

**Grundy Center Municipal Utilities**

**Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings**

**June 30, 2015**

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## Grundy Center Municipal Utilities

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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#### Board of Trustees

Kenneth Mutch	Trustee	June 2019
Lisa Miller	Trustee	June 2015
Harold Dole	Trustee	June 2017

#### Utility Officials

Jeff Carson	Utilities Manager/Secretary	Indefinite
Mary Harken	A & S Manager/Treasurer	Indefinite

Independent Auditor's Report

To the Board of Trustees of  
Grundy Center Municipal Utilities:

Report on the Financial Statements

I have audited the accompanying financial statements of the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Municipal Utilities, Grundy Center, Iowa, 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 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Enterprise Funds:	
Operating and Maintenance Fund	Adverse
Communications Fund	Adverse
Improvement Fund	Unmodified
Power Source Fund	Unmodified
Consumer's Deposit Fund	Unmodified
Reserve Fund	Unmodified
Sinking Fund	Unmodified

### Basis for Adverse Opinions

The Utilities' capital assets policies, as described in Notes 1 and 5 to the financial statements, do not conform to U. S. generally accepted accounting principles. The capital assets have not been recorded at historical value. In addition, as described in Note 13 to the financial statements, the Utility did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The amount by which these departures would affect the financial statements referred to above has not been determined.

### Adverse Opinions

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinions on the Operating and Maintenance Fund and the Communications Fund, the financial statements referred to above do not present fairly, the respective financial position of the Operating and Maintenance Fund and the Communications Fund as of June 30, 2015, or the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

### Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of Matter

As discussed in Note 18 to the financial statements, Grundy Center Municipal Utilities adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

As discussed in Note 18 to the financial statements, Grundy Center Municipal Utilities changed their financial reporting from the cash basis of accounting to U. S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

As discussed in Note 1, the financial statements present only the Grundy Center Municipal Utilities component unit and do not purport to, and do not, present fairly the financial position of the City of Grundy Center, Iowa, as of June 30, 2015 and the changes in its financial position and its cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Utilities' Proportionate Share of the Net Pension Liability and the Schedule of Utility Contributions on pages 5 through 10 and 26 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

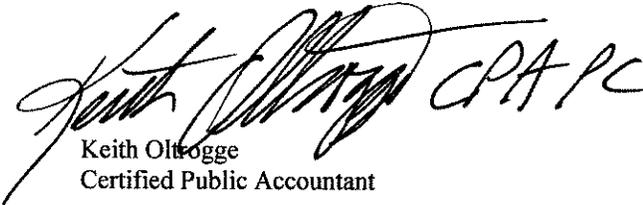
#### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy Center Municipal Utilities' basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 31, 2016 on my consideration of Grundy Center Municipal Utilities' internal control over financial reporting and on my 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 my 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 Grundy Center Municipal Utilities' internal control over financial reporting and compliance.



Keith Oltrogge  
Certified Public Accountant

March 31, 2016

**Grundy Center Municipal Utilities**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**

Grundy Center 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 follow.

**2015 FINANCIAL HIGHLIGHTS**

- Revenues of the Utilities' business-type activities decreased from \$4,881,848 in fiscal 2014 to \$4,745,784 in fiscal 2015.
- Program expenses of the Utilities' business-type activities decreased from \$5,362,159 in fiscal 2014 to \$4,967,896 in fiscal 2015.
- The Utilities' restated net position decreased 1.50%, or approximately \$222,000 from June 30, 2014 to June 30, 2015.

**USING THIS ANNUAL REPORT**

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

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

The Proprietary Fund Financial Statements consist of a Statement of Net Position and a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows. These provide information about the activities of Grundy Center Municipal Utilities as a whole and present an overall view of the Utilities' finances.

The Proprietary Fund Financial Statements tell how business-type services were financed in the short term as well as what remains for future spending. Proprietary Fund financial statements report Grundy Center Municipal Utilities' operations in more detail by providing information about the most significant funds.

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

Required Supplementary 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 non-major proprietary funds.

Figure A-1 summarizes the major features of the Utilities' financial statements, including the portion of the Utilities' activities they cover and the types of information they contain.

**Figure A-1  
Major Features of the Proprietary Fund Financial Statements**

Proprietary Funds	
Scope	Activities the Utility operates similar to private businesses
Required financial statements	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term
Type of deferred outflow/inflow	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow	All revenues and expenses during the year, regardless of when cash is paid or received

## REPORTING THE UTILITIES' FINANCIAL ACTIVITIES

The government-wide financial statements report information about the Utility as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Utilities' assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Net Position, regardless of when cash is received or paid.

The financial statements report the Utilities' net position and how it has changed. Net position is one way to measure the Utilities' financial health or financial position. Over time, increases or decreases in the Utilities' net position is an indicator of whether financial position is improving or deteriorating. To assess the Utilities' overall health, additional non-financial factors, such as changes in the condition of infrastructure and other facilities, need to be considered.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the Utilities' funds, focusing on its most significant or "major" funds – not the Utility as a whole. Funds are accounting devices the Utility uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The Utility establishes other funds to control and manage money for particular purposes or to show it is properly using certain revenues, such as federal grants.

The Utility has one kind of fund:

- 1) *Proprietary funds*: Services for which the Utility charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The Utilities' Enterprise Funds, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The Utility currently has seven Enterprise Funds. The Utility is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Figure A-2 below provides a summary of the Utilities' net position at June 30, 2015 compared to June 30, 2014.

