

**OGDEN MUNICIPAL UTILITIES**

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

**June 30, 2015**

# 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, 2015, 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 opinion.

## 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, 2015, 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 Utilities 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, the Utility's Management's Discussion and Analysis, the budgetary comparison information the Schedule of the Utility's Proportionate Share of the Net Pension Liability and the Schedule of Utility Contributions on pages 6-9 and 21-27 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 September 4, 2015, on our consideration of Ogden Municipal Utilities internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 Ogden Municipal Utilities internal control over financial reporting and compliance.

*Houston & Seeman, P.C.*

Houston & Seeman, P.C.

September 4, 2015

## **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, 2015. We encourage readers to consider this information in conjunction with the Utility's financial statement, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- Charges for service receipts in the Utility's Electric Department decreased 1% or approximately \$23,000 from fiscal year 2014 to fiscal year 2015. Charges for service receipts in the Utility's Water Department decreased approximately \$24,000 or 8% from fiscal year 2014 to fiscal year 2015.
- Operating disbursements in the Electric Department decreased 1% or approximately \$15,000 from fiscal year 2014 to fiscal year 2015. Disbursements in the Water Department decreased 10% or approximately \$68,000 from fiscal year 2014 to fiscal year 2015. The Utilities also remitted approximately \$362,000 of sewer and storm water fees to the City.
- The Utility's total cash basis net assets decreased 23% or approximately \$363,000 from June 30, 2014 to June 30, 2015.

### **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 Utility's 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 Utility's 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 Utility's budget for the year and the Utility's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the individual Enterprise Fund Accounts and the Utility's indebtedness.

## **BASIS OF ACCOUNTING**

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 Utility, both operating and non-operating. The statement also presents a fiscal snapshot of the Utility's cash balances at year end. Over time, readers of the financial statement are able to determine the Utility's 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, 2015 and June 30, 2014 is presented below:

### Changes in Cash Basis Net Assets

	Year Ended June 30,	
	2015	2014
Receipts:		
Charges for services:		
Electric	\$ 1,622,042	\$ 1,644,975
Water	285,773	309,960
Sewer & storm water fees collected for the City	361,909	364,846
Miscellaneous	196,554	102,608
Capital loan note proceeds	-	1,122,646
Grants	-	360,000
Interest on investments	3,070	9,330
Total receipts	2,469,348	3,914,365
Disbursements:		
Plant operation and maintenance	1,001,657	1,077,800
Distribution operation and maintenance	349,546	229,240
Administration	628,903	620,180
Revolving loan disbursement	-	360,000
Debt service	114,662	643,080
Capital outlay	375,988	237,765
Sewer & storm water fees remitted to the City	361,909	364,846
Total disbursements	2,832,665	3,532,911
Change in cash basis net assets	(363,317)	381,454
Cash basis net assets beginning of year	1,591,682	1,210,228
Cash basis net assets end of year	\$ 1,228,365	\$ 1,591,682

A portion of the Utility's 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 Utility and for capital improvements.

### BUDGETARY HIGHLIGHTS

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

### DEBT ADMINISTRATION

At June 30, 2015, the Utility had \$1,032,175 in revenue notes compared to \$1,110,065 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 2016 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 UTILITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, the public and creditors with a general overview of the Utility's finances and to show the Utility's 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, 2015**

**Exhibit A**

Operating receipts:	
Charges for service	\$ 1,907,815
Miscellaneous	196,554
Total operating receipts	2,104,369
Operating disbursements:	
Business type activities:	
Plant operation and maintenance	1,001,657
Distribution operation and maintenance	349,546
Employee expense	544,902
Accounting and collection	29,168
Administration	39,471
Customer refunds	15,362
Total operating disbursements	1,980,106
Excess of operating receipts over operating disbursements	124,263
Non-operating receipts (disbursements):	
Interest on investments	3,070
Sewer and Storm Water fees collected for City	361,909
Sewer and storm Water fees remitted to City	(361,909)
Debt service	(114,662)
Capital outlay	(375,988)
Total non-operating receipts (disbursements)	(487,580)
Change in cash balance	(363,317)
Cash balance beginning of year	1,591,682
Cash balance end of year	\$ 1,228,365
<b>Cash Basis Fund Balances</b>	
Restricted for:	
Project funds	\$ 465,892
Customer deposits	35,511
Unrestricted	726,962
Total cash basis fund balance	\$ 1,228,365

See accompanying 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 Utility 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 Utility's 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 Utility's 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 Utility collects sanitary sewer and storm water fees on behalf of the City of Ogden.

B. Basis of Presentation

The accounts of the Utility 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 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.

