EMMETSBURG MUNICIPAL UTILITIES
EMMETSBURG, IOWA
COMPONENT UNIT FINANCIAL STATEMENTS
June 30, 2015

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EMMETSBURG MUNICIPAL UTILITIES

OFFICIALS

Before January 2015

Name	Title	Term Expires
Paul Saxton	Board Member	Dec. 31, 2015
Deb Davis	Board Member	Dec. 31, 2016
Kirk Haack	Board Member	Dec. 31, 2018
Rick Brennan	Board Member	Dec. 31, 2014
Laurie Schneider	Board Member	Dec. 31, 2017
John Bird	City Administrator/Superintendent	
Brian Thul	Attorney	

After January 2015

Name	Title	Term Expires
Paul Saxton	Board Member	Dec. 31, 2015
Deb Davis	Board Member	Dec. 31, 2016
Kirk Haack	Board Member	Dec. 31, 2018
Kyle Auten	Board Member	Dec. 31, 2020
Laurie Schneider	Board Member	Dec. 31, 2017
John Bird	City Administrator/Superintendent	
Brian Thul	Attorney	

After May 2015

Name	Title	Term Expires
Paul Saxton	Board Member	Dec. 31, 2015
Deb Davis	Board Member	Dec. 31, 2016
Kirk Haack	Board Member	Dec. 31, 2018
Kyle Auten	Board Member	Dec. 31, 2020
Vacant - Audrey Baatz July 2015	Board Member	Dec. 31, 2017
John Bird	City Administrator/Superintendent	
Brian Thul	Attorney	

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City
Council of the City of Emmetsburg, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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.

the Emmetsburg Municipal Utilities as of June 30, 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Municipal Utilities' component unit and do not purport to, and do not, present fairly the financial position of the City of Emmetsburg, Iowa, as of June 30, 2015 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Also, as discussed in Note 12 to the financial statements, Emmetsburg Municipal Utilities adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for pensions-an Amendment to GASB Statement No.27.* Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis and the Budgetary Comparison Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual on pages 5-10 and 25, the Schedule of the Utilities Proportionate Share of the Net Pension Liability, and the Schedule of Utility contributions on pages 26 through 27 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The combining schedule of operating expenses on page 28 is presented for the purpose 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, 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*, we have also issued our report dated March 20, 2016, on our consideration of the Emmetsburg Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control over financial reporting and compliance.

Kiesling Associates, LLP

Emmetsburg, Iowa
March 20, 2016

Management's Discussion and Analysis

Our discussion and analysis of the Emmetsburg Municipal Utilities financial performance provides an overview of the Utilities' financial activities for the year ended June 30, 2015. Please read it in conjunction with the Utilities' financial statements, which follow.

Financial Highlights

- The Utilities' net position decreased $41,843 or .034%.
- The Utilities' change in net position as a percentage of total ending assets was .031%.
- The Utilities' total revenues were $3,401,709 in 2015 compared to $3,860,478 in 2014. This $458,769 decrease in revenues resulted primarily from a decrease in Gas fund natural gas billings, due to winter and spring conditions.
- During the year ended June 30, 2015, the Utilities had total expenses, excluding depreciation, of $2,862,623 compared to $3,312,699 for the year ended June 30, 2014. The decrease in expenses of $450,076 is primarily related to a $512,734 decrease in the cost of material, supplies and maintenance, which included increased natural gas purchased.

Using This Annual Report

This annual report consists of a series of financial statements. The Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and Combining Statement of Cash flows (on pages 11 and 12) provide information about the activities of the Utilities as a whole. Fund financial statements report the Utilities' operations in more detail than the government-wide financial statements by providing information about each of the Utilities' funds.

Reporting the Funds Maintained by the Utilities as a Whole

Our analysis of the funds maintained by the Utilities as a whole begins on page 11. One of the most important questions asked about the Utilities' finances is, "Is the Emmetsburg Municipal Utilities as a whole better off or worse off as a result of the year's activities?" The Combining Statement of Net Position and Combining Statement of Revenues, Expenses and Changes in Net Position report information about the Utilities as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Utilities' net position and changes in it. You can think of the Utilities' net position (the difference between assets and liabilities) as one way to measure the Utilities' financial health, or financial position. Over time, increases or decreases in the Utilities net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as the condition of the Utilities' infrastructure, to assess the overall health of the Utilities.

In the Combining Statement of Net Position and the Combining Statement of Revenues, Expenses and Changes in Net Position, we show one kind of activity, a business-type activity.

> Business-type activities show revenues earned, resources provided for, and expenses incurred for the provision of gas, water and sewer services to the City of Emmetsburg.

Reporting the Most Significant Funds Maintained by the Utilities

Accounting Change/Restatement

The 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 beginning net position for the Utilities were restated $313,214, 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. The financial statement amounts for fiscal year 2014 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.

All the funds are major funds. The fund financial statements begin on page 11 and provide detailed information about the most significant funds, not the Utilities as a whole. The Utilities' funds use the following accounting approaches:

Proprietary funds - All of the Utilities expenses incurred is for the cost of gas, water and sewer services reported in a proprietary fund. When the City charges customers for the services it provides, these services are reported in a proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Combining Statement of Net Position and the Combining Statement of Revenues, Expenses and Changes in Net Position. In fact, the Utilities' enterprise funds are the same as the business-type activities we report in the government-wide financial statements, but provide more detail and additional information, such as cash flows.