**Figure A-2**  
**Condensed Statement of Net Position**

	Business Type Activities		Total Change
	June 30,		June 30,
	2015	2014 (Not restated)	2014-2015
Current and other assets	\$8,443,199	\$6,559,573	29 %
Capital assets	6,646,186	\$-	100 %
Total assets	\$15,089,385	6,559,573	130%
Deferred outflows of resources	\$201,504	\$-	100 %
Long-term liabilities	\$305,511	\$-	100 %
Other liabilities	\$684,279	\$-	100 %
Total liabilities	\$989,790	\$-	100 %
Net position			
Net investment in capital assets	\$6,646,186	\$-	100 %
Restricted	40,770	39,489	3 %
Unrestricted	7,614,143	6,520,084	17 %
Total net position	\$14,301,099	\$6,559,573	118%

The Utilities' total net position increased by nearly 118%, or approximately \$8,000,000, over the prior year. The largest portion of the Utilities' net position is in unrestricted net position.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The Utilities' restricted net position increased \$1,281 or 3% over the prior year. The increase was primarily the result of an increase in consumer's deposits.

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 – increased approximately \$1,100,000, or 17%. This increase in unrestricted net position was primarily a result of the Utilities' increase in current assets.

Governmental Accounting Standards Board Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for business type activities was restated by \$367,018 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-3 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

**Figure A-3**  
**Changes in Net Position**

	Business Type Activities		Total Change
	2015	2014 (Not restated)	
Operating revenues:			
Charges for service	\$4,589,874	\$4,587,825	.004%
Miscellaneous	103,176	237,625	-57%
Total revenues	\$4,693,050	\$4,825,450	-3%
Operating expenses:			
Business-type activities:			
Cost of sales and services	\$4,363,827	\$5,329,197	-18%
Depreciation/amortization	575,822	-	100%
Total expenses	\$4,939,649	\$5,329,197	-7%
Operating Income (Loss)	\$ -246,599	\$ -503,747	51%
Non-operating revenues (expenses):			
Interest Income	\$52,734	\$56,398	6%
Interest Expense	-28,247	-32,962	-14%
Net non-operating revenues (expenses)	\$24,487	\$23,436	4%
Change in net position	\$ -222,112	\$ -480,311	54%
Net position beginning of year, as restated	14,523,211	7,039,884	106%
Net position end of year	\$14,301,099	\$6,559,573	118%

As shown in Figure A-3, the Utility as a whole experienced a 3% decrease in revenues and a 7% decrease in expenses.

### INDIVIDUAL FUND ANALYSIS

As previously noted, Grundy Center Municipal Utilities uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the Utility as a whole is reflected in its proprietary funds, as well. As the Utility completed the year, its proprietary funds reported a combined fund balance of \$14,301,099, a bit below last year's adjusted ending fund balances of \$14,523,211.

### Proprietary Fund Highlights

- The Enterprise, Operating and Maintenance Fund, which accounts for the operation and maintenance of the Utility, ended fiscal year 2015 with a \$10,383,717 net position balance compared to the prior year ending net position balance of \$10,577,854.

- The Enterprise, Communications Fund, which accounts for the operation and maintenance of the Utilities' cable TV, internet and telephone operations, ended fiscal year 2015 with a \$1,297,597 net position balance compared to the prior year ending net position balance of \$1,210,937.

**BUDGETARY HIGHLIGHTS**

The Utilities' total revenues were \$968,991 less than total budgeted revenues, a variance of 17%. The most significant variance resulted from the Utility receiving less in local sources than originally anticipated. The Utilities' total expenditures were \$681,714 less than total budgeted expenditures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2015, the Utility had invested \$6,646,186, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, transmission and distribution equipment and infrastructure. (See Figure A-4) This represents a net decrease of 7.9% from last year. More detailed information about the Utilities' capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$575,822.

The original cost of the Utilities' capital assets was \$13,740,615. Figure A-4 shows the changes in capital assets for the year ended June 30, 2015 compared to the year ended June 30, 2014.

**Figure A-4  
Capital Assets**

	Business Type		Total
	Activities		Change
	June 30, 2015	2014	June 30, 2014-2015
Land	\$22,000	\$22,000	-
Buildings	521,878	521,878	-
Neal #4 Steam Production	2,409,444	2,408,334	.004%
Local Production Facilities	6,275,500	6,275,500	-
Equipment and Vehicles	112,625	106,000	6%
Transmission System	2,299,168	2,299,168	-
Distribution System	2,100,000	2,100,000	-
Totals	\$13,740,615	\$13,732,880	.006%

**Long-Term Debt**

At June 30, 2015, the Utility had no long-term debt outstanding. This represents a decrease of 100% from last year. (See Figure A-5) Additional information about the Utilities' long-term debt is presented in Note 7 to the financial statements.

The Utility continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the Utilities' debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt Utilities' can issued to 5 percent of the assessed value of all taxable property within the Utility. The Utilities' outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$6.5 million.

**Figure A-5  
Outstanding Long-term Obligations**

	Total		Total
	Utility		Change
	June 30, 2015	2014	June 30, 2014-2015
Revenue bonds	\$-	\$65,000	-100%

## **ECONOMIC FACTORS BEARING ON THE UTILITIES' FUTURE**

At the time these financial statements were prepared and audited, the Utility was aware of existing circumstances which could significantly affect its financial health in the future:

- The need to constantly maintain infrastructure, facilities and equipment.
- The need to comply with federal and state regulations.
- The need to maintain up-to-date technology at a reasonable cost.

