

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
OSKALOOSA, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2014

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CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

WATERWORKS OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Pete Settimi	Chairman	July, 2014
Joe Ryan	Trustee	July, 2016
Errin Keltner	Secretary	July, 2018
Chad Coon	General Manager	Indefinite
Sheryl Tomlinson	Office Manager	Indefinite
Cindy Scholtus	Billings Clerk	Indefinite
Crystal Breuklander	Customer Service	Indefinite
David Dixon	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
City of Oskaloosa Municipal Water Department
Oskaloosa, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa Municipal Water Department, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Water Department's basic financial statements 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 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 opinions 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 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 Water Department'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 Water Department'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 accounting 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 statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa Municipal Water Department 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 opinion is 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 the City of Oskaloosa Municipal Water Department's basic financial statements. The supplementary information included in Schedules 1 through 2 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, budgetary comparison information on pages 22 through 24 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.

The City of Oskaloosa Municipal Water Department has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2015 on our consideration of the City of Oskaloosa Municipal Water Department's 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 the City of Oskaloosa Municipal Water Department's internal control over financial reporting and compliance.

Hunt + Associates, P.C.

Oskaloosa, Iowa
January 15, 2015

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Basic Financial Statements

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
As of and for the year ended June 30, 2014

	<u>Disbursements</u>	<u>Program Receipts</u> <u>Charges for Services</u>	<u>Net (Disbursements) Receipts</u>
Functions/Programs:			
Business Type Activities:			
Water operating	\$ 2,087,165	\$ 2,160,088	\$ 72,923
Debt service	418,792	-	(418,792)
Meter replacements	69,922	-	(69,922)
	<u>\$ 2,575,879</u>	<u>\$ 2,160,088</u>	<u>\$ (415,791)</u>
General receipts:			
Unrestricted investment earnings			7,048
Rents collected			21,807
Miscellaneous			<u>64,856</u>
Total general receipts			<u>93,711</u>
Change in cash basis net position			(322,080)
Cash basis net position beginning of year			<u>1,402,632</u>
Cash basis net position end of year			<u>\$ 1,080,552</u>
Cash basis net position:			
Restricted:			
Expendable:			
Debt service			\$ 34,908
Unrestricted			<u>1,045,644</u>
Total cash basis net position			<u>\$ 1,080,552</u>

See notes to financial statements.

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CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2014

	Enterprise Funds			Total
	Water Utility Operating	Designated for Meter Replacement	Sinking Fund	
Operating receipts:				
Use of money and property:				
Meter rent	\$ 17,168	\$ -	\$ -	\$ 17,168
House rent	360	-	-	360
Sprinkler and hydrant rent	4,279	-	-	4,279
	<u>21,807</u>	<u>-</u>	<u>-</u>	<u>21,807</u>
Charges for services:				
Meter water sales	1,976,977	-	-	1,976,977
Late and inspection fees	40,205	-	-	40,205
Labor charges	6,252	-	-	6,252
Sales tax collected	136,654	-	-	136,654
	<u>2,160,088</u>	<u>-</u>	<u>-</u>	<u>2,160,088</u>
Miscellaneous:				
Materials sold	6,294	-	-	6,294
Reimbursements/refunds	20,892	-	-	20,892
Tower rental	20,475	-	-	20,475
Miscellaneous	17,195	-	-	17,195
	<u>64,856</u>	<u>-</u>	<u>-</u>	<u>64,856</u>
Total operating receipts	<u>2,246,751</u>	<u>-</u>	<u>-</u>	<u>2,246,751</u>
Operating Disbursements:				
Business type activities:				
Administration:				
Labor	272,249	-	-	272,249
Related labor expenses	44,154	-	-	44,154
Health insurance	202,032	-	-	202,032
Publications	1,980	-	-	1,980
Audit fees	7,675	-	-	7,675
Maintenance - Building	30	-	-	30
Computer expense	15,400	-	-	15,400
Insurance	51,885	-	-	51,885
Postage	11,864	-	-	11,864
Meter reading service	17,075	-	-	17,075
Telephone	6,162	-	-	6,162
Dues and subscriptions	5,365	-	-	5,365
Education/Seminars	4,140	-	-	4,140
Custodial expense	1,585	-	-	1,585
Legal expense	25,633	-	-	25,633