The Funds Maintained by the Utilities as a Whole

For the years ended June 30, 2015 and 2014, net assets changed as follows:

Summary of Operations and Changes in Net Position

		2015	2014 (Not Restated)
Operating revenues	$	3,391,905	3,850,059
Operating expenses		2,947,298	3,585,909
Operating income		444,607	264,150
Non-operating revenues (expenses)		(110,137)	(119,833)
Payments to Primary Government for taxes and donations		(376,313)	(173,223)
Net increase (decrease) in net position	$	(41,843)	(28,906)

Summary of Net Position

		2015	2014 (Not Restated)
Assets:			
Current and noncurrent assets	$	6,681,639	6,221,174
Capital assets		10,276,238	10,283,747
Total assets	$	16,957,877	16,504,921
Deferred Outflows of Resouces	$	35,320	-
Liabilities:			
Current liabilities	$	791,332	853,620
Noncurrent liabilities		3,909,154	3,135,681
Total liabilities		4,700,486	3,989,301
Deferred Inflows of Resources		103,242	-
Net assets:			
Net Investment in capital assets		6,442,316	6,916,244
Unreserved		5,747,153	5,599,376
Total net position	$	12,189,469	12,515,620

Summary of Revenues

		2015	2014
Operating:			
Residential sales	$	1,295,933	1,562,597
Commercial sales		1,054,144	1,233,022
Public authority sales		267,983	310,027
Customer fees		661,136	625,235
Interfund services provided		43,381	57,110
Penalties		8,232	9,846
Other		61,096	52,222
Total operating		3,391,905	3,850,059
Non-operating revenues:			
Interest income		9,804	10,419
Total revenues	$	3,401,709	3,860,478

For the funds maintained by the Utilities, total revenues for June 30, 2015 decreased by $458,769 from total revenues for the year ended June 30, 2014. The decrease in revenue was primarily due to Gas fund natural gas billings, due to a return of normal winter heating conditions.

Summary of Expenses

		2015	2014 (Not Restated)
Operating:			
Personal services	$	462,116	462,949
Contractual		381,320	353,295
Materials, supplies and maintenance		1,345,101	1,998,266
Utilities		106,860	119,980
Depreciation		580,929	576,685
Uncollectible accounts		-	5,828
Interfund services provided		70,972	68,906
Total operating		2,947,298	3,585,909
Interest expense		113,941	121,752
Donations		-	2,500
Industrial development incentive forgivable loan		6,000	6,000
Payments to Primary Government for taxes and donations		376,313	173,223
Total expense	$	3,443,552	3,889,384

The total expenses decreased by $445,832 from the prior year, due primarily to the $653,165 decrease in the cost of material, supplies and maintenance, which included decreased natural gas purchased.

Capital Asset and Debt Administration

Capital Assets

		Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Gas Department:					
Land	$	1,039	-	-	1,039
Structures & plant		342,097	18,462	-	360,559
Distribution system		1,135,609	2,551	-	1,138,160
Equipment, meters & mains		642,119	81,450	-	723,569
Construction in progress		-	4,318	-	4,318
Total capital asset costs		2,120,864	106,781	-	2,227,645
Less accumulated depreciation		(1,540,561)	(52,108)	-	(1,592,669)
Gas Department capital assets, net	$	580,303	54,673	-	634,976
Water Department:					
Land	$	67,067	-	-	67,067
Structures & plant		4,968,888	23,295	-	4,992,183
Distribution system		1,955,542	-	-	1,955,542
Equipment, meters & mains		731,613	157,842	-	889,455
Construction in progress		-	60,342	-	60,342
Total capital asset costs		7,723,110	241,479	-	7,964,589
Less accumulated depreciation		(3,309,872)	(262,061)	-	(3,571,933)
Water Department capital assets, net	$	4,413,238	(20,582)	-	4,392,656
Sanitation Department:					
Land	$	84,542	-	-	84,542
Structures & plant		6,086,835	29,568	-	6,116,403
Distribution system		2,869,215	-	-	2,869,215
Equipment, meters & mains		479,150	142,611	-	621,761
Construction in progress		-	52,980	-	52,980
Total capital asset costs		9,519,742	225,159	-	9,744,901
Less accumulated depreciation		(4,229,535)	(266,760)	-	(4,496,295)
Sanitation Department capital assets, net	$	5,290,207	(41,601)	-	5,248,606

Depreciation expense for each department is presented on page 12.

Debt

Net debt increased during the year ended June 30, 2015 by $466,419. The utilities increased debt by $698,396 which includes Principal on bonds of $665,000 and bond premium of $33,396. They paid $231,745 in principal on the debt and amortized off $232 of the premium.

Economic Factors and Next Year's Budget and Rates

Several economic factors affected decisions made by the Utilities in setting its fiscal 2015 budget. Due to the Utilities' large concentration of residential customers, weather normally impacts revenue to a greater degree than do economic cycles.

Also, fluctuations in the natural gas market make it extremely difficult to budget gas costs and gas revenues. The 2015 budget failed to anticipate increases in natural gas billings, due to a normal winter and extended spring. The Utilities' fiscal 2016 budget has increased from fiscal 2015, due primarily to estimates related to natural gas markets and billings.

