

**NEW HAMPTON MUNICIPAL
LIGHT PLANT
NEW HAMPTON, IOWA**

FINANCIAL REPORT

JUNE 30, 2015

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NEW HAMPTON MUNICIPAL LIGHT PLANT

OFFICIALS

Name	Title	Term Expires
Jeremiah Cantu	Trustee	July 1, 2015
Janine Babcock	Trustee	July 1, 2016
Steve Dahl	Trustee	July 1, 2017
Jannette Hendricks	Trustee	July 1, 2018
Grant Anderson	Trustee	July 1, 2019
Suellen Kolbet	Secretary/Treasurer	Indefinite
Brian Quirk	Manager	Indefinite

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

To the Board of Trustees
New Hampton Municipal Light Plant
New Hampton, Iowa

Report on the Financial Statements

We have audited the accompanying statements of net position of the New Hampton Municipal Light Plant, a component unit of the City of New Hampton, as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise New Hampton Municipal Light Plant's 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 U.S. generally accepted accounting principles; 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 audits. We conducted our audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of New Hampton Municipal Light Plant, as of June 30, 2015 and 2014, and the respective changes in financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the budgetary comparison information on pages 4 through 4c and pages 16 through 18 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the New Hampton Municipal Light Plant's financial statements. The schedule of operating expenses information is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of New Hampton Municipal Light Plant's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 New Hampton Municipal Light Plant's internal control over financial reporting and compliance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 16, 2015

NEW HAMPTON MUNICIPAL LIGHT PLANT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the New Hampton Municipal Light Plant's financial performance provides an overview of the Light Plant's financial activities for the fiscal year ending June 30, 2015. Please read this in conjunction with the transmittal letter and the Light Plant's financial statements contained within this audit report.

2015 FINANCIAL HIGHLIGHTS

- The Light Plant's total operating revenues of \$4,806,157 for fiscal 2015 increased \$294,942, or 6.54% from fiscal year 2014.
- The Light Plant's total operating expenses of \$4,289,889 was an increase of \$549,812, or 14.7% from fiscal year 2014.
- The Light Plant's total net position is \$18,813,646, an increase of \$536,000, or 2.93% from June 30, 2014.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and other information as follows:

- Management's discussion and analysis introduces the financial statements and provides an analytical overview of the Light Plant's financial activities.
- Financial statements consist of statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows. These provide information about the activities of the Light Plant as a whole and provide an overall view of the Light Plant's finances.
- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the financial statements.
- The required supplementary information further explains and supports the financial statements with a comparison of the Light Plant's budget for the year. It also schedules the adjustments needed to arrive at the cash basis of accounting needed for budget purposes from the accrual basis of accounting, used to prepare financial statements.

REPORTING THE LIGHT PLANT'S FINANCIAL ACTIVITIES

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Light Plant's financial position. The Light Plant's net position for fiscal year 2015 totaled \$18,813,646. This compares to \$18,277,646 for fiscal 2014. A summary of the Light Plant's net position for the last five years are presented below:

REPORTING THE LIGHT PLANT'S FINANCIAL ACTIVITIES (Continued)

Statements of Net Position (Continued)

	Net Position (In Thousands)				
	2015	2014	2013	2012	2011
Current and other assets	\$ 3,284	\$ 5,275	\$ 4,298	\$ 3,551	\$ 3,432
Noncurrent assets					
Restricted investments	1,758	1,758	1,758	1,758	1,758
Other assets	438	777	777	747	718
Capital assets at cost, Less accumulated depreciation	14,523	14,342	13,674	14,103	13,717
Total noncurrent assets	16,719	16,877	16,209	16,608	16,193
Total assets	\$ 20,003	\$ 22,152	\$ 20,507	\$ 20,159	\$ 19,625
Current liabilities	\$ 502	\$ 2,964	\$ 467	\$ 707	\$ 451
Noncurrent liabilities	687	910	2,415	2,600	2,780
Total liabilities	1,189	3,874	2,882	3,307	3,231
Net position					
Net investment in capital assets	13,640	10,817	11,097	11,528	10,702
Restricted	3,234	5,422	2,808	2,555	2,292
Unrestricted	1,940	2,039	3,720	2,769	3,400
Total net position	18,814	18,278	17,625	16,852	16,394
Total liabilities and net position	\$ 20,003	\$ 22,152	\$ 20,507	\$ 20,159	\$ 19,625

Net position of the utility increased from fiscal year 2014 by \$536,000 or 2.93%. The largest portion of the utilities net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, is \$1,939,811 at June 30, 2015.

