis of Presentation

The accounts of the Utilities are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds are classified as Enterprise Funds in the financial statement. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise 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 an Enterprise fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

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 statement of the Utilities is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present financial position and results of operations of the Utilities in accordance with U.S. generally accepted accounting principles.

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Notes to Financial Statement

June 30, 2015

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. Fund Balance

Funds set aside for improvements, customer deposits and debt service are classified as restricted.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted.

(2) Cash and Pooled Investments

The Utilities' deposits in banks at June 30, 2015 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, 2015. During the year, the Utilities deposited excess funds in savings accounts.

Interest rate risk- The Utilities' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utilities.

Gowrie Municipal Utilities
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Notes to Financial Statement

June 30, 2015

(3) Notes and Bonds Payable

Annual debt service requirements to maturity for revenue notes and revenue bonds 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>
2016	32,737	14,437	60,000	16,935	92,737	31,372
2017	33,876	13,298	62,000	15,510	95,876	28,808
2018	35,055	12,119	64,000	14,038	99,055	26,157
2019	36,275	10,899	66,000	12,517	102,275	23,416
2020	37,537	9,637	68,000	10,950	105,537	20,587
2021-2025	208,210	27,658	331,000	29,575	539,210	57,233
2026	<u>42,886</u>	<u>1,085</u>	<u>41,000</u>	<u>1,230</u>	<u>83,886</u>	<u>2,315</u>
Total	\$426,576	89,133	692,000	100,755	1,118,576	189,888

Revenue Notes

The Utilities have pledged future electric customer receipts, net of specified operating disbursements, to repay \$550,000 in electric revenue notes issued in August 2011. Proceeds from the notes provided financing for the purchase of an electric system generator. The notes are payable solely from electric customer net receipts and are payable through 2026. Annual principal and interest payments on the notes are expected to require less than 73 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$515,709. For the current year, principal and interest paid and total customer net receipts were \$47,174 and \$36,776 respectively.

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Notes to Financial Statement

June 30, 2015

The resolution providing for the issuance of the revenue notes 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.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level not less than the amount of principal and interest on the bonds falling due in the same year.

The Utilities did not comply with all of the revenue note provisions during the year ended June 30, 2015. The required net revenues were not met by the Utilities.

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, and refinanced in December 2014. 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 76 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$333,825. For the current year, principal and interest paid and total customer net receipts were \$36,956 and \$49,894, 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 to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$458,930. For the current year, principal and interest paid and total customer net receipts were \$41,450 and \$64,134 respectively.

Gowrie Municipal Utilities
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Notes to Financial Statement

June 30, 2015

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.

The Utilities did not comply with all of the revenue note provisions during the year ended June 30, 2015. The sinking fund balance was greater than it should have been.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Utilities, except for those covered by another retirement system. Employees of the Utilities are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to

Gowrie Municipal Utilities
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Notes to Financial Statement

June 30, 2015

benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost

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Notes to Financial Statement

June 30, 2015

plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Utilities contributed 8.93 percent for a total rate of 14.88 percent.

The Utilities' contributions to IPERS for the year ended June 30, 2015 were \$20,373.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions –

At June 30, 2015, The Utilities' liability for its proportionate share of the collective net pension liability totaled \$133,554. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the collective net pension liability was based on the Utilities' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Utilities' proportion was 0.003368 percent, which was a decrease of 0.000134 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the Utilities collective pension expense, collective deferred outflows and collective deferred inflows totaled \$7,306, \$7,348 and \$62,452 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a Scale AA.

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Notes to Financial Statement

June 30, 2015

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utilities will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities’ Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Utilities’ proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Utilities’ proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statement

June 30, 2015

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Utilities' proportionate share of the net pension liability	\$ 252,346	133,554	33,281

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(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, 2015, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 12,493
	<u>=====</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

(6) Deferred Compensation Agreement

Gowrie Municipal Utilities previously entered into a non qualified deferred compensation agreement with a former employee. The Utilities has a fiduciary responsibility over the assets in the fund and the funds remain the property of the Utilities until actually distributed to the employee or his beneficiary in accordance with the provisions of the agreement.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Financial Statement

June 30, 2015

(7) 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.

