

OGDEN MUNICIPAL UTILITIES

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

June 30, 2014

OGDEN MUNICIPAL UTILITIES

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OGDEN MUNICIPAL UTILITIES

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Cy Hornberg	Trustee	January 1, 2016
Donna Sloan-Christensen	Chairperson	January 1, 2018
Richard Smith	Trustee	January 1, 2020
Brandon Craighton	Superintendent	Indefinite
Kathy Weber	Utility Clerk	Indefinite
Linda Sunstrom	Utility Clerk	Indefinite

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Independent Auditor's Report

Board of Trustees
Ogden Municipal Utilities

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and each major fund of Ogden Municipal Utilities, Ogden, Iowa, as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utility's preparation and fair presentation of the financial statements 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 Utility's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statement referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities and each major fund of Ogden Municipal Utilities as of June 30, 2014, and the respective changes in 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, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ogden Municipal Utility's basic financial statements. The supplementary information included in Schedules 1, 2 and 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and budgetary comparison information on pages 6-9 and 17-18 has not been subjected to the auditing procedures applied in the audit of the basic financial statements 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 November 26, 2014, on our consideration of Ogden Municipal Utility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ogden Municipal Utility's internal control over financial reporting and compliance.

Houston & Seeman, P.C.

Houston & Seeman, P.C.

November 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ogden 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, 2014. We encourage readers to consider this information in conjunction with the Utilities' financial statement, which follow.

2014 FINANCIAL HIGHLIGHTS

- Charges for service receipts in the Utilities' Electric Department increased 4% or approximately \$65,000 from fiscal year 2013 to fiscal year 2014. Charges for service receipts in the Utilities' Water Department decreased approximately \$1,000 or 1% from fiscal year 2013 to fiscal year 2014.
- Operating disbursements in the Electric Department increased 6% or approximately \$97,000 from fiscal year 2013 to fiscal year 2014. Disbursements in the Water Department increased 23% or approximately \$71,000 from fiscal year 2013 to fiscal year 2014. The Utilities also remitted approximately \$365,000 of sewer and storm water fees to the City.
- The Utilities' total cash basis net assets increased 31% or approximately \$381,000 from June 30, 2013 to June 30, 2014.

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 financial statement and provides an analytical overview of the Utilities' financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Ogden Municipal Utilities' receipts and disbursements and whether the Utilities' cash basis financial position has improved or deteriorated as a result of the year's activities.

The Notes to the Financial Statements 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 Fund Accounts and the Utilities indebtedness.

BASIS OF ACCOUNTING

The Ogden Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Utility 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 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.

FINANCIAL ANALYSIS OF THE OGDEN MUNICIPAL UTILITIES

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Ogden 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 balances at year end. Over time, readers of the financial statement are able to determine the Utilities' financial position by analyzing the increase and decrease in cash basis net assets.

Receipts include electric sales, metered & bulk water sales, fees for upkeep and/or upgrade of independent service lines, electric and water turn on/off fees, and miscellaneous fees. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2014 and June 30, 2013 is presented below:

Changes in Cash Basis Net Assets

	Year Ended June 30,	
	2014	2013
Receipts:		
Charges for services:		
Electric	\$ 1,644,975	\$ 1,580,323
Water	309,960	311,319
Sewer & storm water fees collected for the City	364,846	359,351
Miscellaneous	102,608	100,185
Capital loan note proceeds	1,122,646	-
Grants	360,000	-
Interest on investments	9,330	9,816
Total receipts	3,914,365	2,360,994
Disbursements:		
Plant operation and maintenance	1,077,800	968,730
Distribution operation and maintenance	229,240	195,399
Administration	620,180	594,261
Revolving loan disbursement	360,000	-
Debt service	643,080	195,638
Capital outlay	237,765	15,954
Sewer & storm water fees remitted to the City	364,846	359,351
Total disbursements	3,532,911	2,329,333
Change in cash basis net assets	381,454	31,661
Cash basis net assets beginning of year	1,210,228	1,178,567
Cash basis net assets end of year	\$ 1,591,682	\$ 1,210,228

A portion of the Utilities' net assets (40%) are restricted funds for project funds and for customer deposits. The remaining net assets (60%) are unrestricted assets available for use in the routine operations of the plant, distribution and administrative areas of the Utilities and for capital improvements.