REPORTING THE LIGHT PLANT'S FINANCIAL ACTIVITIES (Continued)

Statements of Revenues, Expenses, and Changes in Net Position

Operating revenues are received for the sale of electricity to customers within the New Hampton Municipal Light Plant's service territory. Operating expenses are expenses paid to operate the utility. Nonoperating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net position are presented below:

	Statements of Revenues, Expenses and Changes in Net Position				
	(In Thousands)				
	2015	2014	2013	2012	2011
Operating revenues:					
Charges for services					
Sale of electricity	\$ 4,722	\$ 4,471	\$ 4,142	\$ 3,724	\$ 3,818
Miscellaneous					
Rental	15	16	14	21	9
Other	69	24	26	23	42
Total operating revenues	4,806	4,511	4,182	3,768	3,869
Operating expenses:					
Plant operation	2,631	2,384	1,978	1,830	1,670
Distribution	448	333	231	306	247
Administration	594	423	443	382	414
Payment in lieu of taxes	50	50	50	50	15
Depreciation	564	547	562	568	534
Amortization	3	3	6	12	12
Total operating expenses	4,290	3,740	3,270	3,148	2,892
Operating income	516	771	912	620	977
Nonoperating revenues (expenses)					
Interest expense	(15)	(128)	(136)	(143)	(150)
Economic development	(32)		(4)	(5)	
Insurance proceeds	93				
Gain on sale of equipment			40		
Interest income	14	14	16	26	30
Total nonoperating revenues (expenses)	60	(114)	(84)	(122)	(120)
Income before transfers	576	657	828	498	857
Transfers to City of New Hampton	(40)	(4)	(55)	(40)	(50)
Change in net position	536	653	773	458	807
Total net position, beginning of year	18,278	17,625	16,852	16,394	15,587
Total net position, end of year	\$ 18,814	\$ 18,278	\$ 17,625	\$ 16,852	\$ 16,394

The statements of revenues, expenses, and changes in net position reflects a positive year with an increase in net position at the end of the fiscal year.

For the year ended June 30, 2015, operating revenues increased \$294,942 or 6.54%. Operating expenses increased by \$549,812 or 14.7%.

REPORTING THE LIGHT PLANT'S FINANCIAL ACTIVITIES (Continued)

Statements of Cash Flows

The statements of cash flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes sale of electricity and other operating revenue and reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase and disposal of capital assets. Cash used by investing activities includes purchase and redemption of certificates of deposits, interest income, and patronage dividends.

Capital Assets

At June 30, 2015, the Light Plant had \$14,523,487 invested in capital assets, net of accumulated depreciation of \$11,439,757. Depreciation charges totaled \$563,514 for June 30, 2015. More information about the Light Plant's capital assets are presented in Notes 1 and 4 to the financial statements.

Long-term Debt

At June 30, 2015, the Light Plant had \$910,000 in outstanding debt. More information about the Light Plant's debt are presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

New Hampton Municipal Light Plant continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the State continues to be a concern for Light Plant officials. Some of the realities that may potentially become challenges for the Light Plant to meet are:

- Facilities at the Light Plant require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- The Light Plant anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Light Plant's ability to react to unknown issues.

The Light Plant Board continues to explore other options for purchase of base load, and to that end, has instituted a customer meter charge of \$10 per month for residential customers, \$15 per month for commercial customers and \$25 per month for industrial customers. Revenue from this charge is placed in a separate fund as a reserve for future base load purchase.

CONTACTING THE LIGHT PLANT'S FINANCIAL MANAGEMENT

This management's discussion and analysis letter along with the financial report have been designed to present our current and prospective citizens, taxpayers, customers, investors and creditors with a general overview of the Light Plant's finances and operating activities. It is our hope that such information will assist in assessing the Light Plant's achievements and challenges. If you have any questions or desire any additional information about this report, please contact Suellen Kolbet, City Clerk, at (641) 394-5906 or visit the City Hall Offices at 112 East Spring Street in New Hampton.