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 Utility's deposits at June 30, 2015, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility 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 Utility 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>
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	<u>93,292</u>	<u>2,260</u>	<u>95,552</u>
	<u>\$ 1,032,175</u>	<u>\$ 209,997</u>	<u>\$ 1,242,172</u>

**OGDEN MUNICIPAL UTILITIES**  
**Notes to the Financial Statements**

**3. Electric Revenue Capital Loan Note (Continued)**

The Utility has 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 \$1,242,172. For the current year, principal and interest paid and total customer net receipts were \$114,662 and \$149,962, 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 Plan**

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

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

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

**OGDEN MUNICIPAL UTILITIES**  
**Notes to the Financial Statements**

**4. Pension Plan (continued)**

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

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

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

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

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percent point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

The Utility's contributions to IPERS for the year ended June 30, 2015 were \$32,896.

**OGDEN MUNICIPAL UTILITIES**  
**Notes to the Financial Statements**

**4. Pension Plan (continued)**

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

– At June 30, 2015, the Utility’s liability for its proportionate share of the collective net pension liability totaled \$210,497. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Utility’s proportion of the collective net pension liability was based on the Utility’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Utility’s proportion was 0.0053077 percent, which was a decrease of 0.0000530 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the Utility’s collective pension expense, collective deferred outflows and collective deferred inflows totaled \$13,237, \$762, and \$13,999 respectively.

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

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

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

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

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

**OGDEN MUNICIPAL UTILITIES**  
**Notes to the Financial Statements**

**4. Pension Plan (continued)**

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

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

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

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Utility’s proportionate share of the net pension liability	\$ 397,727	\$ 210,497	\$52,454

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

**OGDEN MUNICIPAL UTILITIES**  
**Notes to the Financial Statements**

**5. Compensated Absences**

Utility 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 Utility until used or paid. The

The Utility approximates liability for earned compensated absences payable to employees was \$14,000 at June 30, 2015. This liability has been computed based on rates of pay in effect at June 30, 2015.

**6. 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 except for the possible damage to the Utility's distribution system which is currently uninsured. Settled claims from these risks, except for the Utility's 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 Utility receives 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 Utility provides its employees and their dependents with comprehensive health care coverage. A portion of the coverage is self-funded by the Utility. Under the insurance policy terms with the employees, the Utility's 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 Utility does not have insurance coverage for possible catastrophic damage to the Utility's distribution system. The Utility has 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, 2015, the Utility purchased approximately its entire electric power source from one supplier.

**OGDEN MUNICIPAL UTILITIES**  
**Notes to the Financial Statements**

**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, with \$260,000 outstanding at June 30, 2015. The repayment terms are \$260,000 payable on December 31, 2015.

## **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, 2015**

	Proprietary Funds Actual	<u>Budgeted Amounts</u> Original & Final	Final to Actual Variance
Receipts:			
Use of money and property	\$ 3,070	\$ -	\$ 3,070
Charges for service	1,907,815	2,900,000	(992,185)
Miscellaneous	196,554	-	196,554
Total receipts	<u>2,107,439</u>	<u>2,900,000</u>	<u>(792,561)</u>
Disbursements:			
Business type activities	<u>2,470,756</u>	<u>2,900,000</u>	<u>429,244</u>
(Deficiency) of receipts over disbursements	(363,317)	-	(363,317)
Other financing sources, net	-	-	-
Excess of receipts and other financing sources over disbursements	(363,317)	-	(363,317)
Cash basis net assets beginning of year	<u>1,591,682</u>	-	<u>1,591,682</u>
Cash basis net assets end of year	<u><u>\$ 1,228,365</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,228,365</u></u>

See accompanying independent auditor's report.

## **OGDEN MUNICIPAL UTILITIES**

### Notes to Other Information – Budgetary Reporting

June 30, 2015

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, 2015.

During the year ended June 30, 2015, disbursements did not exceed the amount budgeted.

**OGDEN MUNICIPAL UTILITIES**  
**Schedule of the Utility's Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System**  
**Last Fiscal Year\***

**Other Information**

		2015
Utility's proportion of the net pension liability		0.0053077%
Utility's proportionate share of the net pension liability	\$	210,497
Utility's covered-employee payroll	\$	368,378
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll		57.14%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

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

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

See accompanying independent auditor's report.

**OGDEN MUNICIPAL UTILITIES**  
**Schedule of Utility Contributions**

**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years**

**Other Information**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 32,896	31,730	30,776	29,502	23,485	21,964	20,509	18,951	17,162	17,412
Contributions in relation to the statutorily required contribution	(32,896)	(31,730)	(30,776)	(29,502)	(23,485)	(21,964)	(20,509)	(18,951)	(17,162)	(17,412)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Utility's covered-employee payroll	#####	355,324	354,969	340,271	337,919	329,794	325,405	313,253	300,749	303,421
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.67%	6.95%	6.66%	6.30%	6.05%	5.71%	5.74%

See accompanying independent auditor's report.