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2014

	Enterprise Funds			
	Water Utility Operating	Designated for Meter Replacement	Sinking Fund	Total
Operating Disbursements (continued):				
Business type activities (continued):				
Administration (continued):				
Office supplies	\$ 5,284	\$ -	\$ -	\$ 5,284
Miscellaneous supplies	2,108	-	-	2,108
Credit card fees	1,588	-	-	1,588
Capital outlay and replacements	200	-	-	200
	<u>676,409</u>	<u>-</u>	<u>-</u>	<u>676,409</u>
Plant operation and maintenance:				
Labor	86,791	-	-	86,791
Related labor expenses	14,390	-	-	14,390
Lab expense	13,137	-	-	13,137
Maintenance:				
Buildings	1,992	-	-	1,992
Wells	25,150	-	-	25,150
Grounds	10,190	-	-	10,190
Machinery	14,634	-	-	14,634
Education/Seminars	1,215	-	-	1,215
Utilities	80,335	-	-	80,335
Miscellaneous supplies	713	-	-	713
Miscellaneous expense	1,064	-	-	1,064
Chemicals	180,668	-	-	180,668
Capital outlay and replacements	-	69,922	-	69,922
	<u>430,279</u>	<u>69,922</u>	<u>-</u>	<u>500,201</u>
Distribution operations:				
Labor	267,657	-	-	267,657
Related labor expenses	40,951	-	-	40,951
Uniforms	3,256	-	-	3,256
Maintenance:				
Meters	10,998	-	-	10,998
Water system	94,238	-	-	94,238
Building	1,027	-	-	1,027
Machinery	4,179	-	-	4,179
Gasoline	23,195	-	-	23,195
Truck expense	2,663	-	-	2,663
Education/Seminars	2,124	-	-	2,124
Utilities	6,403	-	-	6,403
Small tools	1,965	-	-	1,965
Miscellaneous supplies	3,923	-	-	3,923

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2014

	Enterprise Funds			Total
	Water Utility Operating	Designated for Meter Replacement	Sinking Fund	
Operating Disbursements (continued):				
Business type activities (continued):				
Distribution operations (continued):				
Miscellaneous expense	\$ 1,842	\$ -	\$ -	\$ 1,842
Capital outlay and replacements	379,326	-	-	379,326
Debt service	-	-	418,792	418,792
	<u>843,747</u>	<u>-</u>	<u>418,792</u>	<u>1,262,539</u>
Other:				
Sales tax remitted	136,730	-	-	136,730
	<u>136,730</u>	<u>-</u>	<u>-</u>	<u>136,730</u>
Total operating disbursements	<u>2,087,165</u>	<u>69,922</u>	<u>418,792</u>	<u>2,575,879</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	159,586	(69,922)	(418,792)	(329,128)
Non operating receipts:				
Interest on investments	7,048	-	-	7,048
	<u>7,048</u>	<u>-</u>	<u>-</u>	<u>7,048</u>
Excess (deficiency) of receipts over (under) disbursements	<u>166,634</u>	<u>(69,922)</u>	<u>(418,792)</u>	<u>(322,080)</u>
Other financing sources (uses):				
Operating transfers in (note 3)	-	36,000	418,801	454,801
Operating transfers out (note 3)	(454,801)	-	-	(454,801)
Total other financing sources (uses)	<u>(454,801)</u>	<u>36,000</u>	<u>418,801</u>	<u>-</u>
Net change in cash balances	(288,167)	(33,922)	9	(322,080)
Cash balance beginning of year	<u>1,228,998</u>	<u>138,735</u>	<u>34,899</u>	<u>1,402,632</u>
Cash balance end of year	<u>\$ 940,831</u>	<u>\$ 104,813</u>	<u>\$ 34,908</u>	<u>\$ 1,080,552</u>

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2014

	<u>Enterprise Funds</u>			
	Water Utility Operating	Designated for Meter Replacement	Sinking Fund	Total
Cash basis fund balances:				
Restricted:				
Debt service	\$ -	\$ -	\$ 34,908	\$ 34,908
Unrestricted	940,831	104,813	-	1,045,644
	<u>\$ 940,831</u>	<u>\$ 104,813</u>	<u>\$ 34,908</u>	<u>\$ 1,080,552</u>

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
AGENCY FUNDS
Year ended June 30, 2014