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

This financial report is designed to provide the Utilities' citizens, taxpayers, customers, investors and creditors with a general overview of the Utilities' finances and to demonstrate the Utilities' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Harken, A & S Manager/Treasurer, Grundy Center Municipal Utilities, 706 6<sup>th</sup> St., Grundy Center, IA 50638.

## **Basic Financial Statements**

**Grundy Center Municipal Utilities**  
**Statement of Net Position**  
**Proprietary Funds**

**June 30, 2015**

	Enterprise			Totals
	Operating and Maintenance	Communications	Non Major	
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 2,134,209	1,708,888	2,619,785	6,462,882
Receivables (net of allowance for uncollectibles):				
Customer accounts	159,787	52,321	-	212,108
Accounts	-	448	-	448
Notes receivable	50,000	-	-	50,000
Due from other funds	475,000	-	-	475,000
Inventories	1,056,514	81,612	-	1,138,126
Prepaid expenses	59,567	-	-	59,567
<b>Total current assets</b>	<b>\$ 3,935,077</b>	<b>\$ 1,843,269</b>	<b>\$ 2,619,785</b>	<b>\$ 8,398,131</b>
<b>Non-current assets:</b>				
Deferred patronage dividends	45,068	-	-	45,068
Capital assets, net of accumulated depreciation	6,598,314	47,872	-	6,646,186
<b>Total non-current assets</b>	<b>\$ 6,643,382</b>	<b>\$ 47,872</b>	<b>\$ -</b>	<b>\$ 6,691,254</b>
<b>Total Assets</b>	<b>\$ 10,578,459</b>	<b>\$ 1,891,141</b>	<b>\$ 2,619,785</b>	<b>\$ 15,089,385</b>
<b>Deferred Outflows of Resources</b>				
Pension related deferred outflows	\$ 192,070	9,434	-	201,504
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	108,697	69,653	-	178,350
Due to other funds	-	475,000	-	475,000
Compensated Absences	30,929	-	-	30,929
<b>Total current liabilities</b>	<b>\$ 139,626</b>	<b>\$ 544,653</b>	<b>\$ -</b>	<b>\$ 684,279</b>
<b>Non-current liabilities:</b>				
Net pension liability	\$ 247,186	\$ 58,325	\$ -	\$ 305,511
<b>Total Liabilities</b>	<b>\$ 386,812</b>	<b>\$ 602,978</b>	<b>\$ -</b>	<b>\$ 989,790</b>
<b>Net Position</b>				
Net investment in capital assets	\$ 6,598,314	47,872	-	6,646,186
Restricted for:				
Consumer's Deposits	-	-	40,770	40,770
Unrestricted	3,785,403	1,249,725	2,579,015	7,614,143
<b>Total Net Position</b>	<b>\$ 10,383,717</b>	<b>\$ 1,297,597</b>	<b>\$ 2,619,785</b>	<b>\$ 14,301,099</b>

See notes to financial statements

**Grundy Center Municipal Utilities**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**

**Year Ended June 30, 2015**

	Enterprise			Totals
	Operating and Maintenance	Communications	Non Major	
Operating revenues:				
Local sources:				
Charges for service	\$ 3,561,760	\$ 1,025,627	\$ 2,487	\$ 4,589,874
Miscellaneous	21,655	81,521	-	103,176
Total operating revenues	<u>\$ 3,583,415</u>	<u>\$ 1,107,148</u>	<u>\$ 2,487</u>	<u>\$ 4,693,050</u>
Operating expenses:				
Business-type activities:				
Cost of sales and services	\$ 3,441,293	\$ 921,209	\$ 1,325	4,363,827
Depreciation	500,079	75,743	-	575,822
Total operating expenses	<u>\$ 3,941,372</u>	<u>\$ 996,952</u>	<u>\$ 1,325</u>	<u>\$ 4,939,649</u>
Operating income (loss)	<u>\$ -357,957</u>	<u>\$ 110,196</u>	<u>\$ 1,162</u>	<u>\$ -246,599</u>
Non-operating revenues (expenses):				
Interest incomes	\$ 38,820	\$ 4,711	\$ 9,203	52,734
Interest expense	-	-24,250	-3,997	-28,247
Total non-operating revenues (expenses)	<u>\$ 38,820</u>	<u>\$ -19,539</u>	<u>\$ 5,206</u>	<u>\$ 24,487</u>
Change in net position	\$ -319,137	\$ 90,657	\$ 6,368	-222,112
Transfers, net	125,000	-3,997	-121,003	-
Net position beginning of year, as restated	<u>10,577,854</u>	<u>1,210,937</u>	<u>2,734,420</u>	<u>14,523,211</u>
Net Position End of Year	<u>\$ 10,383,717</u>	<u>\$ 1,297,597</u>	<u>\$ 2,619,785</u>	<u>\$ 14,301,099</u>

See notes to financial statements.

