

**GRAETTINGER MUNICIPAL LIGHT PLANT
A COMPONENT UNIT OF THE CITY OF GRAETTINGER
GRAETTINGER, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

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Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Officials

June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lloyd Petersen	Chairman	Sep 1, 2019
James A. Haegele	Board Member	Sep 1, 2017
Bill Brown, Jr.	Board Member	Sep 1, 2015
Pamela Peton	Secretary/Accountant	Indefinite

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Independent Auditor's Report

To the Board of Directors of the
Graettinger Municipal Light Plant:

Report on the Financial Statements

We have audited the accompanying financial statements of the Graettinger Municipal Light Plant, a component unit of the City of Graettinger, Iowa as of and for the years ended June 30, 2015 and June 30, 2014, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Light Plant'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 Light Plant'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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

Emphasis of Matter

As discussed in Note 14 to the financial statements, Graettinger Municipal Light Plant adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principle require Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Light Plant’s Proportionate Share of the Net Pension Liability, the Schedule of Light Plant’s Contributions information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 10 and 36 through 43 to 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Graettinger Municipal Light Plant’s basic financial statements. Supplementary information included in Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary information included in Schedules 1 and 2 are the responsibility of management and were derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the information included in Schedules 1 and 2 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schedules 3 and 4 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2016, on our consideration of Graettinger Municipal Light Plant's 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 Light Plant's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

February 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Graettinger Municipal Light Plant 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, 2013. We encourage readers to consider this information in conjunction with the Light Plant's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ~ The Light Plant's operating revenues increased by 5.7%, or \$69,347, from fiscal 2014 to 2015. This increase in revenues is due to an increase in residential rates and increase in energy adjustments throughout the year.
- ~ The Light Plant's operating expenses increased by 6.6%, or \$71,093, from fiscal 2014 to 2015. This change is substantially the result of increased professional fees related to applying for tariff reimbursements.
- ~ The Light Plant's non-operating revenues (expenses) increased from (\$16,435) in fiscal 2014 to (\$20,050) in fiscal 2015.

- ~ The Light Plant's net position increased by 3.6%, or \$121,225 from fiscal 2014 to 2015.

USING THIS ANNUAL REPORT

The Graettinger Municipal Light Plant is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Graettinger Municipal Light Plant's basic financial statements. 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 Light Plant's financial activities.

The statement of Net Position presents information on the Light Plant's assets and liabilities, with difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Light Plant is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Assets is the basic statement of activities for the proprietary funds. This statement presents information on the Light Plant's operating revenues and expenses, non-operating revenues and expenses and whether the Light Plant's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Light Plant's cash and cash equivalents during the year. This information can assist the user of this report in determining how the Light Plant financed its activities and how it met its cash requirements.

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

FINANCIAL ANALYSIS OF THE LIGHT PLANT

Statement of Net Position

As noted earlier, net positions may serve, over time, as a useful indicator of the Light Plant's financial position. The Light Plant's net position for fiscal 2015 totaled approximately \$3,518,000. This compares to approximately \$3,497,000 for fiscal 2014. A summary of the Light Plant's net assets is presented below.

	Net Assets	
	Year Ended June 30,	
	2015	2014
Current Assets	\$ 1,410,764	\$ 1,241,329
Capital Assets	\$ 1,574,856	\$ 1,576,979
Non-Current Assets	\$ 676,540	\$ 733,488
Total Assets	\$ 3,662,160	\$ 3,551,796
Deferred Outflows of Resources	\$ 2,844	\$ -
Current Liabilities	\$ 46,881	\$ 50,434
Non-Current Liabilities	\$ 73,961	\$ 4,420
Total Liabilities	\$ 120,842	\$ 54,854
Deferred Inflows of Resources	\$ 26,109	\$ -
Net Position:		
Invested in Capital Assets, Net of Related Debt	\$ 1,574,856	\$ 1,576,979
Restricted	\$ 439,940	\$ 460,585
Unrestricted	\$ 1,503,257	\$ 1,459,378
Total Net Position	\$ 3,518,053	\$ 3,496,942

The Invested in Capital Assets (44.8% of the total) is land, buildings, equipment and a 0.17% ownership in the Neal #4 coal fired power plant, less the related debt portion of the asset. The Unrestricted Assets (42.7% of total) is what can be used to meet the Light Plant's obligations as they come due. The remaining Restricted Assets (12.5% of total) is the funds that are earmarked for certain projects and capital improvements and the \$360,000 that that was used to start the revolving loan fund account.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are derived from the retail sales of electricity to customers of the Light Plant and from a energy adjustment charge imposed upon the same customers. Additional operating revenues are from the sale of wholesale electricity to other electric utilities through NIMECA and some miscellaneous sales. Operating expenses are expenses paid in conjunction with the production and purchase of electricity for resale and to operate the Light Plant. Non-operating revenues and expenses are for interest income and interest expense, payments in lieu of taxes to the City of Graettinger and contributions to economic development and the grant received from the USDA to start the revolving loan fund. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014 is presented below:

Changes in Net Position		
	Year Ended June 30,	
	2015	2014
Operating Revenues:		
Electricity Sales, Retail to Light Plant Customers	\$ 719,113	\$ 756,444
Electricity Sales, Wholesale to Other Electric Utilities	\$ 330,423	\$ 285,244
Energy Adjustments Charged	\$ 169,913	\$ 126,620
Miscellaneous	\$ 71,045	\$ 52,839
Total Operating Revenues	\$ 1,290,494	\$ 1,221,147
Operating Expenses:		
Power Production	\$ 572,117	\$ 551,592
Plant Expense	\$ 11,401	\$ 19,912
Distribution Expense	\$ 121,111	\$ 118,727
Transmission Expense	\$ 78,206	\$ 70,492
Commercial Expense	\$ 33,482	\$ 33,505
Administration	\$ 198,313	\$ 161,332
Depreciation	\$ 134,589	\$ 122,566
Total Operating Expenses	\$ 1,149,219	\$ 1,078,126

Total Operating Income	<u>\$ 141,275</u>	<u>\$ 143,021</u>
Non-Operating Revenues (Expenses):		
Interest Income	\$ 3,296	\$ 5,417
Other Income	\$ 13,396	\$ 14,150
Payments in Lieu of Property Taxes	\$ (22,045)	\$ (21,601)
Economic Developments Contributions	<u>\$ (14,697)</u>	<u>\$ (14,401)</u>
Net Non-Operating Revenues (Expenses)	<u>\$ (20,050)</u>	<u>\$ (16,435)</u>
Change in Net Position	<u>\$ 121,225</u>	<u>\$ 126,586</u>
Net Position Beginning of Fiscal Year, as restated	<u>\$ 3,396,828</u>	<u>\$ 3,281,407</u>
Net Position at End of Fiscal Year	<u><u>\$ 3,518,053</u></u>	<u><u>\$ 3,407,993</u></u>

The Statement of Revenues, Expenses and Changes in Net Position reflects gain for the year with an increase in the net assets of \$121,225 at the end of the fiscal 2015 year.

In fiscal 2015, operating revenues increased by \$69,347. Residential sales decreased by \$33,209, Commercial sales decreased by \$18,800, Industrial sales increased by \$15,990 and Public Authorities sales decreased by \$1312. Energy Adjustment showed an increase in revenues of \$43,293. Sales for Resale revenues increased \$45,179. The remainder of the increase in revenues was from Miscellaneous sales which increased by \$18,206. Fiscal 2015 operating expenses increased by \$71,093, with our administration expense having the largest increase of \$36,981. Schedule 2 has the expenses listed in more detail.

Total fiscal 2015 operating income decreased by \$1,746 compared to an increase of \$37,637 in fiscal 2014. Note this does not include the non-operating revenues (expenses).

Our non-operating revenues (expenses) shows a decrease of \$3,615 from fiscal 2015 to fiscal year 2014.

With the inclusion of the non-operating revenues and expenses to the total operating income, the Graettinger Municipal Light Plant showed a gain for fiscal year 2015 of \$121,225, compared to a gain of \$126,586 in fiscal 2014.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes electricity sales to customers and miscellaneous income reduced by payments made to suppliers and payments made to employees for services. Cash used from capital and related financing activities includes the purchase of capital assets, a refinancing fee and repayment of long-term debt and interest. Cash flows from investing activities includes the purchase and redemption of investments, transfers to and from restricted funds, payments received on notes and interest on investments.

CAPITAL ASSETS

At June 30, 2015, the Light Plant had \$4,499,386 invested in capital assets, net of accumulated depreciation of \$2,924,530. Depreciation charges totaled \$134,589 for fiscal 2015. More detailed information about the Light Plant's capital assets is presented in Note 3 to the financial statements. During the fiscal year 2014, the Light Plant completed an emission control project

LONG-TERM DEBT

At June 30, 2015 the Light Plant had no outstanding long term debts.

ECONOMIC FACTORS

During fiscal 2015 the Graettinger Municipal Light Plant increased its financial assets by 3.6% or \$121,225 to a total asset value of \$3,518,053 compared to \$3,496,942 in fiscal 2014. The Light Plant also implemented GASB 68, which resulted in a reduction of assets of \$110,114. The Board is reviewing their power sources with NIMECA and there could be a possibility of tariff fees being received in future years.

CONTACTING THE LIGHT PLANT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens and taxpayers of Graettinger, Iowa, customers of the Graettinger Municipal Light Plant and creditors with a general overview of the Light Plant's finances and to show accountability for the money received and expended. If you have questions about this report or need additional information, contact Graettinger Municipal Light Plant, P.O. Box 178, Graettinger, Iowa 51342.