Contacting the Utilities Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator's Office at 2021 Main, Emmetsburg, Iowa.

John Bird
City Administrator/Superintendent

Emmetsburg Municipal Utilities
Component Unit of the City of Emmetsburg, Iowa
Combining Statement of Net Position
Business-Type Activities
June 30, 2015

Assets	Gas Fund	Water Fund	Sanitation Fund	Total
Current assets:				
Cash and cash equivalents	$ 4,599,068	1,028,556	523,485	6,151,109
Accounts receivable	72,994	33,636	74,794	181,424
Current portion of notes receivable	4,000	-	-	4,000
Other receivables	-	1,729	13	1,742
Accrued billing	5,310	10,651	6,436	22,397
Interfund receivable	18,277	3,108	43,536	64,921
Due from primary government	6,676	-	-	6,676
Current portion of primary government - Urban Renewal Tax Increment Revenue Bond	602	2,015	2,014	4,631
Inventory	11,483	-	-	11,483
Prepaid expenses	12,000	23,317	28,795	64,112
Total current assets	4,730,410	1,103,012	679,073	6,512,495
Noncurrent assets:				
Restricted assets - cash and cash equivalents	61,818	14,800	-	76,618
Notes receivable	25,000	-	-	25,000
Due from Primary government	-	17,828	15,555	33,383
Due from primary government - Urban Renewal Tax Increment Revenue Bond	641	2,053	2,054	4,748
Loan fees (net of $21,005 amortization)	-	17,875	11,520	29,395
Total noncurrent assets	87,459	52,556	29,129	169,144
Capital assets:				
Land	1,039	67,067	84,542	152,648
Construction in progress	4,318	60,342	52,980	117,640
Structures and plant	360,559	4,992,183	6,116,403	11,469,145
Distribution system	1,138,160	1,955,542	2,869,215	5,962,917
Equipment, meters and mains	723,569	889,455	621,761	2,234,785
	2,227,645	7,964,589	9,744,901	19,937,135
Less: Accumulated depreciation	(1,592,669)	(3,571,933)	(4,496,295)	(9,660,897)
Net capital assets	634,976	4,392,656	5,248,606	10,276,238
Deferred Outflows of Resources				
Pension related deferred outflows	12,009	12,009	11,302	35,320
Total assets	$ 5,464,854	5,560,233	5,968,110	16,993,197

See notes to the financial statements.

Liabilities and Net Position		Gas Fund	Water Fund	Sanitation Fund	Total
Current liabilities:					
Accounts payable	$	16,771	83,548	57,717	158,036
Other liabilities payable		110	-	-	110
Current portion of long-term debt		6,971	164,000	129,000	299,971
Accrued vacation pay		4,904	6,181	2,493	13,578
Accrued interest payable		8,109	4,930	2,956	15,995
Interfund payable		3,108	52,136	9,677	64,921
Customer deposits		61,818	14,800	-	76,618
Due to primary government		59,756	52,101	50,246	162,103
Total current liabilities		161,547	377,696	252,089	791,332
Advances to primary government		-	69,500	69,500	139,000
Long-term debt (net of current portion above)		273,787	1,918,704	1,341,460	3,533,951
Net pension liability		80,309	80,309	75,585	236,203
		354,096	1,999,013	1,417,045	3,770,154
Deferred Inflows of Resources-pension related		35,103	35,103	33,036	103,242
Net Position:					
Net Investment in capital assets		354,218	2,309,952	3,778,146	6,442,316
Unrestricted		4,559,890	768,969	418,294	5,747,153
Total net position		4,914,108	3,078,921	4,196,440	12,189,469
Total liabilities and net position	$	5,464,854	5,560,233	5,968,110	16,993,197

Emmetsburg Municipal Utilities
Component Unit of the City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenses and Changes in Net Position
Business-Type Activities
Year Ended June 30, 2015

		Gas Fund	Water Fund	Sanitation Fund	Total
Operating revenues:					
Residential sales	$	872,378	225,671	197,884	1,295,933
Commercial sales		671,454	218,122	164,568	1,054,144
Public authority sales		211,353	34,125	22,505	267,983
Customer fees		138,626	217,668	304,842	661,136
Interfund services provided		39,526	2,663	1,192	43,381
Penalties		8,232	-	-	8,232
Other		21,858	19,169	20,069	61,096
Total operating revenues		1,963,427	717,418	711,060	3,391,905
Operating expenses:					
Personal services		160,585	157,894	143,637	462,116
Contractual		138,057	97,044	146,219	381,320
Materials, supplies and maintenance		1,175,525	106,150	63,426	1,345,101
Utilities		7,401	34,304	65,155	106,860
Depreciation		52,108	262,061	266,760	580,929
Uncollectible accounts		-	-	-	-
Interfund services used		40,384	15,294	15,294	70,972
Total operating expenses		1,574,060	672,747	700,491	2,947,298
Operating income		389,367	44,671	10,569	444,607
Non-operating revenues and (expenses):					
Interest income		7,864	1,374	566	9,804
Interest expense		(13,278)	(61,631)	(39,032)	(113,941)
Industrial development incentive forgivable loan		(6,000)	-	-	(6,000)
Payments to Primary Government for taxes and donations		(357,699)	(9,307)	(9,307)	(376,313)
Total non-operating revenues (expenses)		(369,113)	(69,564)	(47,773)	(486,450)
Change in net position		20,254	(24,893)	(37,204)	(41,843)
Net position at beginning of year restated		4,893,854	3,103,814	4,233,644	12,231,312
Net position at end of year	$	4,914,108	3,078,921	4,196,440	12,189,469

See notes to the financial statements.