## OGDEN MUNICIPAL UTILITIES

### Notes to Other Information – Pension Liability

Year ended June 30, 2015

#### Changes of benefit terms:

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

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

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

#### Changes of assumptions:

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

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

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

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.

## OGDEN MUNICIPAL UTILITIES

### Notes to Other Information – Pension Liability

Year ended June 30, 2015

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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

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

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

## **Supplementary Information**

**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, 2015**

**Schedule 1**

	Electric	Water	Revolving Loan	Project Share	City Utility Collections	Total
Operating receipts:						
Charges for services	\$ 1,622,042	\$ 285,773	\$ -	\$ -	\$ -	\$ 1,907,815
Miscellaneous	64,171	32,038	100,000	345	-	196,554
Total operating receipts	<u>1,686,213</u>	<u>317,811</u>	<u>100,000</u>	<u>345</u>	<u>-</u>	<u>2,104,369</u>
Operating disbursements:						
Business type activities:						
Plant operation and maintenance	885,604	116,053	-	-	-	1,001,657
Distribution operation and maintenance	176,276	173,270	-	-	-	349,546
Employee expense	427,987	116,915	-	-	-	544,902
Accounting and collection	16,330	12,838	-	-	-	29,168
Administration	14,692	24,779	-	-	-	39,471
Customer refunds	15,362	-	-	-	-	15,362
Total operating disbursements	<u>1,536,251</u>	<u>443,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,980,106</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>149,962</u>	<u>(126,044)</u>	<u>100,000</u>	<u>345</u>	<u>-</u>	<u>124,263</u>
Non-operating receipts (disbursements):						
Interest on investments	608	2,415	46	1	-	3,070
Sewer and Storm Water fees collected for City	-	-	-	-	361,909	361,909
Sewer and Storm Water fees remitted to City	-	-	-	-	(361,909)	(361,909)
Debt service						
Principal redeemed	(77,890)	-	-	-	-	(77,890)
Interest paid	(36,772)	-	-	-	-	(36,772)
Capital outlay	(181,029)	(194,959)	-	-	-	(375,988)
Total non-operating receipts (disbursements)	<u>(295,083)</u>	<u>(192,544)</u>	<u>46</u>	<u>1</u>	<u>-</u>	<u>(487,580)</u>
Change in cash balances	(145,121)	(318,588)	100,046	346	-	(363,317)
Cash balances beginning of year	<u>890,618</u>	<u>699,102</u>	<u>38</u>	<u>1,924</u>	<u>-</u>	<u>1,591,682</u>
Cash balances end of year	<u>\$ 745,497</u>	<u>\$ 380,514</u>	<u>\$ 100,084</u>	<u>\$ 2,270</u>	<u>\$ -</u>	<u>\$ 1,228,365</u>

See accompanying independent auditor's report.

**OGDEN MUNICIPAL UTILITIES**  
**Schedule of Indebtedness**  
**Year ended June 30, 2015**

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 Note	4/25/2014	3.49%	\$ 1,122,646	\$ 1,110,065	\$ -	\$ 77,890	\$ 1,032,175	\$ 36,772
Total Revenue Notes			\$ 1,122,646	\$ 1,110,065	\$ -	\$ 77,890	\$ 1,032,175	\$ 36,772

See accompanying independent auditor's report.

**OGDEN MUNICIPAL UTILITIES**  
**Note Maturities**  
**June 30, 2015**

Year Ending June 30,	Revenue Notes	
	Electric Capital Loan Notes	
	Issued April 25, 2014	
	Interest Rates	Amount
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%	93,292
Total		<u>\$ 1,032,175</u>

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, 2015, and the related Notes to Financial Statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated September 4, 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 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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Utility's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. 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 the Utility'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 Utility'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 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.

September 4, 2015

**OGDEN MUNICIPAL UTILITIES**  
**Schedule of Findings**  
**Year Ended June 30, 2015**

**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 Utility 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 Utility. Disbursements for the year ended June 30, 2015, 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 Utility money for travel expenses of spouses of the Utility officials or employees was noted.
- (4) Business Transactions – No business transactions between the Utility and Utility officials or employees were noted.

**OGDEN MUNICIPAL UTILITIES**  
**Schedule of Findings**  
**Year Ended June 30, 2015**

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

- (5) Bond Coverage – Surety bond coverage of Utility 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 Utility’s investments policy were noted.
- (8) Revenue Notes – The Utility has complied with the electric revenue note resolution requirements for the year ended June 30, 2015.