Basic Financial Statements

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Exhibit A

Statements of Net Position

June 30, 2015 and 2014

	<u>Proprietary Fund Type</u>	
	<u>Enterprise Fund</u>	
Assets	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents- unrestricted	\$ 983,395	\$ 824,475
Cash and cash equivalents- restricted	40,089	4,070
Accounts receivable	93,753	98,601
Inventories	238,432	260,518
Prepaid expense	18,477	17,150
Interest receivable	618	515
Current portion of notes receivable	36,000	36,000
Total current assets	<u>1,410,764</u>	<u>1,241,329</u>
Non Current Assets:		
Property and equipment	4,499,386	4,366,920
Less accumulated depreciation	(2,924,530)	(2,789,941)
Net capital assets	<u>1,574,856</u>	<u>1,576,979</u>
Investments- unrestricted	275,000	275,000
Investments- restricted	77,851	98,515
Notes receivable	322,000	358,000
Less current portion	(36,000)	(36,000)
Patronage dividends receivable	11,691	11,975
Emission allowances	25,998	25,998
Total non current assets	<u>2,251,396</u>	<u>2,310,467</u>
Total assets	<u>\$ 3,662,160</u>	<u>\$ 3,551,796</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>2,844</u>	<u>-</u>

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Exhibit A

Statements of Net Position

June 30, 2015 and 2014

	<u>Proprietary Fund Type</u>	
	<u>Enterprise Fund</u>	
	<u>2015</u>	<u>2014</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 24,507	\$ 27,008
Operating advance - Neal #4	2,191	2,360
Accrued taxes	7,594	9,326
Accrued vacation	4,242	3,901
Customer deposits	8,347	7,839
Total current liabilities	46,881	50,434
Non Current Liabilities:		
Net pension liability	68,462	-
Net OPEB Liability	5,499	4,420
Total non current liabilities	73,961	4,420
Total liabilities	120,842	54,854
Deferred Inflows of Resources		
Unavailable revenues:		
Pension related deferred inflows	26,109	-
Net Position		
Invested in capital assets net of related debt	1,574,856	1,576,979
Restricted	439,940	460,585
Unrestricted	1,503,257	1,459,378
Total net position	\$ 3,518,053	\$ 3,496,942

See notes to financial statements.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Exhibit B

Statements of Revenues, Expenses and Changes in Net Position

For the Fiscal Years ended June 30, 2015 and 2014

	<u>Proprietary Fund Type</u>	
	<u>Enterprise Fund</u>	
	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 1,290,494	<u>1,221,147</u>
Operating expenses:		
Power production	572,117	551,592
Plant	11,401	19,912
Distribution	121,111	118,727
Transmission	78,206	70,492
Commercial	33,482	33,505
Administration	198,313	161,332
Depreciation	<u>134,589</u>	<u>122,566</u>
Total operating expenses	<u>1,149,219</u>	<u>1,078,126</u>
Operating income	<u>141,275</u>	<u>143,021</u>
Non-operating revenues (expenses):		
Interest income	3,296	5,417
Other income	13,396	14,150
Payments in lieu of property taxes	(22,045)	(21,601)
Economic development payments	<u>(14,697)</u>	<u>(14,401)</u>
Total non-operating revenues (expenses)	<u>(20,050)</u>	<u>(16,435)</u>
Change in net position	121,225	126,586
Net position beginning of year, as restated	<u>3,396,828</u>	<u>3,370,356</u>
Net position end of year	<u>\$ 3,518,053</u>	<u>3,496,942</u>

See notes to financial statements

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Exhibit C

Statements of Cash Flows

For the Fiscal Years ended June 30, 2014 and 2013

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,295,342	\$ 1,221,822
Cash received from miscellaneous income	13,396	14,150
Cash paid to suppliers for goods and services	(920,992)	(857,961)
Cash paid to employees for services	<u>(120,482)</u>	<u>(116,279)</u>
Net cash provided by operating activities	<u>267,264</u>	<u>261,732</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of fixed assets	-	13,332
Acquisition of property and equipment	<u>(132,466)</u>	<u>(523,948)</u>
Net cash used by capital and related financing activities	<u>(132,466)</u>	<u>(510,616)</u>
Cash flows from investing activities:		
(Increase) decrease in patronage dividends	284	553
Investments redeemed	-	840,000
Transfers to restricted investments	(45,941)	(43,675)
Transfers from restricted investments	66,605	28,182
Interest on investments	3,193	8,581
Payments received on development loans	36,000	36,000
Disbursements made on development loans	<u>-</u>	<u>(70,000)</u>
Net cash provided by (used by) investing activities	<u>60,141</u>	<u>799,641</u>
Net increase (decrease) in cash and cash equivalents	194,939	550,757
Cash and cash equivalents - beginning of year	<u>828,545</u>	<u>277,788</u>
Cash and cash equivalents - end of year	<u>\$ 1,023,484</u>	<u>\$ 828,545</u>

(continued)

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Exhibit C

Statements of Cash Flows

For the Fiscal Years ended June 30, 2014 and 2013

Reconciliation of operating income to net cash provided by operating activities:

	<u>2015</u>	<u>2014</u>
Operating income	\$ 141,275	\$ 143,021
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other revenue (expense) - net	(23,346)	(21,852)
Depreciation	134,589	122,566
Decrease in net pension liability	(41,739)	-
Decrease in deferred outflows of resources	7,243	-
Increase in deferred inflows of resources	26,109	-
Increase in net OPEB liability	1,079	1,056
Emission allowances utilized	-	3,955
(Increase) decrease in current assets:		
Accounts receivable	4,848	675
Inventories	22,086	23,744
Prepaid insurance	(1,327)	246
Increase (decrease) in current liabilities:		
Accounts payable	(2,501)	(10,587)
Operating advance - Neal #4	(169)	(1,916)
Accrued taxes	(1,732)	175
Accrued vacation	341	(468)
Customer deposits	508	1,117
Total adjustments	<u>125,989</u>	<u>118,711</u>
Net cash provided by operating activities	<u>\$ 267,264</u>	<u>\$ 261,732</u>

Reconciliation of cash and cash equivalents at year end to the specific assets included on the Statement of Net Assets:

Current assets:

Cash and cash equivalents - unrestricted	983,395	824,475
Cash and cash equivalents - restricted	40,089	4,070
Total cash and cash equivalents	<u>\$ 1,023,484</u>	<u>\$ 828,545</u>

See notes to financial statements.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies

Graettinger Municipal Light Plant (Light Plant) provides electric utility services on a user charge basis to the general public within Graettinger, Iowa.