(8) Operating Lease

The Utilities entered into an operating lease with Star Leasing LLC for the rental of a copier on January 26, 2011 for a period of 63 months. The amount paid for the fiscal year ended June 30, 2015 was \$948. Future rentals are scheduled as follows:

Year	
Ending	
<u>June 30,</u>	
2016	<u>869</u>

(9) Construction Commitment

The Utilities has entered into a contract totaling \$128,926 for the installation of a generator. As of June 30, 2015, costs of \$122,426 had been incurred against the contract. The balance of \$6,500 remaining at June 30, 2015 will be paid as work on the generator progresses.

(10) Subsequent Events

Subsequent events have been evaluated through March 8, 2016 which is the date the financial statements were available to be issued.

Other 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 Fund

Other Information

Year ended June 30, 2015

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
		<u>Original</u>	<u>Final</u>	
Receipts:				
Use of money and property	\$ 21,742	2,185	2,185	19,557
Charges for service	1,315,977	1,370,329	1,370,329	(54,352)
Miscellaneous	<u>85,541</u>	<u>40,066</u>	<u>40,066</u>	<u>45,475</u>
Total receipts	<u>1,423,260</u>	<u>1,412,580</u>	<u>1,412,580</u>	<u>10,680</u>
Disbursements:				
Business type activities	<u>1,531,086</u>	<u>1,496,529</u>	<u>1,496,529</u>	<u>(34,557)</u>
Excess (deficiency) of receipts over (under) disbursements	(107,826)	(83,949)	(83,949)	(23,877)
Balances beginning of year	<u>908,285</u>	<u>(1,595,253)</u>	<u>(1,595,253)</u>	<u>2,503,538</u>
Balances end of year	<u>\$ 800,459</u>	<u>(1,679,202)</u>	<u>(1,679,202)</u>	<u>2,479,661</u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Other Information – Budgetary Reporting

June 30, 2015

Gowrie Municipal Utilities' prepares a budget on the cash basis of accounting and submits it to the Gowrie City Council. In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements, known as functions, not by fund. Gowrie Municipal Utilities' disbursements are budgeted in the business type activities function.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule of the Utilities' Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	2015
Utilities' proportion of the net pension liability	0.003368%
Utilities' proportionate share of the net pension liability	\$ 134
Utilities' covered-employee payroll	\$ 221
Utilities' proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.63%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utilities will present information for those years for which information is available.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie
Schedule of Utilities' Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

	2015	2014	2013
Statutorily required contribution	\$ 20	20	20
Contributions in relation to the statutorily required contribution	\$ <u>(20)</u>	<u>(20)</u>	<u>(20)</u>
Contribution deficiency (excess)	\$ -	-	-
Utilities' covered-employee payroll	\$ 237	221	233
Contributions as a percentage of covered-employee payroll	8.44%	9.05%	8.58%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
17	15	17	15	14	13	13
<u>(17)</u>	<u>(15)</u>	<u>(17)</u>	<u>(15)</u>	<u>(14)</u>	<u>(13)</u>	<u>(13)</u>
-	-	-	-	-	-	-
<hr/>						
216	218	248	244	228	224	226
7.87%	6.88%	6.85%	6.15%	6.14%	5.80%	5.75%

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Other Information – Pension Liability

June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between ages 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Notes to Other Information – Pension Liability

