

**Anita Municipal Utilities  
Independent Auditors' Report  
Basic Financial Statements  
Supplementary and Other Information  
Schedule of Findings**

**June 30, 2015**

## Table of Contents

|   |                 | <u>Page</u> |
|---|-----------------|-------------|
| Officials   |                 | 3           |
| Independent Auditors' Report  |                 | 4-5         |
| Management's Discussion and Analysis  |                 | 6-8         |
|   | <u>Exhibit</u>  |             |
| Basic Financial Statements:   |                 |             |
| Cash Basis Statement of Activities and Net Position   | A               | 10          |
| Statement of Cash Receipts, Disbursements and<br>Changes in Cash Balances   | B               | 11          |
| Notes to Financial Statements   |                 | 12-19       |
| Other Information:  |                 |             |
| Budgetary Comparison Schedule of Receipts, Disbursements, and<br>Changes in Balances – Budget and Actual (Cash Basis)   |                 | 21          |
| Notes to Other Information - Budgetary Reporting  |                 | 22          |
| Schedule of the Utilities' Proportionate Share of the Net Pension Liability   |                 | 23          |
| Schedule of Utilities' Contributions  |                 | 24          |
| Notes to Other Information - Pension Liability  |                 | 25          |
|   | <u>Schedule</u> |             |
| Supplementary Information:  |                 |             |
| Schedule of Indebtedness  | 1               | 27          |
| Independent Auditors' Report on Internal Control over<br>Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Prepared in<br>Accordance with <i>Government Auditing Standards</i> |                 | 29-30       |
| Schedule of Findings  |                 | 31-33       |

**Anita Municipal Utilities  
Officials**

| <u>Name</u>    | <u>Title</u>        | <u>Term Expires</u> |
|----------------|---------------------|---------------------|
| Terry Oathoudt | Chairman            | July 2016           |
| Lee Poepe      | Trustee             | July 2015           |
| Delmar Kopp    | Trustee             | July 2019           |
| Leon Vogl      | Superintendent      | Indefinite          |
| Jean Jessen    | Secretary/Treasurer | Indefinite          |



Diane McGrain, CPA  
Jim Menard, CPA

December 30, 2015

## Independent Auditors' Report

To the Board of Trustees  
Anita Municipal Utilities  
Anita, IA

### Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and each major fund of Anita Municipal Utilities, a component unit of the City of Anita, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the Utilities' 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 Utilities' 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 Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued....

omni business centre  
42 n 2<sup>nd</sup> Street  
council bluffs, iowa 51503  
712•322•8734 / fax 712•322•4699

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

Emphasis of Matter

As disclosed in Note 4 to the financial statements, Anita Municipal Utilities adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 Anita Municipal Utilities' basic financial statements.

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

The other information, Management's Discussion and Analysis and the budgetary comparison information, the Schedule of the Utilities' Proportionate Share of the Net Pension Liability and the Schedule of Utilities' Contributions on pages 6 through 8 and 21 through 25, 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 December 30, 2015 on our consideration of Anita Municipal Utilities', a component unit of the City of Anita, 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 Anita Municipal Utilities', a component unit of the City of Anita, internal control over financial reporting and compliance.

*Scheerer + Associates, PC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2015 FINANCIAL HIGHLIGHTS**

- The Utilities' total receipts decreased 10.8%, or approximately \$131,000, from fiscal 2014 to fiscal 2015.
- The Utilities' total disbursements decreased approximately 20.8%, or approximately \$279,000, from fiscal 2014 to fiscal 2015.
- The Utilities' total cash basis net position increased approximately 2.7%, or \$28,000 from June 30, 2014 to June 30, 2015.

### **USING THIS ANNUAL REPORT**

The annual report consists of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Utilities' financial activities.

The Cash Basis Statement of Activities and Net Position provides information about the activities of the Utilities as a whole and presents an overview of the Utilities' finances.

The Statement of Cash Receipts, Disbursements and Changes in Cash Balances presents more detail on the Anita Municipal Utilities' operations by providing information about the major funds.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

Other Information further explains and supports the financial statements with a comparison of the Utilities' budget for the year and the Utilities' proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the Utilities' indebtedness.