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

A. Reporting Entity

The Graettinger Municipal Light Plant is legally separate, but is financially accountable to the City of Graettinger and is managed by a three member board of directors. The Light Plant is considered to be a component unit of the City of Graettinger in accordance with U.S. governmental accounting standards.

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

B. Basis of Presentation

The accounts of Graettinger Municipal Light Plant are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2015 and 2014

is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The 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 met.

The Light Plant distinguishes 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 the Light Plant's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows or Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Investments and Cash Equivalents – The Light Plant considers all short-term investments that are highly liquid 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. Cash investments not meeting the definition of cash equivalents at June 30, 2015 and June 30, 2014 include certificates of deposit of \$275,000 and \$275,000, respectively.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2015 and 2014

Accounts Receivable – The Light Plant charges uncollectible receivables against income and does not maintain an allowance for doubtful accounts. At each year-end, those accounts deemed to be worthless are written off. The use of the direct write-off method is not materially different from the reserve method.

Inventories – Inventories are valued at the lower of cost or market on a first-in, first-out (FIFO) basis.

Investments – Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Restricted Assets – The Light Plant has restricted assets set aside for economic development loans and for improvements in accordance with their agreements with the USDA and North Iowa Municipal Electric Cooperative (NIMECA), respectively.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Light Plant as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Buildings and improvements	\$ 2,500
Neal #4 plant	2,500
Engines and other plant equipment	500
Distribution and transmission system	2,500
Vehicles	1,000
Office equipment	500

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Capital assets of the Light Plant are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (in years)</u>
Buildings and improvements	15-40
Neal #4 plant	25
Engines and other plant equipment	7-25
Distribution and transmission system	10-30
Vehicles	5-10
Office equipment	3-10

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2015.

Emission Allowances – The Light Plant is amortizing emission allowances when utilized.

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 (expenses/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.

Compensated Absences – Light Plant employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Light Plant's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2015.

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Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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.

Net Position – Net position represent the difference between assets and liabilities in the financial statements. Net position is reported in the following categories:

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

Restricted net position result when constraints placed on asset use are either externally or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

(2) Cash, Cash Equivalents and Investments

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

The Light Plant is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Light Plant; 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 district.

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

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(3) Capital Assets

A summary of capital assets at June 30, 2015 is as follows:

	Balance Beginning of Year	<u>Increases</u>	<u>Decreases</u>	Balance End of Year
Capital Assets Not Being Depreciated:				
Land	\$ 22,664	---	---	22,664
Construction in progress	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total capital assets not being depreciated	<u>22,664</u>	<u>---</u>	<u>---</u>	<u>22,664</u>
Capital Assets Being Depreciated:				
Buildings and improvements	199,292	---	---	199,292
Neal #4 plant	1,244,917	23,143	---	1,268,060
Engines and other plant equipment	1,451,674	10,642	---	1,462,316
Distribution system	924,250	---	---	924,250
Transmission system	433,957	73,753	---	507,710
Vehicles	70,748	24,928	---	95,676
Office equipment	<u>19,418</u>	<u>---</u>	<u>---</u>	<u>19,418</u>
Total capital assets being depreciated	<u>4,344,256</u>	<u>132,466</u>	<u>---</u>	<u>4,476,722</u>
Less Accumulated Depreciation For:				
Buildings and improvements	148,876	2,115	---	150,991
Neal #4 plant	602,419	40,766	---	643,185
Engines and other plant equipment	963,320	56,842	---	1,020,162
Distribution system	800,301	12,644	---	812,945
Transmission system	188,143	19,184	---	207,327
Vehicles	70,676	763	---	71,439
Office equipment	<u>16,206</u>	<u>2,275</u>	<u>---</u>	<u>18,481</u>
Total accumulated depreciation	<u>2,789,941</u>	<u>134,589</u>	<u>---</u>	<u>2,924,530</u>
Total capital assets being depreciated, net	<u>1,554,315</u>	<u>(2,123)</u>	<u>---</u>	<u>1,552,192</u>
Total capital assets, net	\$ <u>1,576,979</u>	<u>(2,123)</u>	<u>---</u>	<u>1,574,856</u>

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(3) Capital Assets (continued)