Emmetsburg Municipal Utilities
Component Unit of the City of Emmetsburg, Iowa
Combining Statement of Cash Flows
Business-Type Activities
Year Ended June 30, 2015

	Gas Fund	Water Fund	Sanitation Fund	Total
Cash flows from operating activities:				
Cash received from customers	$ 1,921,473	873,614	709,252	3,504,339
Cash payments to suppliers for goods and services	(1,360,222)	(292,088)	(226,333)	(1,878,643)
Cash payments to employees for services	(153,712)	(150,861)	(135,987)	(440,560)
Cash received for interfund services provided	36,407	2,594	1,191	40,192
Cash paid for interfund services used	(40,265)	(15,176)	(15,294)	(70,735)
Other income	21,858	19,169	20,069	61,096
Net cash provided by operating activities	425,539	437,252	352,898	1,215,689
Cash flows from noncapital financing activities:				
Cash from or to primary government funds	6,676	(62,529)	(64,113)	(119,966)
Collection of loan receivable - primary government	2,926	796	796	4,518
Donations				-
Transfers from or to Utilities				-
Transfers from or to primary government funds	(431,237)	(9,307)	(9,307)	(449,851)
Net cash provided (used) by noncapital financing activities	(421,635)	(71,040)	(72,624)	(565,299)
Cash flows from capital and related financing activities:				
Bond proceeds	-	372,704	325,460	698,164
Loan payments	(6,745)	(130,000)	(95,000)	(231,745)
Interest and loan fees paid	(14,245)	(62,926)	(39,036)	(116,207)
Acquisition and construction of capital assets	(106,781)	(181,137)	(172,179)	(460,097)
Net cash provided (used) for capital and related financing activities	(127,771)	(1,359)	19,245	(109,885)
Cash flows from investing activities:				
Interest on cash investments and notes receivable	7,864	1,374	566	9,804
Collection of notes receivable from others	4,000	-	-	4,000
Net cash provided (used) by investing activities	11,864	1,374	566	13,804
Net increase (decrease) in cash and cash equivalents	(112,003)	366,227	300,085	554,309
Cash and cash equivalents, beginning of year	4,772,889	677,129	223,400	5,673,418
Cash and cash equivalents, end of year	$ 4,660,886	1,043,356	523,485	6,227,727
Reconciliation:				
Cash and cash equivalents				
Unrestricted and undesignated	$ 4,599,068	1,028,556	523,485	6,151,109
Restricted	61,818	14,800	-	76,618
	$ 4,660,886	1,043,356	523,485	6,227,727

See notes to the financial statements.

		Gas Fund	Water Fund	Sanitation Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$	389,367	44,671	10,569	444,607
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		52,108	262,061	266,760	580,929
Depreciation					-
(Increase) decrease in operating assets:					
Accounts and other receivables		19,420	76,599	16,775	112,794
Accrued billing		(1,203)	(2,822)	810	(3,215)
Interfund receivable		119	119	-	238
Due from primary government		6,676	-	-	6,676
Inventory		9,490	-	-	9,490
Prepaid expenses		(1,171)	(311)	(960)	(2,442)
Increase (decrease) in operating liabilities:					
Accounts payable		(32,309)	54,901	49,427	72,019
Other liabilities		(5,367)	-	-	(5,367)
Accrued vacation pay		2,912	(135)	1,309	4,086
Interfund payable		(119)	(118)	(1)	(238)
Customer deposits		(1,213)	950	-	(263)
Increase(decrease) in net pension liability		(28,188)	(28,188)	(26,531)	(82,907)
(Increase)decrease in deferred outflows of resources		(20,085)	(5,577)	1,702	(23,960)
Increase (decrease) in deferred inflows of resources		35,102	35,102	33,038	103,242
Net cash provided by operating activities	$	425,539	437,252	352,898	1,215,689

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Emmetsburg Municipal Utilities is the component unit of the City of Emmetsburg, Iowa. It consists of three funds, including the Gas department, the Water department and the Sanitation department. The Utilities do not purport to, and do not, present fairly the financial position of the City of Emmetsburg, Iowa as of June 30, 2015, and the changes in its financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting Policies

The Utilities apply generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The preparation of financial statements in conformity with 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accounting policies of the Utilities conform to generally accepted accounting principles as applicable to governments, except as noted below. The following is a summary of the significant policies:

A. Fund Accounting

The accounts of the Utilities are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in the report, under the Proprietary fund category.

Proprietary Funds

Proprietary funds are accounted for by using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining cost as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred.

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. Operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses 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.

B. Cash and Cash Equivalents

All short-term 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, they have a maturity date no longer than three months. The Utilities maintains a cash and investment pool that is available for use by all funds. Deposits are stated at cost.