**Grundy Center Municipal Utilities**  
**Statement of Cash Flows**  
**Proprietary Funds**

**Year Ended June 30, 2015**

	Enterprise			
	Operating and Maintenance	Communications	Non Major	Totals
<b>Cash flows from operating activities:</b>				
Cash received from customers and users	\$ 3,542,518	\$ 1,015,304	\$ 2,487	\$ 4,560,309
Cash received from other revenues	21,655	81,521	-	103,176
Cash paid to employees for services	-455,006	-107,361	-	-562,367
Cash paid to suppliers for goods or services	-3,321,611	-855,874	-1,325	-4,178,810
Net cash provided (used) by operating activities	\$ -212,444	\$ 133,590	\$ 1,162	\$ -77,692
<b>Cash flows from non-capital financing activities:</b>				
Advances to other funds, net of repayments	\$ 10,000	\$ -10,000	\$ -	\$ -
<b>Cash flows from capital and related financing activities:</b>				
Principal paid on revenue notes	\$ -	\$ -	\$ -65,000	\$ -65,000
Interest paid on revenue notes	-	-	-3,997	-3,997
Acquisition of capital assets	-7,735	-	-	-7,735
Principal received on notes receivable	5,000	-	-	5,000
Net cash provided (used) by capital and related financing activities	\$ -2,735	\$ -	\$ -68,997	\$ -71,732
<b>Cash flows from investing activities:</b>				
Interest on investments	\$ 38,820	\$ 4,711	\$ 9,203	\$ 52,734
<b>Net increase (decrease) in cash and cash equivalents</b>				
Transfers	\$ -166,359	\$ 128,301	\$ -58,632	\$ -96,690
Cash and cash equivalents beginning of year	\$ 2,175,568	\$ 1,649,584	\$ 2,734,420	\$ 6,559,572
Cash and cash equivalents end of year	\$ 2,134,209	\$ 1,708,888	\$ 2,619,785	\$ 6,462,882

See notes to financial statements

Grundy Center Municipal Utilities  
 Statement of Cash Flows  
 Proprietary Funds

Year Ended June 30, 2015

	Enterprise			
	Operating and Maintenance	Communications	Non Major	Totals
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ -357,957	\$ 110,196	\$ 1,162	\$ -246,599
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	500,079	75,743	-	575,822
(Increase) Decrease in inventories	-80,514	-	-	-80,514
(Increase) Decrease in customer and other accounts receivable	-19,243	-10,323	-	-29,566
(Increase) Decrease in prepaid expenses	66	-	-	66
(Increase) Decrease in deferred patronage dividends	2,592	-	-	2,592
Increase (Decrease) in accounts payable	-22,758	3,400	-	-19,358
Increase (Decrease) in compensated absences	7,126	-	-	7,126
Increase (Decrease) in net pension liability	-86,185	-20,336	-	-106,521
(Increase) Decrease in deferred outflows of resources	-39,137	-840	-	-39,977
Increase (Decrease) in deferred inflows of resources	-116,513	-24,250	-	-140,763
Net cash provided (used) by operating activities	\$ -212,444	\$ 133,590	\$ 1,162	\$ -77,692

See notes to financial statements.

## Grundy Center Municipal Utilities

### Notes to Financial Statements

June 30, 2015

#### (1) Summary of Significant Accounting Policies

Grundy Center Municipal Utilities is a city municipal utility for the City of Grundy Center, Iowa. It has a separate governing body, the Board of Trustees, who are appointed for staggered six-year terms by the Mayor and approved by the City Council. The Utility maintains its own system of books, record and accounts apart from the City of Grundy Center. The City is audited separately.

The Utilities' financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Grundy Center Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. The Utility 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 Utility are such that exclusion would cause the Utilities' 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 Utility 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 Utility. Grundy Center Municipal Utilities has no component units which meet the Governmental Accounting Standards Board criteria. Grundy Center Municipal Utilities is a component unit of the City of Grundy Center.

##### B. Basis of Presentation

Proprietary Fund Financial Statements – The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position report information on all of the non-fiduciary activities of the Utility. For the most part, the effect of inter-fund activity has been removed from these statements. Major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining proprietary funds are aggregated and reported as non-major proprietary funds.

The Statement of Net Position presents the Utilities' non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Utility reports the following major proprietary funds:

The Enterprise, Operating and Maintenance Fund is the general operating fund of the Utility. All general revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs not paid from other funds.

The Enterprise, Communications Fund is used to account for the operation and maintenance of the Utilities' cable television, internet and telephone systems.

C. Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities' Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Utility maintains its financial records on the cash basis. The financial statements of the Utility are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most Utility funds are pooled and invested. Investments are stated at fair value.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Customer Accounts Receivable – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed.

Due from and Due to Other Funds – During the course of its operations, the Utility has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Restricted Assets – Restricted assets include consumer’s deposits restricted for the application to unpaid consumer accounts or for refund to consumers.

Capital Assets – Capital assets, which include property, infrastructure, equipment and vehicles are reported in the applicable Proprietary Fund Statement of Net Position. The capital assets were recorded at replacement cost at June 30, 2014. The employees used replacement cost because original historical cost was not available. All subsequent additions are valued at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Utility as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	10,000
Infrastructure	10,000
Equipment and vehicles	5,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Infrastructure	20 – 50 years
Equipment and vehicles	5 – 15 years

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

Long-Term Liabilities – In the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Cash Equivalents**

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 the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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 or improvement certificates of a drainage Utility.

The Utilities' investments at June 30, 2015 are as follows:

Certificates of Deposit	Date Matures	Cost	Fair Value
Greenbelt Bank	7-3-15	\$ 500,000	\$ 500,000
Greenbelt Bank	3-7-16	\$ 500,000	\$ 500,000
Greenbelt Bank	1-3-16	\$ 500,000	\$ 500,000
Greenbelt Bank	6-9-16	\$ 600,000	\$ 600,000
Greenbelt Bank	7-3-16	\$ 500,000	\$ 500,000
Greenbelt Bank	3-19-16	\$ 500,000	\$ 500,000
Greenbelt Bank	7-16-15	\$ 500,000	\$ 500,000
Greenbelt Bank	7-16-16	\$ 500,000	\$ 500,000
		<u>\$ 4,100,000</u>	<u>\$ 4,100,000</u>

Interest rates on the above CDs range from 0.60% to 0.85%.