	<u>Customer Deposits</u>	<u>Sewer Receipts</u>	<u>Total</u>
Receipts:			
Charges for services:			
Sanitary sewer receipts	\$ -	\$ 1,665,572	\$ 1,665,572
Stormwater receipts	-	229,604	229,604
Miscellaneous:			
Customer deposits	50,400	-	50,400
Total receipts	<u>50,400</u>	<u>1,895,176</u>	<u>1,945,576</u>
Disbursements:			
Business type activities:			
Customers' deposits refunded	49,035	-	49,035
Sanitary sewer receipts remitted to City	-	1,655,839	1,655,839
Stormwater receipts remitted to City	-	228,807	228,807
Total disbursements	<u>49,035</u>	<u>1,884,646</u>	<u>1,933,681</u>
Excess (deficiency) of receipts over (under) disbursements	1,365	10,530	11,895
Balance beginning of year	<u>85,640</u>	<u>134,245</u>	<u>219,885</u>
Balance end of year	<u>\$ 87,005</u>	<u>\$ 144,775</u>	<u>\$ 231,780</u>

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

The City of Oskaloosa Municipal Water Department is an independent department and a component unit of the City of Oskaloosa. The Waterworks operates under an appointed Board of Trustees. The Water Department provides water service to the residents of Oskaloosa, Iowa located in Mahaska County.

A. Reporting Entity

For financial reporting purposes, the Municipal Water Department of the City of Oskaloosa, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The Water Department has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Water Department, are such that exclusion would cause the Water Department's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Water Department to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Water Department. The Water Department has no component units which meet the Governmental Accounting Standards Board criteria. These statements do not include any other City of Oskaloosa funds or transactions.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the primary government, the Water Department, and any component units. For the most part, the effect of interfund activity has been removed from this financial statement.

The Cash Basis Statement of Activities and Net Position presents the Water Department's nonfiduciary net position. Net position is reported in two categories:

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest on investments that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program receipts are reported instead as general receipts.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

B. Basis of Presentation (continued)

Fund Financial Statements – Separate financial statements are provided for proprietary and fiduciary funds. Major individual proprietary funds are reported as separate columns in the funds financial statements.

The Water Department reports the following major proprietary funds:

Operating, Meter Replacement, and Sinking Fund Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Additionally, the Water Department reports the following fund type:

Fiduciary Funds:

Agency Funds are utilized to account for monies and properties received and held by the City of Oskaloosa Municipal Water Department in a trustee capacity as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The City of Oskaloosa Municipal Water Department's deposits in banks 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.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Cash and Pooled Investments (continued)

The Water Department 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 City of Oskaloosa Municipal Water Department's Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investments companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the Water Department had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificate of Deposit	\$ 200,000	\$ 200,000	September 20, 2014
Certificate of Deposit	65,000	65,000	July 11, 2014
Certificate of Deposit	200,000	200,000	November 3, 2015
Certificate of Deposit	<u>200,000</u>	<u>200,000</u>	February 6, 2016
	<u>\$ 665,000</u>	<u>\$ 665,000</u>	

Interest rate risk – The Water Department's 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 Department.

Credit risk - The Water Department investments, held in financial depositories, are not subject to level of risk categorization.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfers from	Transfers to	Amount
Proprietary Enterprise: Water Utility Operating	Proprietary Enterprise: Meter Replacement	\$ 36,000
	Sinking Fund	<u>418,801</u>
Total		<u>\$ 454,801</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Indebtedness

The Water Department authorized and the Iowa Finance Authority approved Water Revenue Capital Loan Notes not to exceed \$6,500,000. The Water Department paid \$243,000 of principal, \$162,270 in interest and \$13,522 in service fees during the year. The annual debt service requirements to maturity for the revenue capital loan notes is as follows:

Year Ending June 30,	Revenue Capital Loan Notes				
	Water				
	Issued January 7, 2009				
	Interest Rate	Interest	Service Fee	Principal	Total
2015	3.00 %	\$ 154,980	\$ 12,915	\$ 251,000	\$ 418,895
2016	3.00	147,450	12,288	259,000	418,738
2017	3.00	139,680	11,640	268,000	419,320
2018	3.00	131,640	10,970	277,000	419,610
2019	3.00	123,330	10,277	286,000	419,607
2020	3.00	114,750	9,563	295,000	419,313
2021	3.00	105,900	8,825	304,000	418,725
2022	3.00	96,780	8,065	314,000	418,845
2023	3.00	87,360	7,280	325,000	419,640
2024	3.00	77,610	6,468	335,000	419,078
2025	3.00	67,560	5,630	346,000	419,190
2026	3.00	57,180	4,765	357,000	418,945
2027	3.00	46,470	3,873	369,000	419,343
2028	3.00	35,400	2,950	381,000	419,350
2029	3.00	23,970	1,997	393,000	418,967
2030	3.00	12,180	1,015	406,000	419,195
		<u>\$ 1,422,240</u>	<u>\$ 118,521</u>	<u>\$ 5,166,000</u>	<u>\$ 6,706,761</u>

See accompanying independent auditor's report.

The resolution providing for the issuance of the revenue capital loan notes include the following provisions:

- a) The bonds will only be redeemed from the future earnings of the enterprise activity.
- b) Sufficient monthly cash transfers shall be made to a sinking fund account for the purpose of making the capital loan note principal, interest payments and service fee when due.
- c) Sufficiency of rates. On or before the beginning of each fiscal year the governing body will adopt or continue in effect rates for all services rendered by the Water Department determined to be sufficient to produce Net Revenues for the next succeeding fiscal year which are (i) adequate to pay the principal and interest requirements thereof and to create or maintain the reserves as provided in this Resolution, and (ii) not less than 110 percent of the principal and interest requirements of the next succeeding fiscal year.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the Waterworks is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The Water Department's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$51,872, \$47,112, and \$40,163, respectively, equal to the required contributions for the year.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The City of Oskaloosa Municipal Water Department operates a benefit plan which provides medical/prescription drug and dental benefits for employees and their families. There are 10 active members in the plan.

The medical/prescription drug and dental benefits are provided through a fully-insured plan with Wellmark.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Water Department. The City currently finances the employees benefit plan on a pay-as-you-go basis. Employees contribute a certain amount for dental insurance each month \$5 for single plan, \$10 for employee/spouse, and \$16 for family plan. The most recent active member monthly premiums for the Water Department plan members are \$512 for single coverage, \$1,049 for employee/spouse, and \$1,572 for family coverage. For the year ended June 30, 2014, the Water Department contributed \$198,964 and plan members eligible for benefits contributed \$1,600 to the plan.

Note 7. Compensated Absences

Water Department's employees accumulate a limited amount of earned but unused vacation, sick leave and comp hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Water Department until used or paid. The Water Department's approximate liability for unrecognized earned compensated absences is as follows:

<u>Type of Benefits</u>	<u>Amount</u>
Vacation	\$ 23,090
Sick Leave	52,325
Comp	9,270
Holiday Leave	<u>499</u>
Total	<u>\$ 85,184</u>

This liability has been computed based on rates of pay as of July 1, 2014.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 8. Risk Management

The Oskaloosa Municipal Water Department 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 Water Department 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.

Note 9. Sewer and Stormwater Receipts

The Water Department assesses and collects sewer and stormwater charges for the City of Oskaloosa, Iowa. The receipts from collections from customers and remittances to the City of Oskaloosa are accounted for in the Agency - Sewer Receipts Fund.

Note 10. Commitments and Contingencies

In January, 2002 the Water Department implemented a plan to self-fund the increase in their out of pocket and deductible limits of their health insurance policy for all eligible employees. The maximum annual calendar year exposure to the Waterworks would be \$17,000 of which nothing has been paid in claims as of June 30, 2014. The maximum remaining contingent liability as of June 30, 2014 is \$17,000.

The Water Department has entered into a five year contract for leak detection services that will cost \$3,000 per year, effective June 30, 2011.

Note 11. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – PROPRIETARY FUNDS
Other Information
Year Ended June 30, 2014

	Actual	Amounts Not Required to be Budgeted	Actual Net
Receipts:			
Water:			
Use of money and property	\$ 28,855	\$ -	\$ 28,855
Charges for services	2,023,434	-	2,023,434
Miscellaneous	115,256	50,400	64,856
	2,167,545	50,400	2,117,145
Disbursements:			
Business type activities:			
Water	2,488,260	49,035	2,439,225
	2,488,260	49,035	2,439,225
Excess of receipts over disbursements/ (disbursements over receipts)	(320,715)	1,365	(322,080)
Cash balances beginning of year	1,488,272	85,640	1,402,632
Cash balances end of year	\$ 1,167,557	\$ 87,005	\$ 1,080,552