June 30, 2015

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 1

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

As of and for the year ended June 30, 2015

	<u>Electric Revenue</u>	<u>Electric Sinking</u>	<u>Total</u>
Operating receipts:			
Charges for service:			
Sale of electricity	\$ 908,321	-	908,321
	<u>908,321</u>	<u>-</u>	<u>908,321</u>
Miscellaneous:			
Merchandise and labor sales	13,560	-	13,560
Sales tax collected	36,016	-	36,016
	<u>49,576</u>	<u>-</u>	<u>49,576</u>
Total operating receipts	<u>957,897</u>	<u>-</u>	<u>957,897</u>
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	156,446	-	156,446
FICA - Employer's portion	11,968	-	11,968
IPERS - Employer's portion	13,219	-	13,219
Group insurance	32,391	-	32,391
Uniforms	482	-	482
Employee medical reimbursement	(1,278)	-	(1,278)
Workers compensation	4,723	-	4,723
	<u>217,951</u>	<u>-</u>	<u>217,951</u>
Services and commodities:			
Advertising and legal publication	1,591	-	1,591
Consulting and legal	5,472	-	5,472
Power purchased	496,434	-	496,434
General insurance	17,837	-	17,837
Miscellaneous contractual work	28,062	-	28,062
Postage and shipping	352	-	352
Sales and property tax remitted	48,487	-	48,487
Telephone	1,839	-	1,839
Travel and conference	687	-	687
Utility service	7,607	-	7,607
Dues and memberships	5,135	-	5,135
Buildings and maintenance supplies	3,291	-	3,291
Small equipment	17,310	-	17,310
Motor vehicle supplies and maintenance	5,582	-	5,582
Office supplies	6,155	-	6,155
Operating supplies and materials	415	-	415

(continued)

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 1

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

As of and for the year ended June 30, 2015

	<u>Electric Revenue</u>	<u>Electric Sinking</u>	<u>Total</u>
Refunds	2,153	-	2,153
Contribution to City	22,661	-	22,661
Distribution supplies and material	32,100	-	32,100
	<u>703,170</u>	<u>-</u>	<u>703,170</u>
Total operating disbursements	<u>921,121</u>	<u>-</u>	<u>921,121</u>
Excess of operating receipts over operating disbursements	<u>36,776</u>	<u>-</u>	<u>36,776</u>
Non-operating receipts (disbursements):			
Interest on investments	1,242	6	1,248
Miscellaneous	29,101	-	29,101
Capital outlay:			
Equipment	(66,498)	-	(66,498)
Debt service:			
Principal	-	(31,593)	(31,593)
Interest and fees	-	(15,581)	(15,581)
Net non-operating receipts (disbursements)	<u>(36,155)</u>	<u>(47,168)</u>	<u>(83,323)</u>
Excess (deficiency) of receipts over (under) disbursements	621	(47,168)	(46,547)
Operating transfers in	-	47,220	47,220
Operating transfers out	<u>(47,220)</u>	<u>-</u>	<u>(47,220)</u>
Change in cash balances	(46,599)	52	(46,547)
Cash balances beginning of year	<u>384,785</u>	<u>4,496</u>	<u>389,281</u>
Cash balances end of year	<u>\$ 338,186</u>	<u>4,548</u>	<u>342,734</u>
Cash Basis Fund Balances			
Restricted for debt service	\$ -	4,548	4,548
Unrestricted	<u>338,186</u>	<u>-</u>	<u>338,186</u>
Total cash basis fund balances	<u>\$ 338,186</u>	<u>4,548</u>	<u>342,734</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
Water Department

As of and for the year ended June 30, 2015

	<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	\$ 159,744	-	-
	<u>159,744</u>	-	-
Miscellaneous:			
Merchandise and labor sales	1,313	-	-
Total operating receipts	<u>161,057</u>	-	-
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	43,174	-	-
FICA - Employer's portion	3,303	-	-
IPERS - Employer's portion	3,811	-	-
Group insurance	9,586	-	-
Uniforms	217	-	-
Workers compensation	1,511	-	-
	<u>61,602</u>	-	-
Services and commodities:			
Advertising and legal publication	1,886	-	-
Consulting and legal	1,717	-	-
General insurance	4,453	-	-
Miscellaneous contractual work	4,178	-	-
Postage and shipping	312	-	-
Telephone	1,559	-	-
Travel and conference	143	-	-
Utility service	12,219	-	-
Dues and memberships	609	-	-
Building and maintenance supplies	1,094	-	-
Chemicals and testing	2,839	-	-
Motor vehicle supplies and maintenance	1,166	-	-
Office supplies	1,852	-	-
Operating supplies and materials	165	-	-
Distribution supplies and material	14,104	-	-
Refunds	23	-	-
Contribution to City	1,242	-	-
	<u>49,561</u>	-	-
Total operating disbursements	<u>111,163</u>	-	-