Securities	Date Matures	Cost	Fair Value
North Iowa Municipal Electric Cooperative	Indefinite	\$ 120,000	\$ 120,000

In addition, the Utility had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$325,669 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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) in instrument that mature within 397 days.

Credit Risk – The Utilities' investments in the Iowa Public Agency Investment Trust and the North Iowa Municipal Electric Cooperative are unrated.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Operating and Maintenance Fund	Improvement Fund	\$ 125,000
Sinking Fund	Communications Fund	68,997
		<u>\$ 193,997</u>

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

(4) **Due From and Due to Other Funds**

The Communications Fund owes the Operating and Maintenance Fund \$475,000. Interest of \$2,083.33 per month is being paid. The interest rate is 5%. There was a \$10,000 payment made during the current fiscal year.

(5) **Capital Assets**

The capital assets were recorded at replacement cost at June 30, 2014 except for Neal 4 Steam Production. It was recorded at historical cost. The employees used replacement costs because original historical cost was not available. All subsequent additions are valued at historical cost.

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 22,000	\$ -	\$ -	\$ 22,000
Total capital assets not being depreciated	\$ 22,000	\$ -	\$ -	\$ 22,000
Capital assets being depreciated:				
Buildings	\$ 521,878	\$ -	\$ -	\$ 521,878
Neal 4 steam production	2,408,334	1,110	-	2,409,444
Local production facilities	6,275,500	-	-	6,275,500
Transmission system	2,299,168	-	-	2,299,168
Distribution system	2,100,000	-	-	2,100,000
Equipment and vehicles	106,000	6,625	-	112,625
Total capital assets being depreciated	\$ 13,710,880	\$ 7,735	\$ -	\$ 13,718,615
Less accumulated depreciation	\$ 6,518,607	\$ 575,822	\$ -	\$ 7,094,429
Total capital assets being depreciated	\$ 7,192,273	\$ -568,087	\$ -	\$ 6,624,186
Total Business-type Activities Capital Assets, Net	\$ 7,214,273	\$ -568,087	\$ -	\$ 6,646,186

Depreciation expense was charged to the following functions:

Business type activities:	
Operating and maintenance	\$ 500,079
Communications	75,743
Total Depreciation Expense – Business-type Activities	<u>\$ 575,822</u>

(6) **Note Receivable**

On November 13, 2010, The Utility entered into an agreement with the Grundy Center Development Corporation for a \$100,000 interest free loan for the development of a new housing addition to the City of Grundy Center. The loan will be repaid at the rate of \$5,000 per lot as they are sold. There was one lot sold during the current fiscal year.

(7) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	\$ 412,032	\$ -	\$ 106,521	\$ 305,511	\$ -
Revenue bonds	65,000	-	65,000	-	-
<b>Total</b>	<b>\$ 477,032</b>	<b>\$ -</b>	<b>\$ 171,521</b>	<b>\$ 305,511</b>	<b>\$ -</b>

Revenue Bonds

The Telecommunications Revenue Capital Loan Notes were paid in full during the current fiscal year.

The Utility complied with all of the revenue bond provisions during the year ended June 30, 2015.

(8) **Compensated Absences**

Utility employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. The Utilities' approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2015, primarily relating to the operating and maintenance account is as follows:

Type of Benefit	Amount
Vacation	\$ 21,363
Sick Leave	9,566
<b>Total</b>	<b>\$ 30,929</b>

(9) **Other Investments**

The Department is a member of the North Iowa Municipal Electric Cooperative Association (NIMECA), which uses Corn Belt Power Cooperative of Humboldt, Iowa as a power supply source. NIMECA's desire is to obtain long-term transmission and generation of electric power from a common transmission system to benefit the member utilities. The Department has the following investments with NIMECA and Corn Belt:

- a. In 1983, NIMECA required a cash member advance from the Department in the amount of \$120,000. The cash advance earns interest and surplus and credits from NIMECA.
- b. In 1991, the Department entered into an agreement for the "lease/purchase" from Corn Belt of an interest in electrical generation and transmission facilities. On July 10, 1991, \$1,634,480 was paid to Corn Belt for a .3333% interest in the Neal #4 generating plant and a .4% interest in the Lehigh-Webster transmission facilities. The lease ended June 30, 2007. A new lease was signed August 25, 2011.

Production and transmission capital improvement funds have been established through NIMECA for improvements and expansion of the facilities. The Department paid \$50,918 into these funds as part of its cash disbursements for purchased power during the current year.

The balance in the production and transmission capital improvement funds at June 30, 2015 is \$485,546.

**(10) Deferred Patronage Dividends**

The Utility has accumulated deferred patronage dividends of \$45,068 through its participation with NIMECA and Corn Belt. These accrued deferred patronage dividends are reflected in the financial statements. During the current fiscal year, Corn Belt paid \$2,592 deferred patronage dividends to the Utility.

**(11) Shared Utility Plants**

Common Transmission System (CTS) – North Iowa Municipal Electric Cooperative (NIMECA), acting as agent for its participating members, including Grundy Center Municipal Utilities, has entered into an agreement with Corn Belt Power Cooperative to obtain for the benefit of its participating members a long-term right and access to electric transmission facilities, referred to as Common Transmission System (CTS) necessary to handle the combined needs of the participating members through undivided ownership interest in the capacity of transmission facilities. The costs associated with this agreement are allocated to the members based on their proportionate use of the shared transmissions system. Grundy Center Municipal Utilities has recorded its share of these costs as capital assets in the Operating and Maintenance Fund. The net book value at June 30, 2015 was \$438,872.