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NEW HAMPTON MUNICIPAL LIGHT PLANT
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,328,636	\$ 3,341,267
Investments	1,000,000	1,000,000
Accounts receivable	526,840	554,173
Insurance proceeds receivable	93,343	
Accrued interest receivable	801	572
Inventory	324,214	317,262
Prepaid expenses	1,499	53,443
Current portion of deferred expenses	8,786	8,105
	3,284,119	5,274,822
NONCURRENT ASSETS		
Restricted investments	1,757,820	1,757,820
Deferred expenses, net of current portion	26,121	36,917
Bond fees, net of amortization	27,000	30,000
Investment in Walter Scott Jr. Number 4		
Restricted cash - capital improvement and operations	36,259	89,525
Investment in common transmission system		
Restricted cash - CTS capital improvement	284,284	558,274
Investment in cooperatives		
Membership	261	211
Deferred patronage dividend receivable		
Corn Belt Power Cooperative (Corn Belt)	63,860	62,317
	2,195,605	2,535,064
Capital assets		
Capital assets, not being depreciated	67,728	909,846
Property, plant and equipment	25,895,516	24,378,113
Less accumulated depreciation	(11,439,757)	(10,946,001)
	14,523,487	14,341,958
Net capital assets	14,523,487	14,341,958
Total noncurrent assets	16,719,092	16,877,022
Total assets	\$ 20,003,211	\$ 22,151,844

See Notes to Financial Statements.

 LIABILITIES AND NET POSITION

	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES		
Accounts payable	\$ 164,370	\$ 229,734
Accrued wages	18,361	1,576
Sales tax payable	9,233	7,882
Accrued property taxes	29,839	31,018
Compensated absences payable	33,858	24,745
Accrued interest payable	1,024	10,085
Other payables	22,880	24,158
Current portion of bonds payable	223,000	2,635,000
	<u>502,565</u>	<u>2,964,198</u>
NONCURRENT LIABILITIES		
Bonds payable	910,000	3,545,000
Less current portion	(223,000)	(2,635,000)
	<u>687,000</u>	<u>910,000</u>
NET POSITION		
Net investment in capital assets	13,639,463	10,816,873
Restricted, debt service	1,793,792	4,237,690
Restricted, base load	1,440,580	1,184,031
Unrestricted	1,939,811	2,039,052
	<u>18,813,646</u>	<u>18,277,646</u>
Total liabilities and net position	<u><u>\$ 20,003,211</u></u>	<u><u>\$ 22,151,844</u></u>

NEW HAMPTON MUNICIPAL LIGHT PLANT
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Charges for services		
Sale of electricity	\$ 4,722,163	\$ 4,471,209
Miscellaneous		
Rental	14,700	16,112
Other	69,294	23,894
Total operating revenues	4,806,157	4,511,215
OPERATING EXPENSES		
Plant operation	2,630,635	2,384,240
Distribution	448,239	333,040
Administration	594,501	422,664
Payment in lieu of taxes	50,000	50,000
Depreciation	563,514	547,133
Amortization	3,000	3,000
Total operating expenses	4,289,889	3,740,077
Operating income	516,268	771,138
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(15,051)	(128,486)
Economic development grants	(32,500)	
Insurance proceeds	93,343	
Interest income	13,940	14,235
Net nonoperating revenues (expenses)	59,732	(114,251)
Income before transfers	576,000	656,887
TRANSFERS		
Transfers to City of New Hampton	(40,000)	(4,000)
Change in net position	536,000	652,887
TOTAL NET POSITION, beginning of year	18,277,646	17,624,759
TOTAL NET POSITION, end of year	\$ 18,813,646	\$ 18,277,646

See Notes to Financial Statements.