Schedule 2

<u>Water Tower Maintenance</u>	<u>Water Improvement</u>	<u>Total</u>
19,008	-	19,008
2,252	-	161,996
2,252	-	161,996
-	-	1,313
21,260	-	182,317
-	-	43,174
-	-	3,303
-	-	3,811
-	-	9,586
-	-	217
-	-	1,511
-	-	61,602
-	-	1,886
-	-	1,717
-	-	4,453
-	-	4,178
-	-	312
-	-	1,559
-	-	143
-	-	12,219
-	-	609
-	-	1,094
-	-	2,839
-	-	1,166
-	-	1,852
-	-	165
-	-	14,104
-	-	23
-	-	1,242
-	-	49,561
-	-	111,163

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

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

As of and for the year ended June 30, 2015

	<u>Water Operations & Maintenance</u>	<u>Water Sinking 2004 Project</u>	<u>Water Reserve</u>
Excess of operating receipts over operating disbursements	49,894	-	-
Non-operating receipts (disbursements):			
Interest on investments	671	-	7
Capital outlay:			
Water tower maintenance	-	-	-
Debt service:			
Principal	-	(29,000)	-
Interest and fees	-	(8,794)	-
Net non-operating receipts (disbursements)	671	(37,794)	7
Excess (deficiency) of receipts over (under) disbursements	50,565	(37,794)	7
Operating transfers in		39,940	-
Operating transfers out	(53,152)	-	-
Change in cash balances	(2,587)	2,146	7
Cash balances beginning of year	104,855	865	115,486
Cash balances end of year	<u>\$ 102,268</u>	<u>3,011</u>	<u>115,493</u>
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	3,011	90,711
Improvements	-	-	24,782
Unrestricted	102,268	-	-
Total cash basis fund balances	<u>\$ 102,268</u>	<u>3,011</u>	<u>115,493</u>

See accompanying independent auditor's report.

Schedule 2

<u>Water Tower Maintenance</u>	<u>Water Improvement</u>	<u>Total</u>
21,260	-	71,154
139	-	817
(118,802)	-	(118,802)
-	-	(29,000)
-	-	(8,794)
<u>(118,663)</u>	<u>-</u>	<u>(155,779)</u>
(97,403)	-	(84,625)
13,212	-	53,152
<u>-</u>	<u>-</u>	<u>(53,152)</u>
(84,191)	-	(84,625)
<u>93,893</u>	<u>20,000</u>	<u>335,099</u>
<u>9,702</u>	<u>20,000</u>	<u>250,474</u>
-	-	93,722
9,702	20,000	54,484
-	-	102,268
<u>9,702</u>	<u>20,000</u>	<u>250,474</u>

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 3

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

As of and for the year ended June 30, 2015

	<u>Sewer Revenue</u>	<u>Sewer Sinking</u>	<u>Total</u>
Operating receipts:			
Charges for service:			
Sewer rental fees	\$ 149,768	-	149,768
Total operating receipts	<u>149,768</u>	<u>-</u>	<u>149,768</u>
Operating disbursements:			
Business type activities:			
Personal services:			
Salaries and wages	37,878	-	37,878
FICA - Employer's portion	2,897	-	2,897
IPERS - Employer's portion	3,343	-	3,343
Group insurance	9,586	-	9,586
Uniforms	217	-	217
Workers compensation	1,610	-	1,610
	<u>55,531</u>	<u>-</u>	<u>55,531</u>
Services and commodities:			
Advertising and legal publication	149	-	149
Consulting and legal	299	-	299
General insurance	3,228	-	3,228
Miscellaneous contractual work	6,564	-	6,564
Postage and shipping	89	-	89
Telephone	673	-	673
Travel and conference	73	-	73
Utility service	14,834	-	14,834
Dues and memberships	345	-	345
Building and maintenance supplies	799	-	799
Motor vehicle supplies and maintenance	830	-	830
Office supplies	1,381	-	1,381
Operating supplies and materials	60	-	60
Distribution supplies and materials	755	-	755
Refunds	24	-	24
	<u>30,103</u>	<u>-</u>	<u>30,103</u>
Total operating disbursements	<u>85,634</u>	<u>-</u>	<u>85,634</u>