### **BASIS OF ACCOUNTING**

The Utilities maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Utilities 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 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.

## REPORTING THE UTILITIES' FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

One of the most important questions asked about the Utilities' finances is, "Is the Utilities as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the Utilities' net position. Over time, increases or decreases in the Utilities' net position may serve as a useful indicator of whether the financial position of the Utilities is improving or deteriorating.

### *Fund Financial Statements*

Proprietary, Enterprise Funds are used to report business type activities. The Utilities maintains two Enterprise Funds to provide separate information for the Water and Electric Funds, considered to be major funds of the Utilities.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash basis net position.

| Changes in Cash Basis Net Position        |                     |                  |
|---|---------------------|------------------|
|   | Year ended June 30, |                  |
|   | 2015                | 2014             |
| Receipts:                                 |                     |                  |
| Program receipts:                         |                     |                  |
| Charges for service:                      |                     |                  |
| Water                                     | \$ 268,052          | 273,713          |
| Electric                                  | 810,525             | 837,004          |
| Capital grants                            | 6,723               | -                |
| General receipts:                         |                     |                  |
| Unrestricted interest on investments      | 5,030               | 7,285            |
| Other                                     | 9,179               | 10,534           |
| Net sewer fees to City                    | (12,155)            | 75               |
| Note proceeds                             | -                   | 90,238           |
| Total receipts                            | <u>1,087,354</u>    | <u>1,218,849</u> |
| Disbursements:                            |                     |                  |
| Water                                     | 261,848             | 294,760          |
| Electric                                  | 797,425             | 1,043,169        |
| Total disbursements                       | <u>1,059,273</u>    | <u>1,337,929</u> |
| Change in cash basis net position         | 28,081              | (119,080)        |
| Cash basis net position beginning of year | <u>1,052,337</u>    | <u>1,171,417</u> |
| Cash basis net position end of year       | <u>1,080,418</u>    | <u>1,052,337</u> |

The Utilities' receipts for the fiscal year were \$1,087,354, compared to \$1,218,849 the prior year. Disbursements were \$1,059,273 compared to \$1,337,929 the prior year. The cash balance increased \$28,081 from the prior year.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As the Anita Municipal Utilities completed the year, the total proprietary funds reported a combined fund balance of \$1,080,418; an increase of \$28,081 from last year's total of \$1,052,337. The following are the major reasons for the changes in the cash balances from the prior year:

- The Water Fund cash balance increased \$17,679, due to sufficient operating receipts to cover disbursements and a capital project.
- The Electric Fund cash balance increased \$10,402 due to sufficient operating receipts to cover disbursements.

## **BUDGETARY HIGHLIGHTS**

The Anita Municipal Utilities amended its budget in May 2015 by the City of Anita, which resulted in an increase in receipts and disbursements of \$30,000.

The disbursements anticipated in the amended budget compared to the actual disbursements were a positive variance of \$178,077.

## **DEBT ADMINISTRATION**

At June 30, 2015 and 2014, the Anita Municipal Utilities had an anticipatory project note balance of \$90,238.

## **ECONOMIC FACTORS**

The Anita Municipal Utilities assesses its billing rates for electricity on a monthly basis. The billing rate has been broken down into three components: product cost, operation and maintenance, and emergency fund. Product cost is automatically analyzed by the computerized billing system. Operation and maintenance and emergency fund are assessed by the Board of Trustees annually. Based on the results of the component analysis, the energy adjustment rate is recomputed by the billing system to meet current needs. Current economic conditions beyond the control of the Board of Trustees 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 for the production of water and well-head protection, as well as the purchase and production of electricity.
- The fluctuation of the cost of the chemicals and energy used to produce quality water.

## **CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Anita Municipal Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Anita Municipal Utilities, 828 Main Street, PO Box 426, Anita, Iowa 50020.

