WOODBINE MUNICIPAL LIGHT & POWER

FINANCIAL STATEMENTS

JUNE 30, 2014

WOODBINE MUNICIPAL LIGHT & POWER
WOODBINE, IOWA
JUNE 30, 2014

TABLE OF CONTENTS

Officials 1

Independent Auditor's Report ..... 2 - 3

Financial Statements:

- Statement of Net Position 4
- Statement of Revenues, Expenses and Changes in Fund Net Position 5
- Statement of Cash Flows 6
- Statement of Budgeted and Actual Cash Receipts and Disbursements ..... 7 - 8
- Notes to Financial Statements ..... 9 - 15

Additional Reports:

- 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 ..... 16 - 17

Supplementary Information:

- Schedules of Operating Expenses ..... 18 - 19
- Schedule of Findings ..... 20 - 21

WOODBINE MUNICIPAL LIGHT & POWER
OFFICIALS
JUNE 30, 2014

NAME OF OFFICIAL	TITLE	TERM EXPIRES
Donald Kenkel	Trustee - Chairman	2017
Charles H. Warner, Jr.	Trustee	2015
Jean Clark	Trustee	2013
James Reisz	Superintendent	
Theresa Corrin	Office manager	

DEAN M. BROICH, P.C.
CERTIFIED PUBLIC ACCOUNTANT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Woodbine Municipal Light & Power
Woodbine, Iowa

Report on the Financial Statements

I have audited the accompanying financial statements of Woodbine Municipal Light & Power, a component unit of the City of Woodbine, Iowa, as of and for the fiscal years ended June 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Utility's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity's internal control. Accordingly, I 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 statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Woodbine Municipal Light & Power Fund, a component unit of the City of Woodbine, Iowa as of June 30, 2014 and 2013, and the changes in net position and cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Woodbine Municipal Light & Power has omitted Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, I have also issued a report dated July 22, 2014, on my consideration of the Woodbine Municipal Light & Power Fund's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my 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* and should be considered in assessing the results of my audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Woodbine Municipal Light & Power Fund's financial statements taken as a whole. The accompanying supplementary information on pages 18 through 21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements of the Woodbine Municipal Light & Power Fund taken as a whole.

Other Matters

As discussed in Note 1A, the accompanying financial statements present only the Woodbine Municipal Light and Power Fund and do not purport to, and do not, present fairly the net position of the City of Woodbine, Iowa, as of June 30, 2014 and 2013, and the changes in its net position, or, where applicable, its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Dean M Broich
Certified Public Accountant

Omaha, Nebraska
July 22, 2014

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF NET POSITION
JUNE 30, 2014 AND 2013

ASSETS

	2014	2013
Capital assets - net of depreciation	$ 851,262	$ 806,639
Special purpose funds:		
Customer deposits	16,136	12,795
Natural gas deposits	11,274	11,027
Total special purpose funds	27,410	23,822
Current assets:		
Cash	355,426	334,676
Receivables	127,247	134,807
Inventories	57,565	55,394
Certificates of deposit	556,080	557,253
Unbilled usage	43,324	44,205
Accrued interest receivable	113	207
Prepaid insurance	18,048	15,477
Total current assets	1,157,803	1,142,019
Total assets	$ 2,036,475	$ 1,972,480

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable - trade	$ 161,153	$ 140,747
Accrued vacation and leave	18,658	31,588
Total current liabilities	179,811	172,335
Long-term liabilities:		
Natural gas and customer deposits payable	30,511	26,884
Total liabilities	210,322	199,219
Net positon:		
Investment in capital assets, net of related debt	851,262	806,639
Net position - restricted	-	-
Net position - unrestricted	974,891	966,622
Total net position	1,826,153	1,773,261
Total liabilities and net position	$ 2,036,475	$ 1,972,480