BUDGETARY HIGHLIGHTS

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

DEBT ADMINISTRATION

At June 30, 2014, the Utilities' had approximately \$1,110,065 in revenue notes compared to \$595,000 last fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Ogden Municipal Utilities' appointed officials and management considered many factors when setting the fiscal year 2015 electric and water rates and fees that will be charged. These rate structures are reviewed approximately every five years and monitored annually to adequately fund all requirements and system improvements.

Current economic conditions beyond the Ogden Municipal Utilities' Trustees control play a significant role in the daily operations of the water plant and distribution services. These conditions include, but are not limited to:

- The need to constantly maintain facilities, vehicles and machinery.
- The need to comply with federal and state regulations.
- The need to maintain up-to-date technology at a reasonable cost.
- The fluctuation of the cost of inputs to produce quality water and affordable electricity for customers.

CONTACTING THE UTILITIES FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, the public and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brandon Craighton, Superintendent, Ogden Municipal Utilities, Ogden, Iowa.

Financial Statement

OGDEN MUNICIPAL UTILITIES
Statement of Cash Receipts, Disbursements and Changes in Cash Balance
As of and for the year ended June 30, 2014

Exhibit A

Operating receipts:	
Charges for service	\$ 1,954,935
Miscellaneous	102,608
Total operating receipts	2,057,543
Operating disbursements:	
Business type activities:	
Plant operation and maintenance	1,077,800
Distribution operation and maintenance	229,240
Employee expense	543,680
Accounting and collection	40,528
Administration	18,195
Customer refunds	17,777
Total operating disbursements	1,927,220
Excess of operating receipts over operating disbursements	130,323
Non-operating receipts (disbursements):	
Capital loan note proceeds	1,122,646
Interest on investments	9,330
USDA grant	300,000
Other grant contributions	60,000
Revolving Loan disbursement	(360,000)
Sewer and Storm Water fees collected for City	364,846
Sewer and storm Water fees remitted to City	(364,846)
Debt service	(643,080)
Capital outlay	(237,765)
Total non-operating receipts (disbursements)	251,131
Change in cash balance	381,454
Cash balance beginning of year	1,210,228
Cash balance end of year	\$ 1,591,682
Cash Basis Fund Balances	
Restricted for:	
Project funds	\$ 603,557
Customer deposits	33,911
Unrestricted	954,214
Total cash basis fund balance	\$ 1,591,682

See notes to financial statement.

OGDEN MUNICIPAL UTILITIES
Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

Ogden Municipal Utilities is a component unit of the City of Ogden, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Utilities is governed by a three-member board of trustees appointed for six-year staggered terms by the Mayor and approved by the City Council, which exercises oversight responsibility under this criteria.

The Utilities main business function is providing electric and water service. The State of Iowa assigns electric service territories and provides for written water service territory agreements with recognized Rural Water Districts. These mandated service territories purposely eliminated duplicate utilities in those areas. The Utilities electric service territory includes residents of the City of Ogden and adjacent rural areas. Water service is provided to the residents of the City of Ogden, adjacent rural areas and a consecutive, private water distribution system. The Utilities collect sanitary sewer and storm water fees on behalf of the City of Ogden.