## **Basic Financial Statements**

Anita Municipal Utilities  
 Cash Basis Statement of Activities and Net Position  
 As of and for the year ended June 30, 2015

|   |               | Program Receipts       |   | Net (Disbursements)<br>Receipts and<br>Changes in<br>Cash Basis<br>Net Position |
|---|---------------|------------------------|---|---|
|   | Disbursements | Charges for<br>Service | Capital Grants,<br>Contributions,<br>and Restricted<br>Interest | Business Type<br>Activities   |
| <b>Functions/Programs:</b>                                      |               |                        |   |   |
| Business type activities:                                       |               |                        |   |   |
| Water   | \$ 261,848    | 268,052                | 6,723   | 12,927  |
| Electric  | 797,425       | 810,525                | -   | 13,100  |
| Total business type activities                                  | \$ 1,059,273  | 1,078,577              | 6,723   | 26,027  |
| <b>General Receipts:</b>  |               |                        |   |   |
| Grants and contributions not restricted<br>to specific purposes |               |                        |   | 9,179   |
| Unrestricted interest on investments                            |               |                        |   | 5,030   |
| Net sewer fees to City  |               |                        |   | (12,155)  |
| Total general receipts  |               |                        |   | 2,054   |
| Change in cash basis net position                               |               |                        |   | 28,081  |
| Cash basis net position beginning of year                       |               |                        |   | 1,052,337   |
| Cash basis net position end of year                             |               |                        |   | \$ 1,080,418  |
| <b>Cash Basis Net Position</b>                                  |               |                        |   |   |
| Unrestricted  |               |                        |   | \$ 1,080,418  |

See notes to financial statements

Anita Municipal Utilities  
Statement of Cash Receipts, Disbursements and  
Changes in Cash Balances  
As of and for the year ended June 30, 2015

|  | <u>Water</u>     | <u>Electric</u> | <u>Total</u>     |
|--|------------------|-----------------|------------------|
| Operating receipts:  |                  |                 |                  |
| Charges for service  | \$ 268,052       | 810,525         | 1,078,577        |
| Total operating receipts                                     | <u>268,052</u>   | <u>810,525</u>  | <u>1,078,577</u> |
| Operating disbursements:                                     |                  |                 |                  |
| Business type activities:                                    |                  |                 |                  |
| Plant operation and maintenance                              | 24,628           | 553,105         | 577,733          |
| Distribution operation and maintenance                       | 98,819           | 148,972         | 247,791          |
| Administration   | 91,194           | 80,468          | 171,662          |
| Total operating disbursements                                | <u>214,641</u>   | <u>782,545</u>  | <u>997,186</u>   |
| Excess of operating receipts<br>over operating disbursements | 53,411           | 27,980          | 81,391           |
| Non-operating receipts (disbursements):                      |                  |                 |                  |
| Interest on investments                                      | -                | 5,030           | 5,030            |
| Rent   | 4,752            | 4,427           | 9,179            |
| Intergovernmental  | 6,723            | -               | 6,723            |
| Capital projects   | (47,207)         | (14,880)        | (62,087)         |
| Sewer fees collected for city                                | -                | 147,714         | 147,714          |
| Sewer fees remitted to City                                  | -                | (159,869)       | (159,869)        |
| Total non-operating receipts<br>(disbursements)              | <u>(35,732)</u>  | <u>(17,578)</u> | <u>(53,310)</u>  |
| Net change in cash balances                                  | 17,679           | 10,402          | 28,081           |
| Cash balances beginning of year                              | <u>70,082</u>    | <u>982,255</u>  | <u>1,052,337</u> |
| Cash balances end of year                                    | <u>\$ 87,761</u> | <u>992,657</u>  | <u>1,080,418</u> |
| <b>Cash Basis Fund Balances</b>                              |                  |                 |                  |
| Unrestricted   | <u>\$ 87,761</u> | <u>992,657</u>  | <u>1,080,418</u> |

See notes to financial statements

**Anita Municipal Utilities  
Notes to Financial Statements  
June 30, 2015**

**NOTE 1 Summary of Significant Accounting Policies**

Reporting Entity

The Anita Municipal Utilities is a component unit of the City of Anita, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board (GASB). The Utilities is governed by a three-member Board of Trustees appointed by the City Council, which exercises oversight responsibility under this criteria. The Utilities provides water and electric utilities for the residents of the City of Anita and collects sewer fees on behalf of the City of Anita.