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Operating revenues:		
Current use charges	$ 1,412,632	$ 1,288,748
Other operating revenues	6,729	6,808
Miscellaneous and rentals	724	2,032
Total operating revenues	1,420,085	1,297,588
Operating expenses:		
Cost of power	921,827	837,561
Distribution expenses	154,448	163,998
Accounting and collection	81,482	76,731
Administrative	163,648	163,671
Depreciation	49,822	49,341
Total operating expenses	1,371,227	1,291,302
Operating income	48,858	6,286
Non-operating revenues (expenses):		
Interest income	2,920	3,479
Penalties and late fees	7,174	7,641
Gain on sale of assets	-	37,000
Sales of materials and equipment	-	221
Interest expense	(60)	(217)
Total non-operating revenues (expenses)	10,034	48,124
Changes in net position before transfers	58,892	54,410
Transfers from City of Woodbine	46,369	41,673
Transfers to City of Woodbine	(46,369)	(41,673)
Transfers to Woodbine Mainstreet Chamber	(6,000)	(6,500)
Changes in fund net position	52,892	47,910
Net position, beginning of year	1,773,261	1,725,351
Net position, end of year	$ 1,826,153	$ 1,773,261

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Cash received from customers	$ 1,417,579	$ 1,305,993
Cash payments to suppliers	(1,158,814)	(946,177)
Cash payments to employees	(156,230)	(181,970)
Other revenues	7,453	8,840
Net cash provided by operating activities	109,988	186,686
Cash flows from noncapital financing activities:		
Transfers from City	46,369	41,673
Transfers to City	(46,369)	(41,673)
Transfers to Woodbine Mainstreet Chamber	(6,000)	(6,500)
Non-operating revenues - net	7,174	44,862
Net cash provided by noncapital financing activities	1,174	38,362
Cash flows from capital and financing activities:		
Interest expense	(60)	(217)
Net cash used by capital and financing activities	(60)	(217)
Cash flows from investing activities:		
Purchases of investments and certificates of deposit	(762,405)	(911,367)
Proceeds from investments and certificates of deposit	763,578	909,114
Purchases of equipment	(94,445)	(127,745)
Interest on investments	2,920	3,479
Net cash used by investing activities	(90,352)	(126,519)
Net increase in cash	20,750	98,312
Cash, beginning of year	334,676	236,364
Cash, end of year	$ 355,426	$ 334,676

SCHEDULE OF NET CASH FROM OPERATING ACTIVITIES

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 48,858	$ 6,286
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	49,822	49,341
Changes in assets and liabilities:		
Receivables	7,560	17,118
Accrued interest receivable	94	227
Inventories	(2,171)	(5,911)
Unbilled usage	881	2,398
Prepaid insurance	(2,571)	232
Deposits	(3,588)	(2,498)
Accounts payable	20,406	114,309
Accrued vacation and leave	(12,930)	2,490
Customer deposits	3,627	2,694
Net cash provided by operating activities	$ 109,988	$ 186,686

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	2014		
	Original & Final Budget	Actual	Variance
Operating revenues:			
Sales to customers	$ 1,354,330	$ 1,421,112	$ 66,782
Other operating revenue	9,000	6,729	(2,271)
Miscellaneous and rentals	1,000	724	(276)
Total operating revenues	1,364,330	1,428,565	64,235
Operating expenses:			
Cost of power	835,000	855,487	20,487
Distribution expenses	216,750	202,366	(14,384)
Accounting and collections	87,870	81,482	(6,388)
Administration expenses	227,640	179,336	(48,304)
Total operating expenses	1,367,260	1,318,671	(48,589)
Operating income (loss)	(2,930)	109,894	112,824
Non-operating revenues (expenses):			
Transfers from Woodbine City Water Fund	40,000	46,369	6,369
Transfers to Woodbine City Water Fund	(42,380)	(46,369)	(3,989)
Transfers to Woodbine Main St. Chamber	(6,500)	(6,000)	500
Penalties and late fees	8,000	7,174	(826)
Interest income	4,030	3,014	(1,016)
Interest expense	(220)	(60)	160
Total non-operating revenues (expenses)	2,930	4,128	1,198
Changes in net position	-	114,022	114,022
Adjustments to cash method for budget purposes:			
Net proceeds from investments	-	1,173	1,173
Purchases of equipment	-	(94,445)	(94,445)
Total adjustments	-	(93,272)	(93,272)
Net increase in cash	$ -	$ 20,750	$ 20,750