Neal 4 Generating Station – Grundy Center Municipal Utilities is one of thirteen owners of George Neal Unit 4 Generating Station which is managed by MidAmerican Energy under terms of the basic generating agreements between MidAmerican Energy and the owners. Grundy Center Municipal Utilities owns .3333 percent as tenant-in-common of the generating station for generating, purchasing, obtaining by exchange, or otherwise acquiring or transmitting electric power and energy. Grundy Center Municipal Utilities' cost of acquiring its share of this generating station was recorded as capital assets in the Operating and Maintenance Fund. The net book value at June 30, 2015 was \$730,251.

**(12) Pension Plan**

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

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

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

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

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

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who 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 Utility 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 \$49,414.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Utility reported a liability of \$305,511 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities’ proportion of the 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’ collective proportion was 0.0077034 percent, which was an increase of 0.0005273 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the Utility recognized pension expense of \$45,014. At June 30, 2015, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,320	\$ -
Changes of assumptions	13,483	-
Net difference between projected and actual earnings on pension plan investments	-	-116,513
Changes in proportion and differences between Utility contributions and proportionate share of contributions	18,774	-
Utility contributions subsequent to the measurement date	49,414	-
<b>Total</b>	<b>\$ 84,991</b>	<b>\$ -116,513</b>

\$49,414 reported as deferred outflows of resources related to pensions resulting from the Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 37,441
2017	37,441
2018	37,441
2019	37,441
2020	2,327
Total	<u>\$ 152,091</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

Sensitivity of the 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% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Utilities’ proportionate share of the net pension liability	\$577,255	\$305,511	\$76,131

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).

Payables to the Pension Plan – At June 30, 2015, the Utility reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(13) Other Postemployment Benefits (OPEB)**

Plan Description – The Utility operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. The Utility had 11 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 benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

The Utility did not implement GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This is a departure from U. S. generally accepted accounting principles. The amount by which this departure would affect liabilities, expenses and net position is not reasonably determinable.

**(14) Economic Dependence**

During the year ended June 30, 2015, The Utility purchased approximately its entire electric power source from one supplier.

**(15) Risk Management**

The Utility is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility 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.

**(16) Related Party Transactions**

The Utility provides electrical service to the City of Grundy Center and bills the City for that usage. Amounts billed to the City for the year ended June 30, 2015 were \$92,551.

The Utility makes annual cash payments to the City in an amount determined per policy established by the Board. The amount paid for the year ended June 30, 2015 was \$32,244.

Commercial insurance coverage is combined between the Utility and the City. The Utility pays its share of the premium directly to the insurer.

(17) **Subsequent Events**

The Utility has evaluated subsequent events through March 31, 2016 which is the date that the financial statements were available to be issued.

(18) **Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date.

During fiscal year 2015, Grundy Center Municipal Utilities changed from the cash basis of accounting to accrual basis in accordance with U. S. generally accepted accounting principles.

Beginning net position was restated as follows:

	Business Type Activities			
	Operating and Maintenance	Communications	Non Major	Total
Net position June 30, 2014, as previously reported	\$ 2,175,568	\$ 1,649,584	\$ 2,734,421	\$ 6,559,573
Cash to accrual adjustment	8,699,237	-368,580	-1	8,330,656
Net pension liability at June 30, 2014	-333,371	-78,661	-	-412,032
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	36,420	8,594	-	45,014
Net position July 1, 2014, as restated	\$ 10,577,854	\$ 1,210,937	\$ 2,734,420	\$ 14,523,211

**Required Supplementary Information**

**Grundy Center Municipal Utilities**

**Budgetary Comparison Schedule of Revenues, Expenses and Changes in Balances –  
Budget and Actual (Cash Basis)  
Proprietary Funds**

**Required Supplementary Information**

**Year Ended June 30, 2015**

	Proprietary Funds Actual	Budgeted Amounts	Final to Actual Variance
<b>Revenues:</b>			
Use of money and property	\$ 52,734	\$ 64,000	\$ -11,266
Intergovernmental	-	15,555	-15,555
Charges for service	4,560,308	5,596,100	-1,035,792
Miscellaneous	110,768	35,146	75,622
<b>Total Revenues</b>	<b>\$ 4,723,810</b>	<b>\$ 5,710,801</b>	<b>-968,991</b>
<b>Expenses:</b>			
Business type activities	\$ 4,820,500	\$ 5,502,214	\$ 681,714
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>\$ -96,690</b>	<b>\$ 208,587</b>	<b>\$ -305,277</b>
<b>Balances beginning of year</b>	<b>6,559,573</b>	<b>8,992,740</b>	<b>-2,433,167</b>
<b>Balances end of year</b>	<b>\$ 6,462,883</b>	<b>\$ 9,201,327</b>	<b>\$ -2,738,444</b>

See accompanying independent auditor's report.

**Grundy Center Municipal Utilities**

**Budget to GAAP Reconciliation  
Proprietary Funds**

**Required Supplementary Information**

**Year Ended June 30, 2015**

	Proprietary Funds		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 4,723,810	\$ 21,974	\$ 4,745,784
Expenses	4,820,500	147,396	4,967,896
Net	\$ -96,690	\$ -125,422	\$ -222,112
Beginning net position	6,559,573	7,963,638	14,523,211
Ending net position	\$ 6,462,883	\$ 7,838,216	\$ 14,301,099

**Grundy Center Municipal Utilities**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2015**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

The Utility is required to prepare a budget each year and submit it to the City of Grundy Center for approval by the City Council. The City combines the Utilities' budget with other proprietary activities in the total City budget which is submitted to the State of Iowa.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The Utilities' budget is prepared on a cash basis.