NEW HAMPTON MUNICIPAL LIGHT PLANT
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,750,847	\$ 4,374,052
Payments to suppliers	(3,199,460)	(2,658,941)
Payments to employees	(460,731)	(428,155)
Payments in lieu of taxes	(50,000)	(50,000)
Receipts from other operating revenues	82,451	50,783
Net cash provided by operating activities	<u>1,123,107</u>	<u>1,287,739</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments for economic development	(32,500)	
Payments from City of New Hampton		36,000
Payments to City of New Hampton	(40,000)	(40,000)
Net cash (used in) noncapital financing activities	<u>(72,500)</u>	<u>(4,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(745,043)	(1,214,851)
Proceeds from long-term debt		1,130,000
Principal payments of long-term debt	(2,635,000)	(185,000)
Interest payments on long-term debt prior to amounts capitalized	(24,112)	(129,165)
Net cash (used in) capital and related financing activities	<u>(3,404,155)</u>	<u>(399,016)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,430,564)	(2,777,482)
Proceeds from disposal of investments	2,757,820	2,757,820
Investment in cooperatives	(50)	
Interest on investments	13,711	14,268
Net cash provided by (used in) investing activities	<u>340,917</u>	<u>(5,394)</u>
Net (decrease) increase in cash and cash equivalents	(2,012,631)	879,329
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,341,267</u>	<u>2,461,938</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,328,636</u>	<u>\$ 3,341,267</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 516,268	\$ 771,138
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	563,514	547,133
Amortization	3,000	3,000
Expiration of deferred expenses	10,115	5,994
Decrease (increase) in receivables	27,333	(97,022)
Increase in inventory	(6,952)	(1,450)
Decrease in prepaid expenses	51,944	455
(Increase) decrease in deferred patronage receivable	(1,543)	10,777
(Decrease) increase in accounts payable	(65,364)	48,699
Increase (decrease) in accrued wages	16,785	(10,824)
Increase (decrease) in sales tax payable	1,351	(135)
(Decrease) increase in accrued property taxes	(1,179)	3,641
Increase in compensated absences	9,113	2,189
(Decrease) increase in other deductions payable	(1,278)	4,144
Net cash provided by operating activities	<u>\$ 1,123,107</u>	<u>\$ 1,287,739</u>

See Notes to Financial Statements.

NEW HAMPTON MUNICIPAL LIGHT PLANT

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The New Hampton Municipal Light Plant (Light Plant), located in Chickasaw County, Iowa was organized in 1963. The Light Plant, operating through a Board of Trustees, provides electrical power to commercial, governmental, industrial, and residential customers in the City of New Hampton area.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, New Hampton Municipal Light Plant has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The Light Plant has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Light Plant are such that exclusion would cause the Light Plant's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Light Plant to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Light Plant. The New Hampton Municipal Light Plant has no component units, which meet the Governmental Accounting Standards Board criteria.

Based on the above criteria, the Light Plant is then considered a component unit of the City of New Hampton. Therefore, the cash, investments, receipts, and disbursements are also included in the City's annual financial statements filed under a separate report.

c. Fund Accounting

The accounts of the Light Plant are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, net position, receipts, and disbursements.

d. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus. They are also prepared on the accrual basis in accordance with U.S. generally accepted accounting principles after making memorandum adjusting entries at year end to the financial records which are maintained on the cash basis. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Light Plant distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Light Plant's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. Nature of Operations and Significant Accounting Policies (Continued)

e. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Light Plant Trustees annually adopt a budget on the cash basis following required public notice and hearing for all funds. The budget is then submitted for inclusion in the City of New Hampton's total budget for filing purposes. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The budgetary comparison and related disclosures are reported in the required supplementary information section.

f. Estimates

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

g. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Light Plant considers all highly liquid investments (including restricted assets when applicable) with a maturity of three months or less when purchased to be cash equivalents.

h. Investments

All of the investments carried in the financial statements, which consist of certificate of deposits, are stated at cost, which approximates market.

i. Accounts Receivable

Accounts receivable represents the balance of unpaid services billed and management's estimate of services used between the periodic scheduled billing dates and the year-end.

Management uses the allowance for doubtful accounts method in determining the write off of bad accounts. Management estimates that all receivables are fully collectible. Therefore, no allowance for doubtful accounts was provided. If amounts become uncollectible, they will be charged to operations when that determination is made.

j. Inventory

Inventory is valued at cost, on a first-in, first-out basis. Inventories consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

k. Restricted Investments

Funds of \$317,820 were set aside for payment of Electric Revenue Bonds and are classified as restricted investments since their use is restricted by applicable bond indentures.

l. Deferred Expenses

Deferred expenses are the cost of acquiring rights related to the emission of environmental gases from its joint interest in a facility. Management has estimated \$8,786 to be used in the next year and has classified that amount as a current asset.