A summary of capital assets at June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets Not Being Depreciated:				
Land	\$ 22,664	---	---	22,664
Construction in progress	<u>13,333</u>	---	<u>13,333</u>	---
Total capital assets not being depreciated	<u>35,997</u>	---	<u>13,333</u>	<u>22,664</u>
Capital Assets Being Depreciated:				
Buildings and improvements	199,292	---	---	199,292
Neal #4 plant	1,013,382	231,535	---	1,244,917
Engines and other plant equipment	1,208,825	242,849	---	1,451,674
Transmission system	405,887	28,070	---	433,957
Distribution system	902,756	21,494	---	924,250
Vehicles	70,748	---	---	70,748
Office equipment	<u>19,418</u>	---	---	<u>19,418</u>
Total capital assets being depreciated	<u>3,820,308</u>	<u>523,948</u>	---	<u>4,344,256</u>
Less Accumulated Depreciation For:				
Buildings and improvements	146,689	2,187	---	148,876
Neal #4 plant	565,897	36,522	---	602,419
Engines and other plant equipment	913,557	49,763	---	963,320
Distribution system	787,665	12,636	---	800,301
Transmission system	170,762	17,381	---	188,143
Vehicles	69,809	867	---	70,676
Office equipment	<u>12,996</u>	<u>3,210</u>	---	<u>16,206</u>
Total accumulated depreciation	<u>2,667,375</u>	<u>122,566</u>	---	<u>2,789,941</u>
Total capital assets being depreciated, net	<u>1,152,933</u>	<u>401,382</u>	---	<u>1,554,315</u>
Total capital assets, net	<u>\$ 1,188,930</u>	<u>401,382</u>	<u>13,333</u>	<u>1,576,979</u>

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(4) Notes Receivable

Notes receivable at June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Graettinger Terrill Community School District, note receivable in ten annual payments of \$36,000 beginning September 2, 2012, with no interest charged. This loan was made in association with the Federal Grant Agreement for rural economic development.	\$ 252,000	288,000
Graettinger Economic Development Council, note receivable in one payment on 02/01/2019 with .5% interest	<u>70,000</u>	<u>70,000</u>
Total notes receivable	<u>\$ 322,000</u>	<u>358,000</u>

(5) Restricted Funds

The Light Plant has the following amounts restricted for
the following purposes as of June 30, 2015 and 2014:

Economic Development Loans	\$ 362,089	362,070
Improvements	<u>77,851</u>	<u>98,515</u>
Total restricted funds	<u>\$ 439,940</u>	<u>460,585</u>

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(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ 3,364	1,056	---	4,420	---
Net Pension Liability, as restated	<u>110,201</u>	---	<u>41,739</u>	<u>68,462</u>	---
	<u>113,565</u>	<u>1,056</u>	<u>41,739</u>	<u>72,882</u>	<u>-----</u>

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ 3,364	1,056	---	4,420	---

(7) Pension Plan

The Light Plant contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the Light Plant is required to contribute 8.93% of annual covered payroll for the years ended June 30, 2014. The contribution rates were 5.78% and 8.67% respectively for the year ended June 30, 2013. Contribution requirements are established by state statute. The Light Plant's contribution to IPERS for the years ended June 30, 2014 and June 30, 2013 were \$10,087 and \$10,914 respectively, equal to the required contributions for each year.

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Plan Description – IPERS membership is mandatory for employees of the Light Plant, except for those covered by another retirement system. Employees of the Light Plant 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.

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

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement of 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 the date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-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

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reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 12, 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 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 benefits depend on the benefit option the member selected at retirement. When a member payment equal to the present actuarial value of the member's accrued benefit or calculated 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 by 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 Light Plant contributes 8.93 percent for a total rate of 14.88 percent.

The Light Plant's total contributions to IPERS for the year ended June 30, 2015 were \$10,763.

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Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015 the Light Plant reported a liability of \$68,462 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 Light Plant’s proportion of the net pension liability was based on the Light Plant’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Light Plant’s collective proportion was 0.001692 percent, which was a decrease of 0.000254 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Light Plant recognized pension expense of \$2,376. At June 30, 2015, the Light Plant reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ 744	\$ -
Changes of assumptions	3,021	-
Net difference between projected and actual earnings on pension plan investments	-	26,109
Changes in proportion and difference between Light Plant contributions and proportionate share of contributions	(11,684)	-
Light Plant contributions subsequent to the measurement date	<u>10,763</u>	<u>-</u>
Total	<u>\$ 2,844</u>	<u>\$ 26,109</u>

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\$10,763 reported as deferred outflows of resources related to pensions resulting from the Light Plant 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	\$ (8,377)
2017	(8,377)
2018	(8,377)
2019	(8,377)
2020	(520)
Total	<u>\$ (34,028)</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 annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation Rates vary my membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net 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

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each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

<u>Asset Class</u>	<u>Asset Allocations</u>	<u>Long-Term Expected Real Rate Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(.069)
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 Light Plant 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 Light Plant’s Proportionate Share of the Net Pension Liability to Changes In The Discount Rate – The following presents the Light Plant’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Light Plant’s 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 <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Light Plant’s proportionate share of net pension liability	\$ 129,357	\$ 68,462	\$ 17,060

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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.