Formal and legal budgetary control for the certified budget is based upon nine major classes of expenditures known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

**Grundy Center Municipal Utilities**

**Schedule of the Utilities' Proportionate Share of the Net Pension Liability**

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

**Required Supplementary Information**

	<u>2015</u>
Utilities' proportion of the net pension liability	0.0077034%
Utilities' proportionate share of the net pension liability	\$ 305,511
Utilities' covered-employee payroll	\$ 553,343
Utilities' proportionate share of the net pension liability as a percentage of its covered-employee payroll	55.21%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

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

**Grundy Center Municipal Utilities**

**Schedule of Utility Contributions**

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

**Required Supplementary Information**

<b>Year Ended June 30,</b>	<b>Statutorily Required Contribution</b>	<b>Contributions In relation to Statutorily Required Contribution</b>	<b>Contribution (Excess) Deficiency</b>	<b>Utilities' Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2015	\$ 49,414	\$ -49,414	\$ -	\$ 553,343	8.93%
2014	45,014	-45,014	-	504,076	8.93%
2013	40,806	-40,806	-	470,657	8.67%
2012	35,785	-35,785	-	443,432	8.07%
2011	30,097	-30,097	-	433,050	6.95%
2010	27,893	-27,893	-	419,444	6.65%
2009	30,888	-30,888	-	486,431	6.35%
2008	28,461	-28,461	-	470,426	6.05%
2007	20,920	-20,920	-	363,833	5.75%
2006	24,178	-24,178	-	420,487	5.75%

See accompanying independent auditor's report.

## Grundy Center Municipal Utilities

### Notes to Required Supplementary 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**

**Grundy Center Municipal Utilities**

**Combining Statement of Net Position  
Non-Major Proprietary Funds**

**June 30, 2015**

	Improvement Fund	Power Source Fund	Consumer's Deposits Fund	Reserve Fund
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 1,472,230	\$ 872,942	\$ 40,770	\$ 233,843
Receivables (net of allowance for uncollectibles)				
Customer accounts	-	-	-	-
Accounts	-	-	-	-
Note Receivable	-	-	-	-
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Prepaid expenses	-	-	-	-
<b>Total Current Assets</b>	<b>\$ 1,472,230</b>	<b>\$ 872,942</b>	<b>\$ 40,770</b>	<b>\$ 233,843</b>
<b>Non-current assets:</b>				
Deferred patronage dividends	\$ -	\$ -	\$ -	\$ -
Capital assets, net of accumulated depreciation	-	-	-	-
<b>Total non-current assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Assets</b>	<b>\$ 1,472,230</b>	<b>\$ 872,942</b>	<b>\$ 40,770</b>	<b>\$ 233,843</b>
<b>Deferred Outflows of Resources</b>				
Pension related deferred outflows	\$ -	\$ -	\$ -	\$ -
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Compensated Absences	-	-	-	-
<b>Total current liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Non-current liabilities:</b>				
Net pension liability	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Position</b>				
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Consumer's Deposits	-	-	40,770	-
Unrestricted	1,472,230	872,942	-	233,843
<b>Total Net Position</b>	<b>\$ 1,472,230</b>	<b>\$ 872,942</b>	<b>\$ 40,770</b>	<b>\$ 233,843</b>

See accompanying independent auditor's report.

Sinking Fund	Totals
\$ -	\$ 2,619,785
-	-
-	-
-	-
-	-
-	-
\$ -	\$ 2,619,785
\$ -	\$ -
-	-
\$ -	\$ -
\$ -	\$ 2,619,785
\$ -	\$ -
\$ -	\$ -
-	-
-	-
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
-	40,770
-	2,579,015
\$ -	\$ 2,619,785

**Grundy Center Municipal Utilities**

**Combining Schedule of Revenues, Expenses  
and Changes in Fund Net Position  
Non-Major Proprietary Funds**

**Year Ended June 30, 2015**

	Improvement Fund	Power Source Fund	Consumer's Deposits Fund	Reserve Fund
Operating Revenues:				
Local sources:				
Charges for service	\$ -	\$ -	\$ 2,487	\$ -
Miscellaneous	-	-	-	-
Total operating revenues	\$ -	\$ -	\$ 2,487	\$ -
Operating expenses:				
Business-type activities:				
Cost of sales and services	\$ -	\$ -	\$ 1,325	\$ -
Depreciation	-	-	-	-
Total operating expenses	\$ -	\$ -	\$ 1,325	\$ -
Operating income (loss)	\$ -	\$ -	\$ 1,162	\$ -
Non-operating revenues (expenses):				
Interest incomes	\$ 5,909	\$ 2,707	\$ 120	\$ 467
Interest expense	-	-	-	-
Total non-operating revenues (expenses)	\$ 5,909	\$ 2,707	\$ 1,282	\$ 467
Increase (Decrease) in net position	\$ 5,909	\$ 2,707	\$ 120	\$ 467
Transfers, net	-125,000	-	-	-
Net position beginning of year, as restated	1,591,321	870,235	39,488	233,376
Net Position End of Year	\$ 1,472,230	\$ 872,942	\$ 40,770	\$ 233,843

See accompanying independent auditor's report.