The carrying amount of the Utilities' deposits at June 30, 2015 was $6,227,727, and the bank balance was $6,217,006. The bank balance was covered by Federal Depository Insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.

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

C. Accounts and Notes Receivable

Trade accounts and notes receivable are reported at their estimated net realizable value. Collection losses have historically been immaterial, and the Utilities, based on its review of material balances outstanding, have elected no valuation allowance at June 30, 2015. The Utilities typically will write off any balance that remains after it has exhausted all reasonable collection efforts and concludes that additional collection efforts are not cost-justified.

D. Capital Assets and Long-Term Liabilities

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with Utilities activity are included on their Combining Statement of Net Position. The Utilities' reported net position is segregated into net investment in capital assets and unrestricted.

No detailed depreciation schedule or continuing property record is maintained. Consequently, it is impossible to use generally accepted accounting principles for retirements or abandonment of capital assets. Salaries paid for plant investment have been expensed at the time of payment. Vehicle expense and overhead related to construction is not capitalized. Under generally accepted accounting principles, salaries, vehicle expenses and overhead related to construction should be capitalized.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary fund Combining Statement of Net Position. Depreciation has been provided over a range of estimated useful lives using the straight-line method as follows:

Structure and Plant	20 – 50 years
Distribution System	50 years
Equipment, Meters and Mains	3 – 50 years

E. Designated Funds

Designated funds include cash set aside by the Board of Trustees specifically designated for future capital improvements or other special future expenses, over which the board retains control and may at its discretion subsequently use for other purposes.

F. Vacation and Sick Pay (compensated Absences)

Utility employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Vacation pay is recorded as an accrued liability when earned and sick pay is not recognized as an expense until paid.

G. Deferred outflows and Inflows of Resources

Deferred Outflows
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.

Deferred Inflows
In addition to liabilities, the statement of net position and balance sheet will sometimes report separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

2. Notes Receivable

On October 18, 2012, the Utilities entered into a loan agreement with a local manufacturing business to loan the business $50,000, which includes a $20,000 low-interest loan component and a $30,000 forgivable loan component. Both loans required the borrower to maintain a minimum of 20 full-time equivalent (FTE) jobs.

- The low-interest loan bears interest at the rate of 1.50% per annum and is receivable in quarterly principal installments of $1,000, with a maturity date of December 31, 2017.

- The forgivable loan balance is forgivable over the five year term of the note. At the end of each 12 month period and upon proof of providing 20 FTE jobs, $6,000 in principal will be forgiven. If during any individual year during the five year note, the number of FTE employees' drops below 20, $6,000 of the forgivable loan amount will be added to the low-interest loan bearing interest at the rate of 1.50% per annum, with future loan payments adjusted accordingly. During fiscal 2015, a $6,000 principal payment was forgiven.

The principal balance receivable for the two loans totaled $29,000 at June 30, 2015.

3. Primary Governments - Urban Renewal Tax Increment Revenue Bond Receivable

The City of Emmetsburg issued the Emmetsburg Municipal Utilities a $40,000 Urban Renewal Tax Increment Revenue Bond dated October 11, 2006. Principal on this Bond shall bear interest at the rate of 4% per annum, which was modified effective June 1, 2013 to 2.50% per annum. The Bond is due in 20 equal semi-annual installments of $2,508 each December 1 and June 1, commencing December 1, 2007. The Bond matures on June 1, 2017. The principal balance receivable totaled $9,379 at June 30, 2015.

4. Designated funds

The composition of Board designated funds included in cash and cash equivalents, at June 30, 2015 is as follows:

	Gas	Water	Sanitation
Capital Improvements and Replacement	$ 2,503,754	288,274	175,222
Revolving Loan Fund	8,495	-	-
Medical Reimbursement	39,733	4,138	4,137
Industrial Development	283,231	337,682	31,450
	$ 2,835,213	630,094	210,809

5. Restricted Assets – Cash and Cash Equivalents

Restricted assets are comprised of cash in bank that can be used only to repay customer deposits.

6. Capital Assets

Capital assets activity was as follows:

	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
Capital assets not being depreciated:				
Land	$ 152,648	-	-	152,648
Construction in progress	-	117,640	-	117,640
Total capital assets not being depreciated	152,648	117,640	-	270,288
Capital assets being depreciated:				
Structures & plant	11,397,820	71,325	-	11,469,145
Distribution system	5,960,367	2,550	-	5,962,917
Equipment, meters & mains	1,852,881	381,904	-	2,234,785
Total capital assets being depreciated	19,211,068	455,779	-	19,666,847
Less: Accumulated depreciation				
Structures & plant	4,648,723	328,945	-	4,977,668
Distribution system	3,074,325	154,213	-	3,228,538
Equipment, meters & mains	1,356,920	97,771	-	1,454,691
Total	9,079,968	580,929	-	9,660,897
Total capital assets being depreciated, net	10,131,100	(125,150)	-	10,005,950
Net capital assets	$ 10,283,748	(7,510)	-	10,276,238

Construction in progress, totaling $117,640 at June 30, 2015, consisted of costs accumulated to date for the Lake Street project and the meter replacement program.