1. Nature of Operations and Significant Accounting Policies (Continued)

m. Capital Assets and Depreciation

Capital assets are valued at cost or estimated cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Major renewals and betterments are capitalized. Maintenance and repairs are expensed as incurred. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Light Plant as assets with initial, individual costs in excess of a \$500 threshold and estimated useful lives in excess of two years.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The useful lives are as follows:

	Years
Buildings and systems	10-40
Machinery and equipment	5-10
Corn Belt – Common Transmission System	23
Walter Scott 4	36-55
Vehicle and office equipment	5-10

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest expense was capitalized in 2015.

n. Amortization

Fees related to issue bonds are being amortized over the life of the bond. The straight-line basis over 20 years is being used which approximates the effective interest method. Plant acquisition costs of the Corn Belt – Common Transmission System are being amortized on the straight-line basis over 23.3 years.

o. Compensated Absences

Employees' vacation accumulates for use in the year earned. Upon termination, retirement, or death, payment is made for the amount earned to the date in that year. Light Plant employees' sick leave hours may accumulate for subsequent payment at one-sixth of their accumulated hours. The liability is computed based on rates of pay in effect at June 30, 2015.

1. Nature of Operations and Significant Accounting Policies (Continued)

p. Net Position

The statements of net position present the Light Plant's assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

- Net investment in capital assets, consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position consists of net position with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position represents the difference between assets and liabilities that are not restricted and can be used for future obligations of the Light Plant.

q. Revenue Recognition

Revenues are recognized based upon services rendered to customers during the year. This includes services that are not yet formally billed at year's end due to the timing of billing cycles to the customers.

r. Sales and Similar Taxes

Taxable sales are stated net of any taxes required of taxing authorities. The Light Plant collects sales tax from customers and remits the entire amount to the State of Iowa.

s. Income Taxes

The Light Plant is not liable for income taxes; therefore, no liability or provision for taxes is included in the financial statements.

t. Subsequent Events

Management has evaluated subsequent events through December 16, 2015, the date on which the financial statements were available to be issued.

2. Deposits and Investments

The Light Plant's deposits in banks at June 30, 2015 and 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Light Plant 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; certain joint investment trusts; and warrants and improvement certificates of a drainage district.

The Light Plant had no long-term investments at June 30, 2015 except for an investment in the Iowa Public Agency Investment Trust, which is valued at an amortized cost of \$3,416 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

2. **Deposits and Investments (Continued)**

Interest Rate Risk

The Light Plant's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt in 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 Light Plant.

3. **Noncurrent Assets**

The Light Plant is party to a joint ownership agreement with 14 other government and non-government owned utilities. The agreement states the Light Plant has a .56 of one percent-undivided interest in the construction and operation of an electric generation station known as Walter Scott, Jr. Energy Center Unit (WS4). The station was placed in service in 2008. See Note 4 for total cost and related accumulated depreciation the Light Plant has invested. Operation costs and depreciation associated with this station are reflected in the statements of revenues, expenses, and changes in net position.

The Light Plant is a member of the North Iowa Municipal Electric Cooperative Association (NIMECA), a cooperative consisting of 13 municipalities located in Iowa. NIMECA was formed to consolidate the electric resources of its members and to serve as a joint power supply. NIMECA is also a member of Corn Belt Power Cooperative (Corn Belt). Through these two cooperatives, the Light Plant purchases its power and sells any surplus.

a. **Common Transmission System (CTS)**

On January 1, 1989, NIMECA, acting as agent for its members, entered into a CTS agreement to combine the transmission capacity of Corn Belt and the members of NIMECA. The agreement provides for an 18.6% undivided ownership interest in the transmission line capacity of Corn Belt of which the Light Plant has a 21.7% interest.

The Light Plant's original acquisition consisted of the following:

Property, plant, and equipment	\$ 1,353,333
Less accumulated depreciation	<u>(484,338)</u>
	868,995
Plant acquisition costs	<u>202,445</u>
	<u>\$ 1,071,440</u>

See Note 4 for total cost and related accumulated depreciation to date the Light Plant has invested in the system. The agreement also requires the Light Plant to fund its share of capital improvements through monthly assessments if needed. As of June 30, 2015 and 2014, the balance in the CTS capital improvement account is \$284,284 and \$558,274, respectively, and monthly assessments are not currently being required.

b. **Deferred Patronage Dividend Receivable**

The Board of Directors of Corn Belt and NIMECA has allocated earnings to their members in the form of patronage dividends. The dividends are payable in the future at the discretion of both Boards. During 2015, the Light Plant received no allocation from current operations. The Board this year elected not to pay out any past-declared dividends.