(continued)

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 3

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

As of and for the year ended June 30, 2015

	<u>Sewer Revenue</u>	<u>Sewer Sinking</u>	<u>Total</u>
Excess of operating receipts over operating disbursements	64,134	-	64,134
Non-operating receipts (disbursements):			
Interest on investments	586	-	586
Miscellaneous	636	-	636
Debt service:			
Principal	-	(29,000)	(29,000)
Interest and fees	-	(13,487)	(13,487)
Net non-operating receipts (disbursements)	<u>1,222</u>	<u>(42,487)</u>	<u>(41,265)</u>
Excess (deficiency) of receipts over (under) disbursements	65,356	(42,487)	22,869
Operating transfers in	-	42,485	42,485
Operating transfers out	<u>(42,485)</u>	-	<u>(42,485)</u>
Change in cash balances	22,871	(2)	22,869
Cash balances beginning of year	<u>153,580</u>	<u>3,579</u>	<u>157,159</u>
Cash balances end of year	<u>\$ 176,451</u>	<u>3,577</u>	<u>180,028</u>
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	3,577	3,577
Unrestricted	<u>176,451</u>	-	<u>176,451</u>
Total cash basis fund balances	<u>\$ 176,451</u>	<u>3,577</u>	<u>180,028</u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 4

Schedule of Cash Receipts, Disbursements
and Change in Cash Balance
Garbage Department

As of and for the year ended June 30, 2015

	Garbage
Operating receipts:	
Charges for service:	
Garbage service	\$ 95,892
Total operating receipts	95,892
Operating disbursements:	
Business type activities:	
Services and commodities:	
Miscellaneous contractual work	90,485
Other agency payments	3,420
Total operating disbursements	93,905
Excess of operating receipts over operating disbursements	1,987
Non-operating receipts:	
Interest on investments	54
Change in cash balance	2,041
Cash balance beginning of year	17,467
Cash balance end of year	\$ 19,508
Cash Basis Fund Balance	
Unrestricted	\$ 19,508
Total cash basis fund balance	\$ 19,508

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 Change in Cash Balance
Meter Deposits

As of and for the year ended June 30, 2015

	<u>Meter Deposits</u>
Operating receipts:	
Miscellaneous	\$ 4,915
Total operating receipts	<u>4,915</u>
Operating disbursements:	
Business type activities	<u>6,508</u>
Total operating disbursements	<u>6,508</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(1,593)</u>
Non-operating receipts:	
Interest on investments	<u>29</u>
Change in cash balance	(1,564)
Cash balance beginning of year	<u>9,279</u>
Cash balance end of year	<u><u>\$ 7,715</u></u>
Cash Basis Fund Balance	
Restricted for customer deposits	\$ 7,715
Total cash basis fund balance	<u><u>\$ 7,715</u></u>

See accompanying independent auditor's report.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule of Indebtedness

Year ended June 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Water Revenue Bonds - State Revolving Fund	Jul 20, 2004	3.00%	\$ 695,000
Sewer Revenue Bonds - State Revolving Fund	Jun 1, 2006	3.00%	\$ 700,000
Electric Revenue Note - Security Savings Bank	Aug 1, 2011	3.45%	\$ 550,000

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>\$ 335,000</u>	<u>-</u>	<u>29,000</u>	<u>306,000</u>	<u>7,956</u>	<u>-</u>
<u>\$ 415,000</u>	<u>-</u>	<u>29,000</u>	<u>386,000</u>	<u>12,450</u>	<u>-</u>
<u>\$ 458,169</u>	<u>-</u>	<u>31,593</u>	<u>426,576</u>	<u>15,581</u>	<u>-</u>