7. Long-Term Debt

The Utilities entered into Loan and Disbursement Agreements with the State of Iowa and the Iowa Department of Natural Resources (the "Department"), as a means of financing the construction of certain water and sewer treatment facilities of the Utilities. As a means of enabling the State and the Department to comply with the "continuing disclosure" requirements set forth in Rule 15c2-12 of the Securities and Exchange Commission, the Utilities agrees, during the term of the loans, to provide the Department with certain reports and other information as required. Original loans are detailed as follows:

$2,750,000 Iowa State Revolving Loan Program Water Revenue Bond, Series 2005 due in annual payments of $102,000 – $179,000 to June 1, 2026, and interest at 3.00%. At June 30, 2015, the loan balance totaled $1,710,000.

$600,000 Iowa State Revolving Loan Program Sewer Revenue Bond, Series 2005 MC60R due in annual payments of $20,000 – $40,000 to June 1, 2025, and interest at 3.00%. At June 30, 2015, the loan balance totaled $345,000.

$202,000 Sludge Digestion Improvement Bond, Series 1998B due in annual payments of $6,000 - $15,000 to June 1, 2018, and interest at 3.00%. At June 30, 2015, the loan balance totaled $42,000.

$358,000 Sewer Revenue Bond, Series 1998A due in annual payments of $13,000 - $25,000 to June 1, 2018, and interest at 3.00%. At June 30, 2015, the loan balance totaled $70,000.

$990,000 Sewer Revenue Bond, Series 2009A due in annual payments of $32,000 - $57,000 to June 1, 2030, and interest at 3.00%. At June 30, 2015, the loan balance totaled $688,000.

$2,500,000 Corporate Purpose Bonds, Series 2015 City and Utility, Utility portion is $665,000. These bonds are due in annual payments of $60,000 - $75,000 to June 1, 2025, and interest at 1.5%-3%. At June 30, 2015, the loan balance totaled $665,000.

The Utilities is also obligated under a 50% loan liability guarantee related to the financing for the purchase of 58 acres of land for a business park by the Emmetsburg Community Development Corporation ("ECDC"). The guarantee is for 50% of a $685,000 direct and indirect loan from USDA Rural Development and Iowa Trust and Savings Bank, including 50% of interest due on those loans. During fiscal 2010, ECDC was unable to service the debt and the Utilities assumed 50% of the loan liabilities, which were recorded as a non-operating risk under loan guarantee expense of $316,347 for fiscal 2010. Original loans under the guarantee are as follows:

$485,000 USDA Rural Development, due in annual payments of $12,894 to November 7, 2040 and interest at 4.125%. At June 30, 2015, the Utilities 50% of the loan balance totaled $199,615.

$200,000 Iowa Trust and Savings Bank, due in annual payments of $7,977 to November 5, 2032 and variable interest at 6.75%. At June 30, 2015, the Utilities 50% of the loan balance totaled $81,143.

Changes in long-term obligations for the years ended June 30, 2015 are as follows:

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amount Due Within One Year
Water Revenue Bonds:					
Series 2005	$ 1,840,000	-	(130,000)	1,710,000	134,000
Sewer Revenue Bonds:					
Series 2005	375,000	-	(30,000)	345,000	30,000
Series 1998B	52,000	-	(10,000)	42,000	13,000
Series 1998A	90,000	-	(20,000)	70,000	20,000
Series 2009A	723,000	-	(35,000)	688,000	36,000
Corporate purpose 2015	-	665,000	-	665,000	60,000
Obligations Under Guarantee:					
USDA Rural Development	204,090	-	(4,475)	199,615	4,541
Iowa Trust and Savings Bank	83,413	-	(2,270)	81,143	2,430
Total	3,367,503	665,000	(231,745)	3,800,758	299,971
Add: unamoritized Premium	-	33,396	(232)	33,164	-
	$ 3,367,503	698,396	(231,977)	3,833,922	299,971

Annual estimated debt service requirements related to the loans are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 299,971	98,049	398,020
2017	317,722	80,961	398,683
2018	323,903	75,843	399,746
2019	294,304	69,262	363,566
2020	299,727	63,171	362,898
2021-2025	1,628,814	219,493	1,848,307
2026-2030	511,415	62,617	574,032
2031-2035	65,872	20,637	86,509
2036-2040	56,788	7,681	64,469
2041	2,242	93	2,335
	$ 3,800,758	697,807	4,498,565

8. Retirement Systems- IPERS

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

IPERS benefits are established under Iowa Code chapter 978 and the administrative rules thereunder. Chapter 978 and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds BB, 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. Statue 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' total contributions to IPERS for the year ended June 30, 2015 were $32,556.

Net Pension Liabilities. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Utilities' reported a liability of $236,203 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 0.0059588 percent which was a decrease of 0.055578 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Utilities' recognized pension expense of $15,805. At June 30, 2015, the Utilities' 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	$	15,747	-
Changes of assumptions		10,424	-
Net difference between projected and actual earnings on pension plan investments		-	90,081
Changes in proportion and difference between Utility contributions and proportionate share of contributions.		-	-
Utility contributions subsequent to the measurement date		32,556	-
	$	58,727	90,081

$32,889 reported as deferred outflows of resources related to pensions resulting from the Utilities' 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:

June 30,		Total
2016	$	(9,547)
2017		(9,547)
2018		(9,547)
2019		(9,547)
2020		3,244
	$	(34,944)

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 increases (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	100%	

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 (6.50%)	Discount Rate (7.5%)	1% Increase (8.5%)
Utilities' proportionate share of the net pension liability:	$ 446,300	236,203	58,860

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.orq.

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

9. Employee Benefits and Other Postemployment Benefits (OPEB)

Health Insurance (Partial Self-Insurance)

The Utilities' have purchased a health insurance policy with a $3,000 deductible per individual and a $6,000 per family co-insurance clause. The Utilities then self-insures $2,750 of $3,000 deductible.

Other Postretirement Benefits (OPEB)

The Utilities operates a single-employer retiree benefit plan, which provides medical/prescription drug benefits for retirees and their spouses. There are eight active and no retired members in the plan. Participants must be age 55 or older at retirement. The benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the benefits as active employees and retirees are required to reimburse the Utilities for any premiums paid under the plan. The contribution requirements of plan members are established and may be amended by the Utilities.

The Utilities did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions. This is a departure from Generally Accepted Accounting Principles. The amount by which this departure would affect liabilities, net assets and expenses is not reasonably determinable.

10. Risk Management

The Utilities 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 Utilities 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. Related Party Transactions

The Component Unit bills and collects for garbage and recycling services provided for the Primary Government to its residents. During the year ended June 30, 2015, the Component Unit billed $461,648 in fees for the Primary Government.

12. 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 governmental and 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, as follows:

	Gas	Water	Sanitation	Total
Net position June 30, 2014 as previously reported	$ 4,810,497	3,255,002	4,479,027	12,544,526
Net pension liability at June 30, 2014	(80,309)	(80,309)	(75,585)	(236,203)
Changes in outflows of resources related to contributions made after June, 2013 measurement date	163,666	(70,879)	(169,798)	(77,011)
Net position July, 2014 as restated	$ 4,893,854	3,103,814	4,233,644	12,231,312

Emmetsburg Municipal Utilities
Component Unit of the City of Emmetsburg, Iowa
Required Supplementary Information
Year Ended June 30, 2015

Budgetary Comparison Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual

	Actual	Budgeted Amounts Amended	Final to Actual Variance
Operating revenues	$ 3,391,905	3,770,750	(378,845)
Operating expenses	2,947,298	3,331,426	(384,128)
Operating income	444,607	439,324	5,283
Non-operating revenues and (expenses)	(110,137)	65,336	(175,473)
Transfers to Primary Government	(376,313)	(125,866)	(250,447)
Net position at beginning of year, as restated	12,231,312	12,231,312	-
Net position at end of year	$ 12,189,469	12,610,106	

Notes To Required Supplementary Information - Budgetary Reporting

In accordance with the Code of Iowa, the City Council annually adopts a budget 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 nine major classes of disbursements known as functions, not by fund or fund type. One of the nine functions included the 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.

Emmetsburg Municipal Utilities
Schedule of the Utilities' Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement system
June 30, 2015

	2015
Utilities' proportion of the net pension liability (asset)	0.0059588 %
Utilities' proportionate share of the net pension liability	236,203
Utilities' covered-employee Payroll	380,940
Utilities' proportionate share of the net pension liability as a Percentage of its covered - employee Payroll	62.01 %
Plan fiduciary net position as a percentage of the total Pension liability	87.61 %

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

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

Emmetsburg Municipal Utilities
Schedule of Utilities City Contributions
Iowa Public Employers' Retirement System
Last 10 years

Required Supplementary Information

		2015	2014	2013	2012
Statutorily required contribution	$	32,556.00	34,802.00	31,604.00	26,879.00
Contributions in relation to the statutorily required contribution		(32,556.00)	(34,802.00)	(31,604.00)	(26,879.00)
Contribution deficiency (excess)	$	-	-	-	-
Utilities' covered - employee Payroll	$	380,940.00	397,474.00	381,264.00	349,494.00
Contributions as a percentage of covered - employee Payroll		8.55%	8.76%	8.29%	7.69%

2011	2010	2009	2008	2007	2006
22,540.00	20,734.00	19,544.00	19,174.00	17,781.00	17,356.00
(22,540.00)	(20,734.00)	(19,544.00)	(19,174.00)	(17,781.00)	(17,356.00)
335,957.00	323,055.00	311,760.00	330,213.00	318,319.00	327,463.00
6.71%	6.42%	6.27%	5.81%	5.59%	5.30%

Emmetsburg Municipal Utilities
Component Unit of the City of Emmetsburg, Iowa
Combining Schedule of Operating Expenses
Year Ended June 30, 2015