NOTES TO FINANCIAL STATEMENTS

4. **Capital Assets**

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, not being depreciated				
Land	\$ 67,728			\$ 67,728
Construction in progress	842,118	\$ 150,673	\$ 992,791	None
	909,846	150,673	992,791	67,728
Capital assets being depreciated				
Buildings and system	12,025,437	1,114,683		13,140,120
Machinery and equipment	561,985	58,493	11,000	609,478
Common Transmission System (CTS)	3,385,761	386,780	31,553	3,740,988
Generation and Transmission System (WS4)	7,325,174			7,325,174
Stolz park substation	813,343			813,343
Vehicles and office equipment	266,413			266,413
	24,378,113	1,559,956	42,553	25,895,516
Less accumulated depreciation				
Buildings and system	7,938,810	201,874		8,140,684
Machinery and equipment	169,960	61,950	11,000	220,910
Common Transmission System (CTS)	1,319,674	71,148	58,758	1,332,064
Generation and Transmission System (WS4)	1,203,445	194,088		1,397,533
Stolz park substation	94,199	20,750		114,949
Vehicles and office equipment	219,913	13,704		233,617
	10,946,001	563,514	69,758	11,439,757
Total capital assets being depreciated, net	13,432,112	996,442	(27,205)	14,455,759
Capital assets, net	\$ 14,341,958	\$ 1,147,115	\$ 965,586	\$ 14,523,487

5. **Bonds Payable**

The Light Plant sold \$4,000,000 in Electric Revenue Bonds on July 14, 2004 to partially fund the Walter Scott Jr. 4 generation station and transmission project. As part of the sale, the Light Plant had loan discount fees of \$60,000, which is being amortized at \$3,000 per year. At June 30, 2015, the unamortized balance was \$27,000.

The Light Plant sold \$1,130,000 in Electric Revenue Bonds on June 30, 2014 to call existing Series 2004 Electric Revenue bonds.

NOTES TO FINANCIAL STATEMENTS

5. **Bonds Payable (Continued)**

A summary of the changes in debt, by type, for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Borrowed	Paid	Balance June 30, 2015	Amounts Due Within One Year
Electric Revenues Bonds					
Series 2004	\$ 2,415,000		\$ 2,415,000	\$ None	
Series 2014	1,130,000		220,000	910,000	\$ 223,000
	\$ 3,545,000	\$ None	\$ 2,635,000	\$ 910,000	\$ 223,000

An annual debt service requirement to maturity of the bond is as follows:

Year ending June 30,	Principal	Interest
2016	\$ 223,000	\$ 12,285
2017	226,000	9,274
2018	229,000	6,224
2019	232,000	3,132
	\$ 910,000	\$ 30,915

The resolutions providing for the issuance of the revenue notes include the following provisions.

- a. The notes will only be redeemed from future earnings of the Light Plant activity and the note holders hold a lien on future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a revenue note sinking account for the purpose of making the note principal and interest payments when due.

6. **Major Suppliers**

The Light Plant, being a member of the coop NIMECA, purchases all its power from it.

7. **Pension and Retirement Benefits**

The Light Plant, through the City of New Hampton, contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a 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. The City of New Hampton's financial report can be viewed at City Hall offices at 112 East Spring Street in New Hampton, Iowa.

Most regular plan members are required to contribute 5.95%, 5.95%, and 5.78% of their annual covered salary and the Light Plant is required to contribute 8.93%, 8.93%, and 8.67% of annual covered payroll for the years ended June 30, 2015, 2014, and 2013, respectively. Contribution requirements are established by state statute. The Light Plant's contribution to IPERS for the years ended June 30, 2015, 2014, and 2013 were \$35,402, \$33,303, and \$34,352, respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

Plan Description

The Light Plant, through the City of New Hampton, operates a single-employer health benefit plan, which provides medical/prescription drug benefits for employees, retirees and their spouses. There are seven active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Light Plant. The Light Plant currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Light Plant and plan members are \$339 for single coverage and \$873 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the Light Plant contributed \$46,902 and plan members eligible for benefits contributed \$11,726 to the plan.