Payables to the Pension Plan – At June 30, 2015, the Light Plant had no reported payables to the defined benefit pension plan.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The Light Plant operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 3 active and no retired members in the plan. 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.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Light Plant. The Light Plant currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The Light Plant’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the Light Plant, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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The following table shows the components of the Light Plant's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the Light Plant's net OPEB obligation:

Annual required contribution	\$ 1,251
Interest on net OPEB obligation	111
Adjustment to annual required contribution	<u>(283)</u>
Annual OPEB cost	1,079
Contributions made	<u>---</u>
Increase in net OPEB obligation	1,079
Net OPEB obligation beginning of year	<u>4,420</u>
Net OPEB obligation end of year	\$ <u>5,499</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated using the frozen entry age actuarial cost method by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the years ended June 30, 2015 and 2014.

For the years ended June 30, 2015 and 2014, the Light Plant contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The Light Plant's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation as of June 30, 2015 and 2014 are summarized as follows:

Year Ended <u>June 30,</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2015	\$1,079	0%	\$5,499
2014	1,056	0 %	4,420
2013	1,205	0 %	3,364
2012	1,123	0 %	2,159

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Funded Status and Funding Progress – As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$11,957, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,957. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$120,000 and the ratio of the UAAL to covered payroll was 9.9%. As of June 30, 2015, there were no trust fund assets.

As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$11,099, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,099. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$116,000 and the ratio of the UAAL to covered payroll was 9.4%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2013 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the Light Plant's funding policy. The projected annual medical trend rate is 6%.

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Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement was assumed to be 80% by all groups. There was no assumed turnover rate.

Spousal coverage was based on actual data and husbands are assumed to be three years older than wives. Retirees pay for 100% of the premium and contributions are assumed to increase according to health care trend rates. All employees are assumed to elect the plan they are currently enrolled in at retirement.

Projected claim costs of the medical plan are \$666 or \$1,666 per month for retirees less than age 65 and the same for retirees who have attained age 65. The UAAL is being amortized to fund the value over 30 years, and is not related to salary levels.

(9) Payments in Lieu of Property Taxes

Pursuant to a policy statement adopted on April 9, 1986, the Light Plant is obligated to make voluntary payments in lieu of property taxes to the City of Graettinger. Annual payments are the greater of 7% of net income or \$5,000. This policy was amended June 9, 1999 where the Light Plant is obligated to pay a franchise fee of 1.5 mills per KWH of sales per year. This policy was amended November 16, 2011 to pay a franchise fee of 2.25 mills per KWH of sales per year.

Payments made in the fiscal years ended June 30, 2015 and 2014 totaled \$22,045 and \$21,601 respectively.

(10) Economic Development Payments

Pursuant to a policy statement adopted on May 8, 1991, the Light Plant is obligated to pay annually 5% of net income to the Graettinger Development Council (an economic development association). This policy was amended December 13, 2002, where the Light Plant is obligated to pay a franchise fee of 1.5 mills per KWH of sales per year. Payments to satisfy this policy in the fiscal years ended June 30, 2015 and 2014 totaled \$14,697 and \$14,401 respectively.

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(11) Risk Management

The Light Plant 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 Light plant assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Subsequent Events

The Light Plant has evaluated subsequent events through February 16, 2016 the date the financial statements were available to be delivered. The Light Plant has guaranteed a debt of \$180,000 for the Graettinger Economic Development Council. In the event of nonpayment or nonperformance, the Light Plant promised to make all payments required towards this debt.

(13) 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.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2015 and 2014

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, as follows:

	<u>Net Position</u>
Net Position June 30, 2014 as previously reported	\$ 3,496,942
Net Pension liability at June 30, 2014	(110,201)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>10,087</u>
Net position July 1, 2014, as restated	<u><u>3,396,828</u></u>

Required Supplementary Information

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Budgetary Comparison Schedule of Revenues and Expenses

Required Supplementary Information

	Proprietary Fund Type			Final to Actual Variance
	<u>Enterprise Fund</u>	<u>Budgeted Amounts</u>		
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
<u>For the Fiscal Year ended June 30, 2015</u>				
Revenues:				
Use of money and property	3,296	10,000	10,000	(6,704)
Charges for service	1,290,494	1,278,700	1,278,700	11,794
Miscellaneous	13,396	30,000	30,000	(16,604)
Total revenues	<u>1,307,186</u>	<u>1,318,700</u>	<u>1,318,700</u>	<u>(11,514)</u>
Expenses:				
Business type activities	<u>1,185,961</u>	<u>1,193,000</u>	<u>1,193,111</u>	<u>7,150</u>
Total expenses	<u>1,185,961</u>	<u>1,193,000</u>	<u>1,193,111</u>	<u>7,150</u>
Change in net position	121,225	125,700	125,589	(4,364)
Balances beginning of year, as restated	<u>3,386,828</u>	<u>3,386,828</u>	<u>3,386,828</u>	<u>-</u>
Balances end of year	<u>\$ 3,508,053</u>	<u>3,512,528</u>	<u>3,512,417</u>	<u>(4,364)</u>