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 Utilities. For the most part, the effect of interfund activity has been removed from this statement. Only business type activities are reported, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the Utilities' nonfiduciary net position. Net position may be reported in the following categories/components:

Expendable restricted net position results 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 has constraints on resources 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 are those 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 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.

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

The Utilities reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the water system.

The Electric Fund accounts for the operation and maintenance of the electric system.

**Anita Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 1 Summary of Significant Accounting Policies - Continued**

Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the Utilities funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the Utilities' policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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 and ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015 disbursements did not exceed the amount budgeted.

Cash and Time Deposits

The Utilities pools cash resources of most funds in a combined bank account to facilitate the management of cash. The Utilities makes disbursements and investments from the combined cash balance. Time deposits are stated at cost which approximates market. All interest is credited to the operating fund.

**NOTE 2 Cash and Pooled Investments**

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

The Utilities is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utilities Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trust; and warrants or improvement certificates of a drainage district.

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

**Anita Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 2 Cash and Pooled Investments - Continued**

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

**NOTE 3 Note Payable**

The Utilities signed a noninterest bearing Project Anticipation Note for \$103,800, dated August 2, 2013, for planning and design of water system improvements. The note was issued in anticipation of future issuance of water revenue bonds and is due August 2, 2016. The balance drawn down on the note was \$90,238 at June 30, 2015 and 2014.

**NOTE 4 Pension Plan**

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

- 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.

**Anita Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 4 Pension Plan - Continued**

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

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

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

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

The Utilities' contributions to IPERS for the year ended June 30, 2015 were \$18,796.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Utilities' liability for its proportionate share of the collective net pension liability totaled \$133,513. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the collective net pension liability was based on the Utilities' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Utilities' proportion was .0032990 percent, which was an increase of .0000908 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the Utilities' collective pension expense, collective deferred outflows and collective deferred inflows totaled \$9,993, \$7,343 and \$50,918 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:

**Anita Municipal Utilities  
Notes to Financial Statements  
June 30, 2015**

**NOTE 4 Pension Plan - Continued**

|  |  |
|--|--|
| Rate of Inflation<br>(effective June 30, 2014)         | 3.00 percent   |
| Salary increases<br>(effective June 30, 2014)          | 4.00 percent, average, including inflation   |
| Investment rate of return<br>(effective June 30, 1996) | 7.50 percent per annum, compounded annually, net of pension plan 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 of return for each major asset class are summarized in the following table:

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

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

**Anita Municipal Utilities  
Notes to Financial Statements  
June 30, 2015**

**NOTE 4 Pension Plan - Continued**

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

|  | 1%<br>Decrease<br>(6.5%) | Discount<br>Rate<br>(7.5%) | 1%<br>Increase<br>(8.5%) |
|--|--------------------------|----------------------------|--------------------------|
| Utilities' proportionate share of<br>the net pension liability | \$ 252,270               | \$ 133,513                 | \$ 33,271                |

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).

**NOTE 5 Compensated Absences**

Anita Municipal Utilities' employees accumulate a limited amount of earned but unused vacation and sick hours for subsequent use, or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Utilities until used or paid. The Utilities' approximate liability for earned vacation and sick leave termination payments payable at June 30, 2015 is as follows:

| Type of Benefit | Amount    |
|-----------------|-----------|
| Vacation        | \$ 7,300  |
| Sick leave      | 7,100     |
|                 | \$ 14,400 |

Sick leave is payable when used or upon retirement or termination. If paid upon retirement or termination, an employee receives one-half of accumulated sick leave hours paid at the current effective hourly rate for that employee.

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

**Anita Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 6 Risk Management**

The Utilities is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986, for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital, and, if insufficient, by the subsequent year's member contributions.

The Utilities' property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Utilities' annual contributions to the Pool for the year ended June 30, 2015 were \$16,846.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Utilities' risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Utilities' risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Utilities' risk-sharing certificate, or in the event a casualty claim, property loss or series of claims and losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Utilities does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the Utilities' financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

**Anita Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 6 Risk Management – Continued**

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Utilities also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation. The Utilities assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 7 Related Party Transactions**

The Utilities had business transactions between the Utilities and Utilities' officials totaling \$4,588 during the year ended June 30, 2015.