9. Self-Funding

The Light Plant has a partially self-funded group medical plan. The plan allows the Light Plant lower monthly premiums for coverage in exchange for the potential of claims actually filed. If all the covered individuals submitted the maximum claim to be paid by the Light Plant, the total would be estimated at \$88,000. The Light Plant paid claims of \$8,374 during 2015.

10. Risk Management

The Light Plant is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Light Plant assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. Economic Development and Other Commitments

The trustees, at their discretion, make one time and long-term commitments in the form of grants to various parties for economic development. During 2015 and 2014, the Light Plant's payments totaled \$32,500 and \$None, respectively.

The Trustees, also at their discretion, commit annually funds to the City of New Hampton, to assist with their economic development efforts. For each of the years ended 2015 and 2014, the Light Plant transferred \$40,000 to the City. There were other transfers between the City and the Light Plant during 2015.

Required Supplementary Information

NEW HAMPTON MUNICIPAL LIGHT PLANT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (CASH BASIS)
Year Ended June 30, 2015

	Actual	Budgeted Amounts		Final to Total Variance
		Original	Final	
Receipts				
Use of money and property	\$ 13,711	\$ 12,750	\$ 12,750	\$ 961
Charges for services	4,750,847	4,404,600	4,404,600	346,247
Miscellaneous	82,451			82,451
Total receipts	4,847,009	4,417,350	4,417,350	429,659
Disbursements				
Business-type activities	7,186,896	3,838,035	6,982,535	(204,361)
(Deficiency) excess of receipts (under) over disbursements	(2,339,887)	579,315	(2,565,185)	225,298
Other financing sources, net				
(Deficiency) excess of receipts and other financing sources (under) over disbursements and other financing uses	(2,339,887)	579,315	(2,565,185)	225,298
Balances, beginning of year	6,746,886	1,005,286	1,005,286	5,741,600
Balances, end of year	\$ 4,406,999	\$ 1,584,601	\$ (1,559,899)	\$ 5,966,898

See Notes to Required Budgetary Information and Independent Auditor's Report.

NEW HAMPTON MUNICIPAL LIGHT PLANT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET TO GAAP RECONCILIATION
Year Ended June 30, 2015

	Cash Basis (Budget)	Accrual Adjustments	Accrual Basis (GAAP)
Receipts			
Use of money and property	\$ 13,711	\$ 229	\$ 13,940
Charges for services	4,750,847	(28,684)	4,722,163
Miscellaneous	82,451	94,886	177,337
Total receipts	4,847,009	66,431	4,913,440
Disbursements			
Business-type activities	7,186,896	(2,849,456)	4,337,440
(Deficiency) excess of receipts (under) over disbursements	(2,339,887)	2,915,887	576,000
Other financing sources, net			
	-	(40,000)	(40,000)
(Deficiency) excess of receipts and other financing sources (under) over disbursements and other financing uses	(2,339,887)	2,875,887	536,000
Balances, beginning of year	6,782,886	11,494,760	18,277,646
Balances, end of year	\$ 4,442,999	\$ 14,370,647	\$ 18,813,646

See Notes to Required Budgetary Information and Independent Auditor's Report.

NEW HAMPTON MUNICIPAL LIGHT PLANT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2015

The New Hampton Municipal Light Plant as a component unit prepares a budget on the cash basis of accounting and submits it to the City Council for inclusion in the City wide budget. 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 or fund type. The Light Plant's disbursements are budgeted in the business-type activities function.

The budgeted amounts represent only those of the Light Plant as submitted to the City although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There were two budget amendments made by the City of New Hampton, which increased expenditures for the Light Plant by \$3,144,500 for the year ended June 30, 2015.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted.

See Independent Auditor's Report.