B. Basis of Presentation

The accounts of the Utilities are organized as an Enterprise Fund. 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. Basis of Accounting

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

D. Restricted Assets and Net Assets

Funds set aside for project funds and customer meter deposits are classified as restricted.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

OGDEN MUNICIPAL UTILITIES
Notes to the Financial Statements

2. Cash and Pooled Investments

The Utilities' deposits at June 30, 2014, 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 Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

3. Electric Revenue Capital Loan Note

Annual debt service requirements to maturity for the revenue note are as follows:

<u>Year Ending June 30,</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 77,144	\$ 37,518	\$ 114,662
2016	79,785	34,877	114,662
2017	82,709	31,953	114,662
2018	85,642	29,020	114,662
2019	88,679	25,983	114,662
2020	91,763	22,899	114,662
2021	95,079	19,583	114,662
2022	98,450	16,212	114,662
2023	101,942	12,720	114,662
2024	105,534	9,128	114,662
2025	109,300	5,362	114,662
2026	94,038	1,514	95,552
	<u>\$ 1,110,065</u>	<u>\$ 246,769</u>	<u>\$ 1,356,834</u>

OGDEN MUNICIPAL UTILITIES
Notes to the Financial Statements

3. Electric Revenue Capital Loan Note (Continued)

The Utilities have pledged future electric customer receipts, net of specified operating disbursements, to repay \$1,122,646 of electric revenue capital loan note issued in April 2014. Proceeds from the note provided financing for constructing improvements and extensions to the electric utility. The note is payable solely from electric customer net receipts and is payable through 2026. Annual principal and interest payments on the note are expected to require less than 80 percent of net receipts. The total principal and interest remaining to be paid on the note is \$1,356,834. For the current year, principal and interest paid and total customer net receipts were \$642,280 and \$162,520, respectively.

As part of the Electric Revenue Loan Note agreement, the Electric Revenue Fund was required to establish a Project Fund for costs of improvements for the Electric Utility, after the refunding of the Series 2001 Electric Capital Loan note. The Electric Utility utilized funds for improvements to the system.

Funds can only be deposited in financial institutions which are members of the Federal Deposit Insurance Corporation (FDIC).

4. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual salary and the Utilities are required to contribute 8.93% of covered salary. Contribution requirements are established by State statute. The Utilities' contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$31,137, \$31,013, and \$27,147, respectively, equal to the required contributions for each year.

5. Compensated Absences

Utilities' employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Utilities until used or paid. The

Utilities' approximate liability for earned compensated absences payable to employees was \$17,000 at June 30, 2014. This liability has been computed based on rates of pay in effect at June 30, 2014.

OGDEN MUNICIPAL UTILITIES
Notes to the Financial Statements

6. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance except for the possible damage to the Utilities' distribution system which is currently uninsured. Settled claims from these risks, except for the Utilities' distribution system, have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. Related Party Transaction

As stated in Note 1, Ogden Municipal Utilities is a component unit of the City of Ogden, Iowa. The Utilities receive a processing fee of \$2,250 on a quarterly basis for the computation and collection of the sewer rentals for the City of Ogden.

8. Commitments and Contingencies

The Utilities provide their employees and their dependents with comprehensive health care coverage. A portion of the coverage is self-funded by the Utilities. Under the insurance policy terms with the employees, the Utilities' self-funded liability would be limited each plan year to an aggregate liability limit of \$6,000 for single coverage and \$12,000 for family coverage. For this purpose, the plan year operates from January 1 through December 31.

As stated earlier, the Utilities do not have insurance coverage for possible catastrophic damage to the Utilities' distribution system. The Utilities have determined the insurance coverage premium to be cost prohibitive. The probability and amount of loss, if any, is undeterminable.

9. Economic Dependency

During the year ending June 30, 2014, the Utilities purchased approximately its entire electric power source from one supplier.

10. Revolving Loan Fund

The Revolving Loan Fund was established during the year ended June 30, 2014, through a grant from U.S. Department of Agriculture of \$300,000 and a required local donation/match of \$60,000. The U.S. Department of Agriculture requires the amount to be loaned out to qualified applicants. During the year ended June 30, 2014, the initial no-interest loan of \$360,000 was issued to Ogden Legacy. The repayment terms are \$100,000 payable on December 31, 2014, and \$260,000 payable on December 31, 2015.