**NOTE 8 Construction Commitments**

The Utilities has an engineering contract commitment of \$85,645 for an electric substation at June 30, 2015, and an engineering contract commitment of \$171,971 for a new water treatment plant.

The Utilities was awarded a \$300,000 CDBG award to finance a new water treatment plant with an estimated cost of \$2.2 million. This project is in the engineering phase.

**NOTE 9 Subsequent Events**

In August the Utilities issued \$750,000 in revenue bonds for an electric substation.

## Other Information

**Anita Municipal Utilities**  
**Budgetary Comparison Schedule of Receipts, Disbursements,**  
**and Changes in Balances – Budget and Actual (Cash Basis)**  
**Other Information**  
**Year Ended June 30, 2015**

|   | Actual       | Less Funds<br>Not Required<br>to be Budgeted | Net       | Budgeted Amounts |           | Final to<br>Net<br>Variance |
|---|--------------|--|-----------|------------------|-----------|-----------------------------|
|   |              |  |           | Original         | Final     |                             |
| <b>Receipts</b>   |              |  |           |                  |           |                             |
| Use of money and property                                     | \$ 14,209    | -  | 14,209    | -                | -         | 14,209                      |
| Intergovernmental   | 6,723        | -  | 6,723     | -                | 30,000    | (23,277)                    |
| Charges for services  | 1,226,291    | 147,714                                      | 1,078,577 | 1,207,350        | 1,207,350 | (128,773)                   |
| Total receipts  | 1,247,223    | 147,714                                      | 1,099,509 | 1,207,350        | 1,237,350 | (137,841)                   |
| <b>Disbursements</b>  |              |  |           |                  |           |                             |
| Business type activities                                      | 1,219,142    | 159,869                                      | 1,059,273 | 1,207,350        | 1,237,350 | 178,077                     |
| Excess (deficiency) of receipts over<br>(under) disbursements | 28,081       | (12,155)                                     | 40,236    | -                | -         | 40,236                      |
| Balances beginning of year                                    | 1,052,337    | 12,155                                       | 1,040,182 | 1,040,182        | 1,040,182 | -                           |
| Balances end of year  | \$ 1,080,418 | -  | 1,080,418 | 1,040,182        | 1,040,182 | 40,236                      |

See Accompanying Independent Auditors' Report

**Anita Municipal Utilities**  
**Notes to Other Information – Budgetary Reporting**  
**June 30, 2015**

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

Formal and legal budgetary control is based upon classes of disbursements, known as functions, not by fund. The Utilities' disbursements are budgeted in the business type activities function. During the year, one budget amendment increased budgeted disbursements by \$30,000. The budget amendment is reflected in the final budgeted amounts. The budget amendment increased disbursements for debt service.

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

Anita Municipal Utilities  
 Schedule of the Utilities' Proportionate Share of the Net Pension Liability  
 Iowa Public Employees' Retirement System  
 (In Thousands)  
 Other Information  
 Year ended June 30, 2015

|  |           |
|--|-----------|
| Utilities' proportion of the net pension liability   | 0.003299% |
| Utilities' proportionate share of the net pension liability  | \$ 134    |
| Utilities' covered-employee payroll  | \$ 220    |
| Utilities' proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 60.91%    |
| Plan fiduciary net position as a percentage<br>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 Utilities will present information for those years for which information is available.

See accompanying independent auditors' report

Anita Municipal Utilities  
Schedule of Utilities Contributions  
Iowa Public Employees' Retirement System  
Last Ten Fiscal Years  
(In Thousands)  
Other Information

|   | 2015   | 2014  | 2013  | 2012  | 2011  | 2010  | 2009  | 2008  | 2007  | 2006  |
|---|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Statutorily required contribution                                     | \$ 19  | 20    | 18    | 16    | 13    | 11    | 11    | 9     | 10    | 10    |
| Contributions in relation to the<br>statutorily required contribution | 19     | 20    | 18    | 16    | 13    | 11    | 11    | 9     | 10    | 10    |
| Contribution deficiency (excess)                                      | \$ -   | -     | -     | -     | -     | -     | -     | -     | -     | -     |
| Utilities' covered-employee payroll                                   | \$ 210 | 220   | 208   | 197   | 193   | 162   | 171   | 156   | 168   | 171   |
| Contributions as a percentage of<br>covered-employee payroll          | 8.93%  | 8.93% | 8.67% | 8.07% | 6.95% | 6.65% | 6.35% | 6.05% | 5.75% | 5.75% |