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	2013		
	Original & Final Budget	Actual	Variance
Operating revenues:			
Sales to customers	$ 1,315,000	$ 1,308,460	$ (6,540)
Other operating revenue	9,000	6,808	(2,192)
Miscellaneous and rentals	1,000	1,693	693
Total operating revenues	1,325,000	1,316,961	(8,039)
Operating expenses:			
Cost of power	830,000	771,221	(58,779)
Distribution expenses	202,940	168,232	(34,708)
Accounting and collections	87,320	76,731	(10,589)
Administration expenses	207,450	209,951	2,501
Total operating expenses	1,327,710	1,226,135	(101,575)
Operating income (loss)	(2,710)	90,826	93,536
Non-operating revenues (expenses):			
Transfers from Woodbine City Water Fund	40,000	41,673	1,673
Transfers to Woodbine City Water Fund	(42,080)	(41,673)	407
Transfers to Woodbine Main St. Chamber	(6,500)	(6,500)	-
Sale of materials and services	500	221	(279)
Penalties and late fees	6,000	7,641	1,641
Interest income	5,000	3,706	(1,294)
Interest expense	(210)	(217)	(7)
Total non-operating revenues (expenses)	2,710	4,851	2,141
Changes in net position	-	95,677	95,677
Adjustments to cash method for budget purposes:			
Net proceeds from investments	-	(2,253)	(2,253)
Gain on sale of assets	-	37,000	37,000
Purchases of equipment	-	(32,112)	(32,112)
Total adjustments	-	2,635	2,635
Net increase in cash	$ -	$ 98,312	$ 98,312

The accompanying notes are an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Woodbine Municipal Light & Power has operated as an independent entity since 1941 and is governed by a three member Board of Trustees appointed by the Mayor of Woodbine, Iowa. The Utility provides power and electricity to residential and commercial customers in Woodbine, Iowa and the surrounding community.

A. Reporting Entity

Criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. Specifically, those offices and activities over which the Board of Trustees exercises oversight responsibility are included in these financial statements. Manifestations of oversight responsibility over an entity include: (1) financial interdependence, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters.

Woodbine Municipal Light & Power has been identified as a component unit of the City of Woodbine, Iowa. Woodbine Municipal Light & Power provides billing and collection services for water, sewer, gas and landfill charges for the City of Woodbine. However, these amounts have been eliminated for financial statements purposes. These financial statements do not reflect any activity or transactions of the City of Woodbine and do not present consolidated information.

B. Fund Accounting

The Utility, for financial statement purposes, includes the funds and operations applicable to Electric and Power services only. All financial activity is accounted for in a single enterprise fund. The intent of the governing body is that all acquisitions, operations and maintenance (including depreciation) of facilities and services to the general public on a continuing basis be financed or recovered primarily by user charges.

C. Measurement Focus and Basis of Accounting

Woodbine Municipal Light & Power maintains its accounting records on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Woodbine Municipal Light & Power applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB), as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Operating revenues and expenses generally result from providing electric and power services, and maintaining and delivering goods and services in connection with ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

1. Summary of Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting - continued

At June 30, 2014 and 2013, management considered accounts receivable to be fully collectible and, therefore, these financial statements do not contain an allowance for doubtful accounts.

D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget. The budget of the Utility is submitted with that of the City of Woodbine following required public notice and hearing. Budgetary information is presented on the cash basis, which is in conformity with the budgetary requirements for the Code of Iowa.

E. Deposits and Certificates of Deposit

Deposits and investments are stated at cost, which approximates market. Interest on deposits and investments is accrued in the financial statements. The Utility's deposits and certificates are covered entirely 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. Accordingly, Woodbine Municipal Light and Power had no investments meeting the risk categorization disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

F. Inventories

Inventories consist of materials and supplies, and are valued at the lower of cost or market, based on the (FIFO) first in, first out basis.

G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Utility considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents. Natural gas and customer deposit accounts are not considered cash equivalents. Cash investments not meeting the definition of cash equivalents include certificates of deposits amounting to $556,080 and $557,253 at June 30, 2014 and 2013, respectively.

H. Capital Assets

Capital assets consist of land, capital assets and accumulated depreciation. Woodbine Municipal Light & Power does not maintain a formal capitalization policy. Generally, costs for capital assets, new plant, distribution, or substation systems with estimated useful lives of five years or more are capitalized and depreciated over the estimated useful life. Repairs and replacements of existing systems and assets with estimated useful lives of less than five years are expensed as incurred. Costs and accumulated depreciation on capital assets sold, retired or no longer in service are deducted from the respective asset and accumulated depreciation accounts, and any gain or loss is recognized at that time. Construction period interest, if any, is not capitalized.