OGDEN MUNICIPAL UTILITIES
Notes to the Financial Statements

11. Subsequent Events

The Utilities purchased two 2015 Chevy Silverado's from George White Chevrolet in September 2014 at a cost of \$26,338 and \$25,228.

The Utilities awarded a construction contract in September 2014 to Keller Excavating in the amount of \$150,942 for water system improvements.

Other Information

OGDEN MUNICIPAL UTILITIES
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balance -
Budget and Actual (Cash Basis)
Other Information
Year ended June 30, 2014

	Proprietary Funds Actual	<u>Budgeted Amounts</u> Original & Final	Final to Actual Variance
Receipts:			
Use of money and property	\$ 9,330	\$ -	\$ 9,330
Charges for service	1,954,935	2,900,000	(945,065)
Miscellaneous	102,608	-	102,608
Total receipts	<u>2,066,873</u>	<u>2,900,000</u>	<u>(833,127)</u>
Disbursements:			
Business type activities	<u>2,808,065</u>	<u>2,900,000</u>	<u>91,935</u>
(Deficiency) of receipts over disbursements	(741,192)	-	(741,192)
Other financing sources, net	<u>1,122,646</u>	-	<u>1,122,646</u>
Excess of receipts and other financing sources over disbursements	381,454	-	381,454
Cash basis net assets beginning of year	<u>1,210,228</u>	-	<u>1,210,228</u>
Cash basis net assets end of year	<u><u>\$ 1,591,682</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,591,682</u></u>

See accompanying independent auditor's report.

OGDEN MUNICIPAL UTILITIES

Notes to Other Information – Budgetary Reporting

June 30, 2014

The Ogden Municipal Utilities prepares a budget on the cash basis of accounting for all funds, except, sewer and storm water fees collected for and remitted to the City, and submits it to the City Council of the City of Ogden, Iowa. In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes the Utilities, on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements, known as functions, not by fund. The Utilities' disbursements are budgeted in the business type activities function. There were no budget amendments for the Utilities during the year ended June 30, 2014.

During the year ended June 30, 2014, disbursements did not exceed the amount budgeted.

Supplementary Information

OGDEN MUNICIPAL UTILITIES
Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Enterprise Fund Accounts
As of and for the year ended June 30, 2014

Schedule 1

	Electric	Water	Revolving Loan	Project Share	City Utility Collections	Total
Operating receipts:						
Charges for services	\$ 1,644,975	\$ 309,960	\$ -	\$ -	\$ -	\$ 1,954,935
Miscellaneous	68,574	33,694	-	340	-	102,608
Total operating receipts	1,713,549	343,654	-	340	-	2,057,543
Operating disbursements:						
Business type activities:						
Plant operation and maintenance	954,179	123,621	-	-	-	1,077,800
Distribution operation and maintenance	153,261	75,979	-	-	-	229,240
Employee expense	398,081	145,599	-	-	-	543,680
Accounting and collection	15,689	24,839	-	-	-	40,528
Administration	12,042	6,153	-	-	-	18,195
Customer refunds	17,777	-	-	-	-	17,777
Total operating disbursements	1,551,029	376,191	-	-	-	1,927,220
Excess (deficiency) of operating receipts over (under) operating disbursements	162,520	(32,537)	-	340	-	130,323
Non-operating receipts (disbursements):						
Capital loan note proceeds	1,122,646	-	-	-	-	1,122,646
Interest on investments	4,967	4,324	38	1	-	9,330
USDA grant	-	-	300,000	-	-	300,000
Other grant contributions	-	-	60,000	-	-	60,000
Revolving Loan disbursement	-	-	(360,000)	-	-	(360,000)
Sewer and Storm Water fees collected for City	-	-	-	-	364,846	364,846
Sewer and Storm Water fees remitted to City	-	-	-	-	(364,846)	(364,846)
Debt service						
Principal redeemed	(607,581)	-	-	-	-	(607,581)
Interest paid	(34,699)	-	-	-	-	(34,699)
Service fees	(800)	-	-	-	-	(800)
Capital outlay	(237,046)	(719)	-	-	-	(237,765)
Total non-operating receipts (disbursements)	247,487	3,605	38	1	-	251,131
Change in cash balances	410,007	(28,932)	38	341	-	381,454
Cash balances beginning of year	480,611	728,034	-	1,583	-	1,210,228
Cash balances end of year	\$ 890,618	\$ 699,102	\$ 38	\$ 1,924	\$ -	\$ 1,591,682