	Gas Fund	Water Fund	Sanitation Fund	Total
Personal services:				
Trustee fees	$ 1,775	1,325	1,325	4,425
Office salaries	23,855	22,296	22,296	68,447
Plant labor	97,984	96,246	88,537	282,767
Extra labor	4,334	3,952	195	8,481
Overtime	4,881	6,204	5,735	16,820
IPERS	17,832	17,910	16,631	52,373
Payroll taxes	9,924	9,961	8,918	28,803
Total personal services	160,585	157,894	143,637	462,116
Contractual:				
Advertising	3,839	2,657	2,563	9,059
Professional	10,361	13,451	22,700	46,512
Insurance	10,347	27,849	33,231	71,427
Health insurance and risk fund	47,643	46,671	47,897	142,211
Analytical testing and contract	-	1,929	37,083	39,012
Regulatory commission	16,162	2,377	1,950	20,489
Conference and education	1,745	870	521	3,136
Regulation and compliance	1,023	1,240	274	2,537
Energy efficiency plan	43,192	-	-	43,192
Telecom system	3,710	-	-	3,710
Collection expense	35	-	-	35
Total contractual	138,057	97,044	146,219	381,320
Materials, supplies and maintenance:				
Cost of natural gas purchased	1,122,895	-	-	1,122,895
Maintenance supplies	1,583	2,579	3,915	8,077
Automotive supplies and expense	5,566	5,906	7,052	18,524
Other equipment supplies and expense	2,305	937	6,309	9,551
Computer maintenance and supplies	7,350	7,533	7,274	22,157
Chemicals	-	21,702	456	22,158
Maintenance and materials - mains	17,659	31,326	-	48,985
Treatment plant maintenance	-	3,740	-	3,740
Water well maintenance	-	18,849	-	18,849
Collection system maintenance	-	-	16,699	16,699
Lift station maintenance	-	-	9,483	9,483
Office supplies	6,971	7,454	7,097	21,522
Uniforms	1,651	1,088	1,037	3,776
Maintenance buildings and grounds	945	379	2,985	4,309
Miscellaneous	8,600	4,657	1,119	14,376
Total materials, supplies and maintenance	1,175,525	106,150	63,426	1,345,101

	Gas Fund	Water Fund	Sanitation Fund	Total
Utilities:				
Lift station power	$ -		5,379	5,379
Telephone	3,274	3,445	3,484	10,203
Electric and Gas	4,127	30,859	56,292	91,278
Total utilities	7,401	34,304	65,155	106,860
Depreciation	52,108	262,061	266,760	580,929
Uncollectible accounts	-	-		-
Interfund services used:				
Administrative fees - Primary Government	40,384	15,294	15,294	70,972
Total interfund services used	40,384	15,294	15,294	70,972
Total operating expenses	$ 1,574,060	672,747	700,491	2,947,298

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INDEPENDENT AUDITORS' 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
Emmetsburg Municipal Utilities
Emmetsburg, Iowa

We have audited the financial statements of the Emmetsburg Municipal Utilities, a component unit of the City of Emmetsburg, Iowa, as of and for the year ended June 30, 2015, and have issued our report thereon dated March 20, 2016. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Emmetsburg Municipal Utilities, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Emmetsburg Municipal Utilities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emmetsburg Municipal Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Emmetsburg Municipal Utilities' internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. I-A-15 and I-B-15. 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.

Compliance and Other Matters

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

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

The Utilities' responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the Utilities' responses, we did not audit the Utilities' responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Emmetsburg, Iowa and other parties to whom the Emmetsburg Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Emmetsburg Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Kiesling Associates, LLP

Emmetsburg, Iowa
March 20, 2016

EMMETSBURG MUNICIPAL UTILITIES

Schedule of Findings and Responses

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements

REPORTABLE CONDITIONS:

I-A-15 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. Over the past years, the Utilities has implemented various procedures to enhance their internal controls. However, due to time and staffing constraints, the Utilities is still unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation function from receipt and disbursement functions.

Recommendation - We realize that the limited number of office employees makes segregation of duties difficult. However, we recommend that the Utility officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - the Utilities will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. There will be no change until it is fiscally responsible to add additional staff.

Conclusion - Response accepted.

I-B-15 Financial Reporting – A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare financial statements in accordance with generally accepted accounting principles. For the year ended June 30, 2014, management did not have the expertise internally to analyze complex transactions to ensure that all transactions were properly recorded in the accounting records. As a result, certain material adjustments were required as part of the audit process.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other consideration. We understand that preparing financial statements for a government of your size is normally not preformed by the government's personnel because the cost of training and keeping up with extremely difficult accounting principles is prohibitive. However, we are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions.

Recommendation – The utilities have hired a CPA as its Financial Director. It is our recommendation that Kiesling Associates, LLP assist her in preparing the financial statements in the future. It is also a suggestion that she attend the accounting updates put on by the State Auditor's office in conjunction with the Iowa Society of CPAs.

Response – It is our intension to use her with the assistance of Kiesling Associates LLP, to prepare the financial statements. We further intend to send her to the aforementioned CPA each year.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-15 Official Depositories - A resolution naming official depositories has been adopted by the Utilities. The maximum deposit amounts stated in the resolution were not exceeded during the year.

II-B-15 Certified Budget - Expenditures during the year ended June 30, 2015 did not exceed the budget for the year.

II-C-15 Questionable Expenditures – There were no questionable expenditures that fell outside its established policy on such costs.

II-D-15 Travel Expense - No expenditures of Utilities' money for travel expenses of spouses of Utilities officials or employees were noted.

II-E-15 Business Transactions – There were no business transactions between the Utilities and Utilities' officials or employees during 2015.

II-F-15 Bond Coverage - Surety bond coverage of City officials and employees including the Utilities is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

II-G-15 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-H-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy were noted.

II-I-15 Revenue Bonds / Notes - The Utilities has complied with all requirements of the Loan and Disbursement agreements.