1. Summary of Significant Accounting Policies - continued

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Off Balance Sheet and Concentration of Credit Risk

The Utility's receivables are due from residential and commercial customers for providing electric and power service. None of the receivables are collateralized. The Utility's cash and investments are currently maintained at one local depository institution. To date, these concentrations of credit risk have not had an effect on the results of operations of the Utility.

K. Compensated Absences

Utility employees accumulate vacation and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are recognized and accrued when earned. Sick leave is also accrued; however, sick leave is not paid upon termination, retirement or death. Amounts accrued are computed based on rates of pay in effect at June 30, 2014 and 2013, respectively.

L. Reclassifications

Certain amounts in the June 30, 2013 financial statements have been reclassified to conform to the June 30, 2014 presentation. Such reclassifications had no effect on changes in net position as previously reported.

2. Deposits and Investments

The Utility is authorized to invest public funds in interest bearing accounts at any bank, savings and loan association, or credit union, in the State of Iowa, which is approved by the State Treasurer and properly declared as a depository by the Board of Trustees; 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, Iowa Public Agency Investment Trust and certain other investments with prior approval by the Board of Trustees.

Deposits and investments are stated at cost, which approximates market. Interest on deposits and investments is accrued in the financial statements. The Utility's deposits and certificates at June 30, 2014 and 2013 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 Utility had no investments meeting the risk categorization disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

3. Property and Equipment

Property and equipment are stated at historical cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Buildings, plant and distribution systems are depreciated over 40 years, whereas equipment is generally depreciated over 5 - 10 years.

	June 30, 2014			
	Balance 06/30/13	Additions	Retirements & Disposals	Balance 06/30/14
Property and Equipment				
Land	$ 15,250	$ -	$ -	$ 15,250
Buildings and plant	237,728	-	-	237,728
Distribution system	1,469,682	89,309	-	1,558,991
Equipment	274,152	5,136	-	279,288
Totals	$1,996,812	$ 94,445	$ -	$ 2,091,257

	June 30, 2014			
	Balance 06/30/13	Depreciation	Retirements & Disposals	Balance 06/30/14
Accumulated Depreciation				
Buildings and plant	$ 134,384	$ 3,989	$ -	$ 138,373
Distribution system	893,854	29,118	-	922,972
Equipment	161,935	16,715	-	178,650
Totals	$1,190,173	$ 49,822	$ -	$ 1,239,995

	June 30, 2013			
	Balance 06/30/12	Additions	Retirements & Disposals	Balance 06/30/13
Property and Equipment				
Land	$ 15,250	$ -	$ -	$ 15,250
Buildings and plant	187,155	57,241	6,668	237,728
Distribution system	1,452,153	17,529	-	1,469,682
Equipment	249,677	52,975	28,500	274,152
Totals	$1,904,235	$ 127,745	$ 35,168	$ 1,996,812

	June 30, 2013			
	Balance 06/30/12	Depreciation	Retirements & Disposals	Balance 06/30/13
Accumulated Depreciation				
Buildings and plant	$ 138,147	$ 2,905	$ 6,668	$ 134,384
Distribution system	865,777	28,077	-	893,854
Equipment	172,076	18,359	28,500	161,935
Totals	$1,176,000	$ 49,341	$ 35,168	$ 1,190,173

4. Pension and Retirement Benefits

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

Plan members were required to contribute 5.78% of their annual covered salary and Woodbine Municipal Light & Power is required to contribute 8.67% of annual covered payroll through June 30, 2014. Contribution rates and requirements are established by state statute. Woodbine Municipal Light & Power's required contribution to IPERS for the years ended June 30, 2014 and 2013 amounted to $18,007 and $18,186, respectively.

5. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, Woodbine Municipal Light & Power annually adopts a budget on the cash basis of accounting, following required public notice and hearing. Accordingly, budget to actual comparisons are presented on a "non-GAAP budgetary – cash basis" in the accompanying financial statements. The adjustments necessary to reconcile the differences between the cash and accrual accounting methods are as follows:

	2014	2013
Changes in cash – budgetary basis	$ 20,750	$ 98,312
Depreciation expense	(49,822)	(49,341)
Net increase (decrease) in investments	(1,173)	2,253
Purchases of equipment	94,445	127,745
Increase (decrease) in:		
Accounts receivable	(7,560)	(17,118)
Inventory	2,171	5,911
Unbilled usage	(881)	(2,398)
Accrued interest receivable	(94)	(227)
Prepaid insurance	2,571	(232)
Customer deposits	3,588	2,498
(Increase) decrease in:		
Accounts payable	(20,406)	(114,309)
Accrued expenses	12,930	(2,490)
Customer deposits	(3,627)	(2,694)
Changes in net position – GAAP basis	$ 52,892	$ 47,910

6. Related Party Transactions

The Woodbine Municipal Light and Power Fund provided labor and related costs and benefits to the City of Woodbine Water Fund. These expenses are reimbursed 100% by the City of Woodbine Water Fund and are reported as transfers and amounted to $46,369 and $41,673 for the fiscal years ended June 30, 2014 and 2013, respectively.

The Woodbine Municipal Light and Power Fund also provides electricity, file maintenance, meter reading, billing, collection and other various operating and office expenses to the City of Woodbine Water Fund. These expenses are reimbursed 100% by the City of Woodbine Water Fund and are reported as other operating revenues and operating expenses and amounted to $6,729 and $6,808 for the fiscal years ended June 30, 2014 and 2013, respectively.

Amounts due to the Woodbine Municipal Light and Power Fund from the City of Woodbine Water Fund are included in receivables and payables, and amounted to $4,198 and $3,268 for the fiscal years ended June 30, 2014 and 2013, respectively.

7. Net Position

Net position generally consists of the following three categories:

Net position invested in capital assets, net of related debt - are capital assets, net of accumulated depreciation, reduced by related outstanding notes, bonds, or other debt.

Restricted net position – are net assets which result when constraints or restrictions are placed on the use of net assets. The restrictions are generally imposed by external lending sources or by law.

Unrestricted net position - are those assets not meeting the definitions of the two preceding categories. Reservations of unrestricted net assets may be imposed by management; however, reservations do not restrict net assets in any manner.

8. Risk Management

The Utility 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. Woodbine Municipal Light & Power assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks, if any, have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Joint Ventures

Woodbine Municipal Light & Power is a participant in the Missouri Basin Electric Cooperative Association (MBMECA), a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative (NIPCO). NIPCO constructed the power lines, and there are no dedicated lines. There is an agreement which guarantees Woodbine Municipal Light & Power the right to draw power over the lines at a raw power cost without transmission charges. The Utility shares the joint venture with twelve other municipalities and the percentage of ownership varies from year to year. The Utility cannot recover any investment from MBMECA unless authorized by MBMECA, or if MBMECA ceases operations. In addition, the financial statements of the joint venture are kept on, and are audited on, a calendar year basis, and therefore are not comparable to the Woodbine Municipal Light & Power Fund's June 30 fiscal year end. Accordingly, the investment in the joint venture is not reflected as an asset in these financial statements. Payments by Woodbine Municipal Light & Power to MBMECA amounted to $98,982 and $84,070 for the fiscal year ended June 30, 2014 and 2013, respectively.

10. Subsequent Events

Management has evaluated subsequent events through August 12, 2014, the date on which the financial statements were available to be issued.

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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

To the Board of Trustees
Woodbine Municipal Light & Power
Woodbine, Iowa

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Woodbine Municipal Light & Power Fund, a component unit of the City of Woodbine, Iowa, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Woodbine Municipal Light & Power Fund's financial statements and have issued my report thereon dated July 22, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Woodbine Municipal Light & Power Fund's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Woodbine Municipal Light & Power Fund's internal control. Accordingly, I do not express an opinion on the effectiveness of the Woodbine Municipal Light & Power Fund's internal control.

My 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, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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 that a material misstatement of the Woodbine Municipal Light & Power Fund's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies in the accompanying Schedule of Findings to be material weaknesses.

Internal Control Over Financial Reporting – continued

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Woodbine Municipal Light & Power Fund's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Woodbine Municipal Light and Power Fund's operations for the fiscal year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Woodbine Municipal Light and Power Fund. Since my 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.