See accompanying independent auditor's report.

OGDEN MUNICIPAL UTILITIES
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
Revenue Notes:								
Electric Capital Loan Notes	11/1/2001	3.40-5.40%	\$ 1,260,000	580,000	-	580,000	-	27,870
Electric Capital Loan Note	10/25/2005	4.00%	\$ 180,000	15,000	-	15,000	-	300
Electric Capital Loan Note	4/25/2014	3.49%	\$ 1,122,646	-	1,122,646	12,581	1,110,065	6,529
Total Revenue Notes			\$ 2,562,646	\$ 595,000	\$ 1,122,646	\$ 607,581	\$ 1,110,065	\$ 34,699

See accompanying independent auditor's report.

OGDEN MUNICIPAL UTILITIES
Note Maturities
June 30, 2014

Year Ending June 30,	Revenue Notes	
	Electric Capital	
	Loan Notes	
	Issued April 25, 2014	
	Interest	
	Rates	Amount
2015	3.49%	\$ 77,144
2016	3.49%	79,785
2017	3.49%	82,709
2018	3.49%	85,642
2019	3.49%	88,679
2020	3.49%	91,763
2021	3.49%	95,079
2022	3.49%	98,450
2023	3.49%	101,942
2024	3.49%	105,534
2025	3.49%	109,300
2026	3.49%	94,038
Total		\$ 1,110,065

See accompanying independent auditor's report.

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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 Financial Statements
Performed in Accordance with Government Auditing Standards

Board of Trustees
Ogden Municipal Utilities

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 statements of the business type activities and each major fund of Ogden Municipal Utilities, Ogden, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the Utilities basic financial statements, and have issued our report thereon dated November 26, 2014. Our report expressed unmodified opinions on the financial statements which were 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 statements, we considered Ogden Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ogden Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Ogden 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 a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Ogden Municipal Utilities' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ogden Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Ogden Municipal Utilities' Responses to Findings

Ogden Municipal Utilities' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Ogden Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements 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 Ogden Municipal Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ogden Municipal 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 Ogden Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


Houston & Seeman, P.C.

November 26, 2014

OGDEN MUNICIPAL UTILITIES
Schedule of Findings
Year Ended June 30, 2014

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, and the posting of the cash receipts to the cash receipts journal can be done by the same person.

Recommendation – We realize with only two office employees, segregation of duties is difficult. However, the Utilities should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – Most of the job responsibilities are alternated each month. We will continue to review situations where duties can be alternated.

Conclusion – Response accepted.

Instances of Non-Compliance

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – The budget certified by the City of Ogden includes amounts for the Utilities. Disbursements for the year ended June 30, 2014, did not exceed the amount budgeted.
- (2) Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General’s Opinion dated April 25, 1979, were noted.
- (3) Travel Expense – No disbursement of Utilities money for travel expenses of spouses of the Utilities’ officials or employees was noted.
- (4) Business Transactions – No business transactions between the Utilities and Utilities’ officials or employees were noted.

OGDEN MUNICIPAL UTILITIES
Schedule of Findings
Year Ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting (Continued):

- (5) Bond Coverage – Surety bond coverage of Utilities’ officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investments provisions of Chapters 12B and 12C of the Code of Iowa and the Utilities’ investments policy were noted.
- (8) Revenue Notes – The Utilities have complied with the electric revenue note resolution requirements for the year ended June 30, 2014.