For the Fiscal Year ended June 30, 2014

Revenues:				
Use of money and property	5,417	10,000	10,000	(4,583)
Charges for service	1,221,147	1,273,500	1,273,500	(52,353)
Miscellaneous	14,150	18,000	18,000	(3,850)
Total revenues	<u>1,240,714</u>	<u>1,301,500</u>	<u>1,301,500</u>	<u>(60,786)</u>
Expenses:				
Business type activities	<u>1,114,128</u>	<u>1,209,000</u>	<u>1,209,000</u>	<u>94,872</u>
Total expenses	<u>1,114,128</u>	<u>1,209,000</u>	<u>1,209,000</u>	<u>94,872</u>
Change in net position	126,586	92,500	92,500	34,086
Balances beginning of year	<u>3,370,356</u>	<u>3,370,356</u>	<u>3,370,356</u>	<u>-</u>
Balances end of year	<u>\$ 3,496,942</u>	<u>3,462,856</u>	<u>3,462,856</u>	<u>34,086</u>

See accompanying independent auditor's report.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Required Supplementary Information –
Budgetary Reporting

June 30, 2015 and 2014

In accordance with Code of Iowa, the Light Plant annually adopts a budget following required public notice and hearing. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The Light Plant budgets on a GAAP basis and is included in the City of Graettinger's published budget.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These 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. All Light Plant disbursements are included in business type activities.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule of Light Plant's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	2015
Light Plant's proportion of the net pension liability	0.001692%
Light Plant's proportionate share of the net pension liability	\$ 68
Light Plant's covered-employee payroll	\$ 120
Light Plant's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.67%
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 Light Plant will present information for those years for which information is available.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule of Light Plant's Contributions

Iowa Public Employees' Retirement System
Last 7 Fiscal Years
(In Thousands)

Other Information

	2015	2014	2013
Statutorily required contribution	\$ 11	10	11
Contributions in relation to the statutorily required contribution	(11)	(10)	(11)
Contribution deficiency (excess)	\$ -	-	-
Light Plant's covered-employee payroll	\$ 120	114	125
Contributions as a percentage of covered-employee payroll	9.17%	8.77%	8.80%

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 Light Plant will present information for those years for which information is available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
10	8	8	7
<u>(10)</u>	<u>(8)</u>	<u>(8)</u>	<u>(7)</u>
-	-	-	-
<hr/> <hr/>			
123	113	115	112
8.13%	7.08%	6.95%	6.25%

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

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 member. The definition of final average salary changed from the highest three to the highest five 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 sheriff's 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 as a result of quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.0 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rate for retirees in the Regular membership group.
- Reduced retirement rated for sheriff's and deputies between the ages of 55 and 64.
- Moved from an open 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.

City of West Bend, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

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 normal actuarial contribution rate.

The 2008 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 3.5 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended <u>30-Jun</u>	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2011	July 1, 2010	-	\$ 8,828	\$ 8,828	0%	\$ 117,081	7.50%
2012	July 1, 2010	-	\$ 10,152	\$ 10,152	0%	\$ 120,766	8.40%
2013	July 1, 2010	-	\$ 9,303	\$ 9,303	0%	\$ 125,462	7.40%
2014	July 1, 2013	-	\$ 11,099	\$ 11,099	0%	\$ 116,221	9.50%
2015	July 1, 2013	-	\$ 11,957	\$ 11,957	0%	\$ 120,530	9.90%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule 1

Schedules of Operating Revenues

For the Fiscal Years ended June 30, 2014 and 2013

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Utility sales:		
Residential	384,276	\$ 417,485
Commercial	101,111	119,911
Industrial	218,545	202,555
Public authorities	15,181	16,493
For resale	330,423	285,244
Energy adjustment	169,913	126,620
	<u>1,219,449</u>	<u>1,168,308</u>
Other:		
Miscellaneous	<u>71,045</u>	<u>52,839</u>
Total operating revenues	<u><u>1,290,494</u></u>	<u><u>\$1,221,147</u></u>

See accompanying independent auditor's report.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule 2

Schedules of Operating Expenses

For the Fiscal Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Power production expense:		
Fuel and generation	171,776	\$ 121,440
Operation and maintenance, labor, supplies, and expense	52,007	71,625
Other power costs	-	2,832
Purchased power	<u>348,334</u>	<u>355,695</u>
Total power production expense	<u>572,117</u>	<u>551,592</u>
 Plant expense:		
Supplies and expense	<u>11,401</u>	<u>19,912</u>
Total plant expense	<u>11,401</u>	<u>19,912</u>
 Distribution expense:		
Line and station labor	87,341	82,306
Line rents	8,786	8,722
Supplies and expense	18,743	23,181
Truck expense	<u>6,241</u>	<u>4,518</u>
Total distribution expense	<u>121,111</u>	<u>118,727</u>
 Transmission expense:		
Operations supervisor	32,875	30,449
Transmission by others	<u>45,331</u>	<u>40,043</u>
Total transmission expense	<u>78,206</u>	<u>70,492</u>
 Commercial expense:		
Accounting and collecting salaries	<u>33,482</u>	<u>33,505</u>
Total commercial expense	<u>33,482</u>	<u>33,505</u>

(continued)

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule 2

Schedules of Operating Expenses

For the Fiscal Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Administrative expense:		
Advertising	3,628	5,130
Donations	25	65
Employees' benefits	68,604	58,591
Insurance	20,789	23,449
Membership and service charges	19,219	19,289
Miscellaneous general	30,341	26,590
Office supplies and expense	13,072	14,895
Outside services employed	37,267	5,597
Property taxes	<u>5,368</u>	<u>7,726</u>
Total administrative expense	<u>198,313</u>	<u>161,332</u>
Depreciation expense	<u>134,589</u>	<u>122,566</u>
Total operating expenses	<u>1,149,219</u>	<u>\$1,078,126</u>