Sinking Fund		Totals	
\$	-	\$	2,487
	-		-
\$	-	\$	2,487
<hr/>			
\$	-	\$	1,325
	-		-
\$	-	\$	1,325
<hr/>			
\$	-	\$	1,162
<hr/>			
\$	-	\$	9,203
	-3,997	\$	-3,997
\$	-3,997	\$	5,206
<hr/>			
\$	-3,997	\$	6,368
	3,997		-121,003
	-		2,734,420
<hr/>			
\$	-	\$	2,619,785
<hr/>			

**Grundy Center Municipal Utilities**

**Schedule of Revenues by Source and Expenditures by Function  
All Proprietary Funds**

**For the Last Ten Years**

	2015	2014	2013	2012	2011
	Accrual Basis	Cash Basis	Cash Basis	Cash Basis	Cash Basis
Revenues:					
Use of money and property	\$ 52,734	\$ 56,398	\$ 57,690	\$ 79,665	\$ 152,524
Charges for service	4,589,874	4,587,825	4,508,200	4,459,915	4,517,900
Other	103,176	237,625	173,566	518,473	153,515
<b>Total Revenues</b>	<b>\$ 4,745,784</b>	<b>\$ 4,881,848</b>	<b>\$ 4,739,456</b>	<b>\$ 5,058,053</b>	<b>4,823,939</b>
Expenditures:					
Business type activities	\$ 4,967,896	\$ 5,362,159	\$ 5,326,044	\$ 5,549,156	5,485,316

See accompanying independent auditor's report.

2010	2009	2008	2007	2006
Cash Basis	Cash Basis	Cash Basis	Cash Basis	Cash Basis
\$ 146,767	\$ 198,891	\$ 310,868	\$ 344,002	\$ 202,617
4,354,264	4,284,193	4,300,174	3,089,239	3,237,371
215,997	287,959	350,432	320,922	377,161
<u>\$ 4,717,028</u>	<u>\$ 4,771,043</u>	<u>\$ 4,961,474</u>	<u>\$ 3,754,163</u>	<u>3,817,149</u>
<u>\$ 4,830,783</u>	<u>\$ 5,203,676</u>	<u>\$ 4,856,137</u>	<u>\$ 4,029,471</u>	<u>3,521,320</u>

## Grundy Center Municipal Utilities

## Schedule of Indebtedness

For the Year Ended June 30, 2015

Obligation

Telecommunications Revenue Capital Loan Notes:

Date of Issue	March 1, 2000
Interest Rate	5.00-6.15%
Amount Originally Issued	<u>\$ 700,000</u>
Balance Beginning of Year	\$ 65,000
Issued During the Year	-
Redeemed During the Year	<u>-65,000</u>
Balance End of Year	<u>\$ -</u>
Interest Paid	<u>\$ 3,997</u>
Interest Due and Unpaid	<u>\$ -</u>

See accompanying independent auditor's report.

**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**

**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 of  
Grundy Center Municipal Utilities:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of Grundy Center Municipal Utilities 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 my report thereon dated March 31, 2016.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Grundy Center Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grundy Center Municipal Utilities' internal control. Accordingly, I do not express an opinion on the effectiveness of Grundy Center Municipal Utilities' internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Utilities' financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-15 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grundy Center Municipal Utilities' financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are 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 my audit of the financial statements of the Utility. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

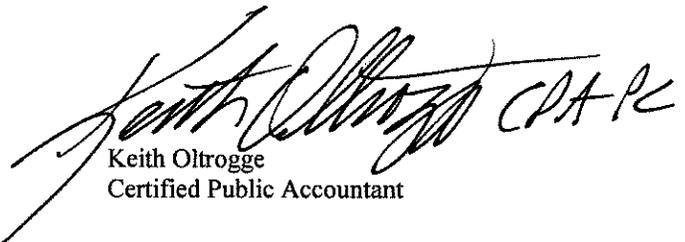
### Grundy Center Municipal Utilities' Responses to the Findings

Grundy Center Municipal Utilities' responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Grundy Center Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Grundy Center Municipal Utilities during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

March 31, 2016

Grundy Center Municipal Utilities

Schedule of Findings

Year Ended June 30, 2015

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15      Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability. This is not an unusual condition, but it is important the Utility officials are aware that the condition exists.

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

Response - The Utility is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion – Response accepted.

I-B-15      Annual Financial Statements – The ability to apply U.S. generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosures is a necessary aspect of internal control over the Utilities' financial reporting process. The Utility does not possess an individual with the appropriate expertise to apply U.S. generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The Utility has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the Utility are not prepared in accordance with U.S. generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Utilities and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine this is a control deficiency the Utility would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

**Grundy Center Municipal Utilities**

**Schedule of Findings**

**Year Ended June 30, 2015**

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

- II-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 did not exceed the certified budget.
- II-B-15 Questionable Expenditures –I noted no disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-15 Travel Expense – No expenditures of Utility money for travel expenses of spouses of Utility officials or employees were noted. No travel advances to Utility officials or employees were noted.
- II-D-15 Business Transactions – No transactions between the Utility and Utility officials or employees were noted.
- II-E-15 Bond Coverage – Surety bond coverage of Utility officials and employees is in accordance with statutory Provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-15 Board Minutes – Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.
- Recommendation – The minutes did not include the purpose of the expenditure, a total of the expenditures from each fund and a summary of all receipts. Also, annual gross salaries were not published.
- Response – Procedures have been revised to ensure minutes are published as required.
- Conclusion – Response accepted.
- II-G-15 Deposits and Investments –No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Utilities’ investment policy were noted.
- II-H-15 Revenue Bonds and Notes – The Utility complied with the revenue bond and note provisions.
- II-I-15 Telecommunications Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.