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to Total Variance Favorable (Unfavorable)
<u>Original</u>	<u>Final</u>	
\$ 24,727	\$ 26,660	\$ 2,195
2,060,527	2,022,504	930
35,500	86,800	(21,944)
<u>2,120,754</u>	<u>2,135,964</u>	<u>(18,819)</u>
<u>2,276,810</u>	<u>2,551,266</u>	<u>112,041</u>
<u>\$ (156,056)</u>	<u>\$ (415,302)</u>	<u>\$ 93,222</u>

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

June 30, 2014

The budgetary comparison is presented in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgeting perspective differences resulting from not being able to present budgetary comparisons for the Enterprise Fund.

In accordance with the Code of Iowa, the Water Department's Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds, except Agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$274,456 due, in part, to a capital improvement project regarding the new location on South 7th. The budget amendment is reflected in the final budgeted amounts.

Supplementary Information

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Approved to be Issued	Balance Beginning of Year
Revenue Refunding Capital Loan Notes: Water	January 7, 2009	3.00%	\$ 6,500,000	\$ <u>5,409,000</u>

See accompanying independent auditor's report.

<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Service Fee Paid</u>	<u>Interest Due and Unpaid</u>	<u>Service Fee Due and Unpaid</u>	<u>Notes Due and Unpaid</u>
\$ <u>-</u>	\$ <u>243,000</u>	\$ <u>5,166,000</u>	\$ <u>162,270</u>	\$ <u>13,522</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

DEBT MATURITIES
Year Ended June 30, 2014

Year Ending June 30,	Revenue Capital Loan Notes				
	Water				
	Issued January 7, 2009				
	Interest Rate	Interest	Service Fee	Principal	Total
2015	3.00 % \$	154,980 \$	12,915 \$	251,000 \$	418,895
2016	3.00	147,450	12,288	259,000	418,738
2017	3.00	139,680	11,640	268,000	419,320
2018	3.00	131,640	10,970	277,000	419,610
2019	3.00	123,330	10,277	286,000	419,607
2020	3.00	114,750	9,563	295,000	419,313
2021	3.00	105,900	8,825	304,000	418,725
2022	3.00	96,780	8,065	314,000	418,845
2023	3.00	87,360	7,280	325,000	419,640
2024	3.00	77,610	6,468	335,000	419,078
2025	3.00	67,560	5,630	346,000	419,190
2026	3.00	57,180	4,765	357,000	418,945
2027	3.00	46,470	3,873	369,000	419,343
2028	3.00	35,400	2,950	381,000	419,350
2029	3.00	23,970	1,997	393,000	418,967
2030	3.00	12,180	1,015	406,000	419,195
		\$ 1,422,240	\$ 118,521	\$ 5,166,000	\$ 6,706,761

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

To the Board of Trustees:
City of Oskaloosa Municipal Water Department
Oskaloosa, Iowa

We have audited (in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States) the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Municipal Water Department, a component unit of the City of Oskaloosa as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the Water Department's basic financial statements, and have issued our report thereon dated January 15, 2015. 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 the Water Department's 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 the Municipal Water Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipal Water Department's internal control.

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 the City of Oskaloosa Municipal Water Department's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City of Oskaloosa Municipal Water Department's 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 Water Department. 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.

Water Department's Responses to Findings

City of Oskaloosa Municipal Water Department responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Oskaloosa Municipal Water Works' responses were not subjected to the auditing procedures applied on 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 the City'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 City's 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 City of Oskaloosa Municipal Water Department 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.

Hunt + Associates, P.C.

Oskaloosa, Iowa
January 15, 2015

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

No matters were noted.

Instances of Non-Compliance:

No matters were noted.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted in the business type activities function.
- II-B-14 Questionable Disbursements - No disbursements were noted that might not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.
- II-C-14 Travel Expense - No disbursements of the Water Department's money for travel expense of spouses of the Water Department's officials or employees were noted.
- II-D-14 Business Transactions - No business transactions between the Water Department and the Water Department's officials or employees were noted.
- II-E-14 Bond Coverage - Surety bond of Water Department 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.
- II-F-14 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-14 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 Water Department's investment policy were noted.
- II-H-14 Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.