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie

Schedule 7

Revenue Note Maturities

June 30, 2015

<u>Electric Revenue Note</u>		
<u>Issued August 1, 2011</u>		
Interest		
	<u>Rates</u>	<u>Amount</u>
2016	3.45 %	\$ 32,737
2017	3.45	33,876
2018	3.45	35,055
2019	3.45	36,275
2020	3.45	37,537
2021	3.45	38,843
2022	3.45	40,195
2023	3.45	41,593
2024	3.45	43,041
2025	3.45	44,538
2026	3.45	<u>42,886</u>
Total		<u>\$ 426,576</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, 2015

Year Ending June 30,	Water Revenue Bonds		Sewer Revenue Bonds		Total
	Series 2004 Issued July 20, 2004		Series 2006 Issued June 1, 2006		
	Interest Rates	Amount	Interest Rates	Amount	
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>\$ 306,000</u>		<u>\$ 386,000</u>	<u>\$ 692,000</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, 2015

<u>Insurer</u>	<u>Coverage</u>	<u>Amount</u>
Employers Mutual Casualty Insurance Companies (Expires 4-1-2016)	<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>	4,944,552
	<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 4-1-2018)	<u>Boiler Insurance</u>	
	Engines and generators (10% of loss with \$25,000 minimum 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, 2015

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

Commercial	129
Residential	475
Street lights	1

2. Electricity purchased – 7,806,626 K.W.H.

3. Electricity billed – 7,196,191 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, 2015

Number of customers served 473

Water rates:

\$4.25 per 1,000 gallons - \$11.00 minimum plus \$.50 per additional outlet or connection point in one building.

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

See accompanying independent auditor's report.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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

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

We have audited, 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, the financial statement of the Gowrie Municipal Utilities, a component unit of the City of Gowrie, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statement, and have issued our report thereon March 8, 2016. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Gowrie Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Gowrie Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Gowrie Municipal Utilities' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Gowrie Municipal Utilities' financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-15 and I-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gowrie Municipal Utilities' financial statement is 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 which 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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement 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

Gowrie Municipal Utilities' responses to findings identified in our audit are described in the accompanying Schedule of Findings. Gowrie Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

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

March 8, 2016

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie
Schedule of Findings
Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 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 accepted. The Utilities should utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-15 Preparation of Financial Statement – The Utilities do not have an internal control system designed to provide for preparation of the financial statement on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. Therefore, as auditors, we were requested to draft the financial statement and accompanying notes to the financial statement. 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, 2015

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statement, 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 statement.

Conclusion – Response accepted.

I-C-15 Personnel Policy – The Utilities have 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 Utilities should review and revise its personnel policy to state who can 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, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - The City of Gowrie and Gowrie Municipal Utilities submit a combined budget. The Utilities disbursements during the year ended June 30, 2015, exceeded the amount budgeted. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-15 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-15 Travel Disbursements - No disbursements of the Utilities' money for travel disbursements of spouses of the Utilities' officials or employees were noted.

II-D-15 Business Transactions – No business transactions between the Utilities and Utilities' officials or employees were noted.

II-E-15 Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

II-F-15 Board of Trustees Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-15 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.

Gowrie Municipal Utilities
A Component Unit of the City of Gowrie
Schedule of Findings
Year ended June 30, 2015

II-H-15 Revenue Bond and Notes – The Utilities did not comply with all of the revenue note provisions. The Electric Fund did not maintain net revenues of 100% of the bond/note principal and interest due in 2015.

Also, the Water Sinking Fund balance is higher than it is supposed to be.

Recommendation – The Utilities should evaluate the rates currently being charged to customers to see if increases need to be implemented in order to meet the 100% net revenue requirement.

The Water Sinking Fund should be kept at the required amounts.

Response – We will review rates if needed and will adjust the sinking fund to the proper amount.

Conclusion – Response accepted.