Other Information

NEW HAMPTON MUNICIPAL LIGHT PLANT
SCHEDULE OF OPERATING EXPENSES
Years Ended June 30, 2015 and 2014

	2015			
	Total	Plant Operation	Distribution	Administration
Purchased power	\$ 2,334,425	\$ 2,334,425		
Trustees' fees	3,000			\$ 3,000
Salaries	420,449	70,836	\$ 222,103	127,510
FICA	29,500	4,914	15,695	8,891
IPERS	35,402	5,934	18,790	10,678
Group insurance	54,919	8,941	19,502	26,476
Insurance	74,182			74,182
Natural gas	35,239	35,239		
Utilities	45,788	45,788		
Telephone	2,357			2,357
Supplies and repairs	273,616	101,558	165,283	6,775
Contracted services and materials	-			
Taxes	40,918			40,918
Laundry	956	956		
Vehicle expense	6,866		6,866	
Engineering fees	-			
Professional fees	138,575			138,575
Accounting services	59,824			59,824
Advertising, promotion, and publications	2,219			2,219
Dues and assessments	30,280			30,280
Travel expense	18,738			18,738
Office expense	6,860			6,860
Miscellaneous	59,262	22,044		37,218
	<u>3,673,375</u>	<u>\$ 2,630,635</u>	<u>\$ 448,239</u>	<u>\$ 594,501</u>
Payment in lieu of taxes	50,000			
Depreciation	563,514			
Amortization	3,000			
	<u>\$ 4,289,889</u>			

See Independent Auditor's Report.

SCHEDULE 1

2014				
Total	Plant Operation	Distribution	Administration	
\$ 2,122,570	\$ 2,122,570			
3,000			\$ 3,000	
362,740	62,679	\$ 190,869	109,192	
27,621	4,676	14,329	8,616	
33,303	5,679	17,254	10,370	
66,397	9,966	22,682	33,749	
74,300			74,300	
66,901	66,901			
42,953	42,953			
2,297			2,297	
111,602	26,945	79,705	4,952	
320			320	
42,533	2,003		40,530	
1,088	1,088			
8,201		8,201		
169	169			
26,226			26,226	
59,851			59,851	
2,023			2,023	
18,352			18,352	
5,948			5,948	
7,252			7,252	
54,297	38,611		15,686	
3,139,944	\$ 2,384,240	\$ 333,040	\$ 422,664	
50,000				
547,133				
3,000				
\$ 3,740,077				

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
New Hampton Municipal Light Plant
New Hampton, Iowa

We have audited, in accordance with the 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 New Hampton Municipal Light Plant, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and change in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Hampton Municipal Light Plant's internal control over financial reporting (internal control) to determine the audit procedures that are 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 New Hampton Municipal Light Plant's internal control. Accordingly, we do not express an opinion on the effectiveness of New Hampton Municipal Light Plant's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Overlapping Duties

The Light Plant's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Criteria

A properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Recommendation

While we do recognize the Light Plant is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist and continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned

We will make changes and improvements whenever possible and economically feasible.

Conclusion

Response accepted.

Compliance and Other Matters

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

New Hampton Municipal Light Plant's Response to Finding

New Hampton Municipal Light Plant's response to the finding identified in our audit is described above. New Hampton Municipal Light Plant's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 16, 2015

MANAGEMENT LETTER

To the Board of Trustees
New Hampton Municipal Light Plant
New Hampton, Iowa

In planning and performing our audit of the financial statements of New Hampton Municipal Light Plant for the year ended June 30, 2015, we considered the Light Plant's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the Light Plant's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 7 below are compliance comments required by the Iowa Auditor of State. A separate report dated December 16, 2015, contains our report on the Light Plant's internal control over financial reporting. This letter does not affect our report dated December 16, 2015, on the financial statements of the New Hampton Municipal Light Plant. All prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions.

1. Certified Budget

The Light Plant's expenditures during the year ended June 30, 2015 exceeded the amounts in the amended budget.

Recommendation

The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response and Corrective Action Planned

The budget was amended in July 2014 and May 2015. The second amendment did not show the amount amended with the first amendment on the second amendment. Management will work to insure this does not happen again. In exceeding the budget, management does not include expenses related to the CTS capital improvement and the investment in Walter Scott Jr. Number 4 in the budget as these amounts can vary significantly from year to year and are difficult to estimate.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

3. Travel Expense
No expenditures of Light Plant's money for travel expenses of spouses of Light Plant officials and/or employees were noted.
4. Business Transactions
We noted no business transactions between the Light Plant and Light Plant officials and/or employees for the year ended June 30, 2015.
5. Bond Coverage
Surety bond coverage of Light Plant 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. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's Opinions dated December 10, 1985, December 31, 1986 and May 2, 1989.
7. Deposits and Investments
We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Light Plant's investment policy.
8. Revenue Bonds/Notes
The Light Plant has complied with the revenue bond resolutions.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the Light Plant during the course of our examination.

Should you have any questions concerning these or other matters, we shall be pleased to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 16, 2015