See accompanying independent auditors' report

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

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

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

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

**Supplementary Information**

Anita Municipal Utilities  
 Schedule of Indebtedness  
 Year Ended June 30, 2015

| <u>Obligation</u>                   | <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> | <u>Balance Beginning of Year</u> | <u>Issued During Year</u> | <u>Redeemed During Year</u> | <u>Balance End of Year</u> | <u>Interest Paid</u> |
|-------------------------------------|----------------------|-----------------------|---------------------------------|----------------------------------|---------------------------|-----------------------------|----------------------------|----------------------|
| Anticipatory Project Note:<br>Water | July 9, 2013         | 0.00%                 | \$ 102,500                      | \$ 90,238                        | -                         | -                           | 90,238                     | -                    |

See Accompanying Independent Auditors' Report

**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Prepared in  
Accordance with *Government Auditing Standards***



Diane McGrain, CPA  
Jim Menard, CPA

December 30, 2015

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Prepared in Accordance with *Government Auditing Standards*

To the Board of Trustees of the  
Anita Municipal Utilities

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *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 Anita Municipal Utilities, a component unit of the City of Anita, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the Utilities' basic financial statements, and have issued our report thereon dated December 30, 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 Anita 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 Anita Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Anita 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 we consider to be a material weakness.

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 Anita Municipal Utilities' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

Continued...

December 30, 2015  
Anita Municipal Utilities  
Independent Auditors' Report

omni business centre  
42 n 2<sup>nd</sup> Street  
council bluffs, iowa 51503  
712•322•8734 / fax 712•322•4699

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anita 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*. However, we noted a certain immaterial instance of non-compliance or other matters which is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Anita Municipal Utilities' Responses to Findings

Anita Municipal Utilities' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Anita 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 Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Anita 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.

*Schroer & Associates, PC*

**Anita Municipal Utilities  
Schedule of Findings  
Year Ended June 30, 2015**

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, bank reconciliation and the posting of the cash receipts to the cash receipts journal and customer accounts are all done by the same person.

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

Response – We will consider this.

Conclusion – Response acknowledged. The Utilities should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Anita Municipal Utilities  
Schedule of Findings  
Year Ended June 30, 2015**

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-15      Certified Budget

The budget certified by the City of Anita includes an amount budgeted for the Anita Municipal Utilities. Disbursements during the year ended June 30, 2015 did not exceed the amended amount budgeted.

II-B-15      Entertainment Expense

We noted no disbursements for parties, banquets or entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General opinion dated April 25, 1979.

II-C-15      Travel Expense

No disbursements of Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.

II-D-15      Business Transactions

Business transactions between the Utilities and Utilities' officials, employees or relatives of Utilities' officials are detailed as follows:

|   |                     |                 |
|---|---------------------|-----------------|
| Delmar Kopp, Trustee<br>Owner of Kopp Company | Contracted Services | \$ <u>4,588</u> |
|---|---------------------|-----------------|

The transactions with the Trustee do not appear to represent a conflict of interest since the hourly rate was established through competitive bid.

II-E-15      Bond Coverage

Surety bond coverage of Utilities' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-15      Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-15      Deposits and Investments

No instances of non-compliance with the deposit and investment provisions of Chapter 13B and Chapter 13C of the Code of Iowa and the Utilities' investment policy were noted.

II-H-15      Revenue Notes

The Utilities is in compliance with the provisions of revenue debt resolutions.

Anita Municipal Utilities  
Schedule of Findings  
Year Ended June 30, 2015

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

II-I-15      Excess Balance

Comment - The balance in the Enterprise Fund - Electric Account at June 30, 2015, was in excess of the fund's disbursements during the year.

Recommendation - The Utilities should determine the necessity of maintaining the substantial balance.

Response - We are in the process of implementing a capital improvement plan that will use the excess funds.

Conclusion - Response accepted.