See accompanying independent auditor's report.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule 3

Schedule of Insurance Coverage

June 30, 2015

<u>Company</u>	<u>Coverage</u>	<u>Limit</u>	<u>Effective</u>
Employers Mutual	Worker's Comp	\$ 500,000	4/1/15-3/31/16
	General Liability		
	Aggregate	2,000,000	4/1/15-3/31/16
	Products Liability	2,000,000	
	Personal Liability	1,000,000	
	Automobile		
	Liability	1,000,000	4/1/15-3/31/16
	Uninsured Motorist	50,000	
	Underinsured Motorist	50,000	
	Umbrella Liability	3,000,000	4/1/15-3/31/16
	Crime		
	Employee Theft	50,000	4/1/15-3/31/16
	Forgery	10,000	
	Property		
	Facilities and Contents	5,915,142	4/1/15-3/31/16
	Inland Marine		
	Equipment-Catastrophe	Scheduled	4/1/15-3/31/16
	Linebacker	1,000,000	4/1/15-3/31/16

See accompanying independent auditor's report.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule 4

Schedules of Kilowatt Hours

For the Fiscal Years ended June 30, 2014 and 2013

	2015		2014	
	<u>Kilowatt Hours</u>	<u>Percent</u>	<u>Kilowatt Hours</u>	<u>Percent</u>
KWH Metered:				
Residential	4,974,091	46.91	5,493,314	49.99
Commercial	1,277,970	12.05	1,318,617	12.00
Industrial	2,972,205	28.03	2,772,582	25.23
Public authorities	<u>190,970</u>	<u>1.80</u>	<u>213,397</u>	<u>1.94</u>
	9,415,236	88.79	9,797,910	89.16
KWH Consumed:				
Used in operations	369,167	3.48	393,220	3.58
Distribution system loss	616,421	5.81	583,725	5.31
Transmission losses	<u>203,926</u>	<u>1.92</u>	<u>214,812</u>	<u>1.95</u>
 Total System	 <u>10,604,750</u>	 <u>100.00</u>	 <u>10,989,667</u>	 <u>100.00</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**

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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

To the Board of Directors of the Graettinger
Municipal Light Plant:

We have audited, in accordance with the 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, the financial statements of Graettinger Municipal Light Plant, a component unit of the City of Graettinger, Iowa, as of and for the year ended June 30, 2015 and June 30, 2014, and the related notes to the financial statements and have issued our report thereon dated February 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Graettinger Municipal Light Plant's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Graettinger Municipal Light Plant's internal control. Accordingly, we do not express an opinion on the effectiveness of Graettinger Municipal Light Plant's internal control.

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

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

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. We consider the deficiencies described in the accompanying Schedule of Findings as items I-B-15 and I-C-15 to be significant deficiencies.

Compliance and Other Matters

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

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

Graettinger Municipal Light Plant's Response to Findings

Graettinger Municipal Light Plant's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Light Plant's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Graettinger Municipal Light Plant 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

February 16, 2016

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule of Findings

For the Fiscal Year ended June 30, 2015

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-15 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent loss from employee error or dishonesty and therefore maximizes the accuracy of the Light Plant’s financial statements. We noted that one employee handles almost all of the financial duties, including reconciling accounts and recording financial data.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. Therefore, we recommend the board maintain its diligence in the review of the financial records.

Response – We will continue our review.

Conclusion – Response accepted.

I-B-15 Preparation of Financial Statements, Including Disclosures to Financial Statements - Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. Graettinger Municipal Light Plant does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit, requires us to communicate this matter with those charged with governance.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule of Findings

For the Fiscal Year ended June 30, 2015

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. Outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principals can be considered costly and ineffective. However, it is the responsibility of the Light Plant’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a gong forward basis.

Conclusion – Response accepted.

I-C-15 Preparation of 1099’s – It was noted during the course of our audit that there was a vendor that possibly should have been sent a 1099 tax form.

Recommendation – Management should review their procedures and mail out requests for identification numbers from their vendors to help insure the Light Plant is in compliance with government reporting requirements.

Response – We will do this.

Conclusion – Response accepted.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule of Findings

For the Fiscal Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements for the year ended June 30, 2015 did not exceed amounts budgeted.
- (2) Questionable Expenses – No expenses were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of money for travel expenses of spouses of Light Plant officials or employees were noted.
- (4) Business Transactions – The City of Graettinger has included the Light Plant in the commercial insurance package purchased from the agency of Lloyd Peterson, Chairman of the Light Plant Board. The City bills the Light Plant for their portion of the premiums paid. The Light Plant’s premium paid for this coverage was \$19,304 and \$22,867 for the years ended June 30, 2015 and 2014, respectively.

This does not appear to be a conflict of interest as insurance is a service and falls outside the items that are normally bid on.

- (5) Bond Coverage – Surety bond coverage of Light Plant officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the minutes but were not.
- (7) 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 Light Plant’s investment policy were noted.