Woodbine Municipal Light & Power's Responses to Findings

The Woodbine Municipal Light and Power Fund's responses to findings identified in my audit are described in the accompanying Schedule of Findings. Woodbine Municipal Light and Power's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

I would like to acknowledge the courtesies and assistance extended to me during the audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you.

Dean M Broich
Certified Public Accountant

Omaha, Nebraska
July 22, 2014

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATING EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Distribution expenses:		
Wages	$ 51,034	$ 71,333
FICA	4,318	5,322
IPERS	4,767	5,758
Contract labor	564	17
Equipment	7,030	1,759
Insurance	20,636	31,226
Maintenance materials	47,219	31,563
Miscellaneous	466	61
Purchased services	1,136	496
Street lights	1,642	2,667
Supplies	548	7
Tool purchases	1,382	1,270
Training	610	295
Truck expenses	7,724	6,186
Uniforms	2,130	3,132
Utilities	3,242	2,906
Total distribution expenses	$ 154,448	$ 163,998
Accounting and collection expenses:		
Wages	$ 51,921	$ 49,078
FICA	3,917	3,754
IPERS	4,572	4,255
Contract labor	319	544
Insurance	15,120	13,404
Miscellaneous	262	901
Supplies	5,371	4,295
Training	-	500
Total accounting and collection expenses	$ 81,482	$ 76,731

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATING EXPENSES - CONTINUED
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Administrative expenses:		
Wages	$ 46,075	$ 57,059
FICA	4,706	4,654
IPERS	5,494	5,274
Advertising and legal publications	4,924	4,186
Assessments	5,340	4,208
Audit and accounting	5,375	5,375
Bad debt expense	-	1,043
Contract labor	3,323	4,063
Dues	30	430
Equipment	12,634	10,055
Energy efficiency programs	5,175	12,402
Insurance	30,236	29,495
Legal and engineering	5,655	848
Load management	2,500	2,500
Maintenance materials	817	1,282
Meeting expenses	2,750	2,924
Miscellaneous	3,016	1,349
Postage	2,950	3,472
Purchased services	6,408	227
Repairs and maintenance	1,276	-
Supplies	1,032	1,204
Telephone	2,658	2,264
Training	1,412	1,242
Truck expenses	2,349	3,615
Trustee fees	7,200	4,500
Total administrative expenses	$ 163,335	$ 163,671

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Part 1- Findings Related to the Financial Statements:

Internal Control Deficiencies:

(A) Segregation of Duties - An important aspect of any internal control structure is the segregation of duties among employees to prevent individual employees from handling tasks that are incompatible. I recognize that, because of limited staff, the Utility is not able to segregate all incompatible duties.

Recommendation – I communicated to the Board of Trustees and management the importance of trying to obtain the maximum segregation of duties and the need to make improvements to the control structure where warranted and feasible. Because of this weakness, I communicated to Board of Trustees the importance of their administrative review of financial transactions and reports.

Response – Management and the Board of Trustees are aware of the reasons for the need to segregate incompatible duties where possible and of the need for administrative review. Management and the Board of Trustees will continue to make improvements where feasible and will continue to perform administrative reviews of the financial transactions and financial reporting.

Conclusion - Response accepted.

Part II – Instances on Non-Compliance:

No instances of non-compliance were noted.

Part III - Other Findings Related to Required Statutory Reporting:

The following comments about the Woodbine Municipal Light & Power Fund's operations for the year ended June 30, 2014, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Woodbine Municipal Light & Power Fund. Since my 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.

(1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Trustees. The maximum deposit amounts stated in the resolutions were not exceeded during the year ended June 30, 2014.

(2) Certified Budget – For the year ended June 30, 2014, amounts budgeted for expenditures exceeded actual disbursements, as required by the Code of Iowa.

(3) Questionable Disbursements - I noted no disbursements that, I believe, may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

(4) Travel Expenses – No expenditures for travel expenses of spouses of the Utility's officials or employees were noted.

(5) Business Transactions – No business transactions were noted between the Woodbine Municipal Light & Power Fund and the Utility's Officials, employees, or related parties which would require disclosure.

(6) Bond Coverages - Surety bond coverage of the Utility's officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.

(7) Board Minutes - No transactions were noted that I believe should have been approved in the Board minutes but were not.

(8) Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy.