

**INDEPENDENCE LIGHT AND POWER,
TELECOMMUNICATIONS**

A Component Unit of the
City of Independence, Iowa

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2015 and 2014

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

A Component Unit of the City of Independence, Iowa

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Independence Light and Power, Telecommunications
Independence, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Independence Light and Power, Telecommunications, a component unit of the City of Independence, Iowa, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Independence Light and Power, Telecommunications'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 an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 over financial reporting relevant to the Independence Light and Power, Telecommunications' 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 Independence Light and Power, Telecommunications' 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 opinion.

To the Board of Trustees
Independence Light and Power, Telecommunications

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independence Light and Power, Telecommunications as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Independence Light and Power, Telecommunications as of and for the year ended December 31, 2014, were audited by other auditors whose report dated July 22, 2015, expressed an unmodified opinion on those statements.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Independence Light and Power, Telecommunications component unit and do not purport to, and do not, present fairly the financial position of the City of Independence, Iowa, as of December 31, 2015 and 2014 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in the Note 1, Independence Light and Power, Telecommunications adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. The cumulative effect of the change is shown in the current year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 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.

To the Board of Trustees
Independence Light and Power, Telecommunications

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 2015 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, the supplemental information as of and for the year ending December 31, 2015, is fairly stated in all material respects in relation to the basic financial statements as a whole. The 2014 information was subjected to the auditing procedures applied in the audit of those basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2014 basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The other information on pages 46 through 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated September 16, 2016 on our consideration of the Independence Light and Power, Telecommunications' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Independence Light and Power, Telecommunications' internal control over financial reporting and compliance.



Madison, Wisconsin
September 16, 2016

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited

As of and for the Years Ended December 31, 2015 and 2014

The management of the Independence Light and Power, Telecommunications offers all persons interested in the financial position of the Utility this narrative overview and analysis of the Utility's financial performance during the fiscal years ending December 31, 2015 and 2014. You are invited to read this narrative in conjunction with the Utility's financial statements.

FINANCIAL HIGHLIGHTS

- > The Utility's total assets and deferred outflows of resources increased \$560,000 in 2015 from 2014 and increased \$367,000 in 2014 from 2013. This was mainly due to an increase in cash and investments and the Board Designated Funds.
- > The Utility's total liabilities and deferred inflows of resources increased \$450,000 in 2015 from 2014. This was a result of a decrease in accounts payable and notes payable offset by the recognition of the net pension liability under GASB 68. Total liabilities decreased \$298,000 in 2014 from 2013.
- > Operating revenues generated mostly by usage increased \$292,000 in 2015 due to an increase in electric industrial usage, an increase in telecommunication customers, and an increase in telecommunication rates. Operating revenue increased \$152,000 in 2014 from 2013.
- > In 2015, operating expenses excluding depreciation increased \$23,000 as a result of a more aggressive marketing strategy and Telecommunications programming expenses. In 2014, operating expenses increased \$283,000.

OVERVIEW OF THE FINANCIAL STATEMENTS/USING THIS REPORT

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the financial statements. Independence Light and Power, Telecommunications provides electrical, cable, internet, and telephone services to the citizens of the City of Independence and is a component unit of the City. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The accounting records are maintained in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC). These statements offer short- and long-term financial information about the activities and operations of Independence Light and Power, Telecommunications.

An analysis of the Utility's financial position begins with a review of the Statements of Net Position, and the Statements of Revenues, Expenses and Changes in Net Position. These statements report the Utility's net position and changes therein. The Utility's net position – 'the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources' – is the key to measuring the financial health of the Utility. Over time, increases or decreases in the net position value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted the financial position may also be affected by other non-financial factors, including economic conditions, customer growth, climate conditions and new regulations.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited

As of and for the Years Ended December 31, 2015 and 2014

UTILITY FINANCIAL ANALYSIS

The Statements of Net Position include all of the Utility's assets and liabilities and provide information about the nature and amount of investments in resources and the obligations to creditors. These statements provide the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Utility.

Table 1
Condensed Statements of Net Position

	2015	2014	Dollar Change	Total Percent Change	2013
Current and Other Assets	\$ 11,503,871	\$ 10,946,408	\$ 557,463	5.09%	\$ 10,312,789
Capital Assets	7,735,470	7,946,132	(210,662)	-2.65%	8,212,440
Deferred Outflows of Resources	213,669	-	213,669	100.00%	-
Total Assets and Deferred Outflows of Resources	19,453,010	18,892,540	560,470	2.97%	18,525,229
Long-Term Debt Outstanding	2,525,673	3,089,803	(564,130)	-18.26%	3,416,027
Other Liabilities	2,472,094	1,743,825	728,269	41.76%	1,715,184
Deferred Inflows of Resources	285,675	-	285,675	100.00%	-
Total Liabilities and Deferred Inflows of Resources	5,283,442	4,833,628	449,814	9.31%	5,131,211
Net investment in Capital Assets	7,735,470	7,652,778	82,692	1.08%	5,680,305
Unrestricted	6,434,098	6,406,134	27,964	0.44%	7,713,713
Total Net Position	\$ 14,169,568	\$ 14,058,912	\$ 110,656	0.79%	\$ 13,394,018

During 2015, the Utility increase its cash and Board Designated funds which resulted in higher current and other assets. Capital assets decreased due to the annual depreciation accrual exceeding capital additions.

Other liabilities increased as a result of the net pension liability. Long term debt continues to decrease as the Utility pays down its debt.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited

As of and for the Years Ended December 31, 2015 and 2014

UTILITY FINANCIAL ANALYSIS (cont.)

Table 2
Condensed Statements of Revenues,
Expenses and Changes in Net Position

	2015	2014	Dollar Change	Total Percent Change	2013
Operating Revenues	\$ 11,818,300	\$ 11,526,151	\$ 292,149	2.53%	\$ 11,373,743
Nonoperating Revenues	117,467	174,058	(56,591)	-32.51%	107,388
Total Revenues	11,935,767	11,700,209	235,558	2.01%	11,481,131
Depreciation Expense	885,962	895,199	(9,237)	-1.03%	960,578
Operating Expenses	9,872,291	9,849,260	23,031	0.23%	9,565,892
Nonoperating Expenses	22,661	134,856	(112,195)	-83.20%	1,497,345
Total Expenses	10,780,914	10,879,315	(98,401)	-0.90%	12,023,815
Income Before Transfers	1,154,853	820,894	333,959	40.68%	(542,684)
Transfers - City	(156,000)	(156,000)	-	0.00%	(156,000)
Changes in Net Position	998,853	664,894	333,959	50.23%	(698,684)
Beginning Net Position	14,058,912	13,394,018	664,894	4.96%	14,092,702
Cummulative effect of a change in accounting principle	(888,197)	-	(888,197)	100%	-
Total Net Position	\$ 14,169,568	\$ 14,058,912	\$ 110,656	0.79%	\$ 13,394,018

As can be seen from the above table, operating revenues increased in 2015 as a result of an increase in the telecommunication charges, electric industrial usage, and telecommunication customers. Operating expenses increased in 2015 as a result of a more aggressive marketing strategy and Telecommunications programming expenses. The implementation of GASB 68 as discussed in Note 16 is presented as a change in accounting principle.

See accompanying Independent Auditors' Report.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited

As of and for the Years Ended December 31, 2015 and 2014

UTILITY FINANCIAL ANALYSIS (cont.)

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds.

Table 3
Condensed Statements of Cash Flows

	2015	2014	Dollar Change	Total Percent Change	2013
Cash Flows From:					
Operating activities	\$ 1,909,325	\$ 1,870,194	\$ 39,131	2.09%	\$ 1,757,382
Noncapital financing activities	(104,572)	(104,571)	(1)	0.00%	-
Capital and related financing activities	(991,315)	(2,896,252)	1,904,937	-65.77%	(1,131,725)
Investing activities	245,794	43,039	202,755	471.10%	48,271
Net change in cash and cash equivalents	<u>1,059,232</u>	<u>(1,087,590)</u>	<u>2,146,822</u>	<u>-197.39%</u>	<u>673,928</u>
Cash and Cash Equivalents - Beginning of Year	<u>3,052,675</u>	<u>4,140,265</u>	<u>(1,087,590)</u>	<u>-26.27%</u>	<u>3,466,337</u>
Cash and Cash Equivalents -					
End of Year	<u><u>\$ 4,111,907</u></u>	<u><u>\$ 3,052,675</u></u>	<u><u>\$ 1,059,232</u></u>	<u><u>34.70%</u></u>	<u><u>\$ 4,140,265</u></u>

A summary of activities that took place in the year 2015 were:

- > Telecommunication charges increased in 2015.
- > Debt principal payments include \$546,130 in total; based on decreased notes payable and paying off general obligation debt in 2014. Please see Note 7 for further information regarding the Utility's long-term debt obligations.
- > The Utility continues AMI integration for electric and migration to a new core for telecommunications.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited

As of and for the Years Ended December 31, 2015 and 2014

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

In 1893, the citizens of Independence voted by a 572 majority to build a municipal light plant. This building was located where Veterans Park is today. The flood of 1947 caused damage to the plant so they decided to move to a better location. In 1948, construction began on a new building at the present site. At that time, the Mayor and City council governed the Light Plant. In 1961, the City voted to have the Light Plant governed by a board of trustees.

During the construction of this building, two new Superior 1000kw generators were installed. These generators are still in use today. After these generators became operational they moved two Worthington generators from the old plant. These units have since been removed to make room for new Caterpillar generators.

As the City grew, the demand for electricity also grew, so additional generation had to be added. In 1957, a twenty-foot addition was added to the west side of the building to make room for the installation of a 2500kw Worthington generator. In 1964, another addition was added to the west allowing space for two additional generators. At this time, a 3200kw Worthington generator was installed. In 1973, a 6250kw Worthington generator was installed and a new Control Room was added to the south side of the building.

In 1975, the interconnection with Interstate Power Company was installed. This meant that the plant went to a standby status and power was purchased from Interstate Power Company. Power was generated during times of high usage and during emergencies. Presently, we are still in a standby status from May 1996 until May 2006, we have been purchasing power from Dairyland Power Company. On April 20, 2006, a contract was signed with Wisconsin Energy (WPPI) to purchase power beginning May 1, 2006 for a period of 30 years.

In October of 1979, the Line Shop moved to their present location. In 1987, we began to upgrade the electrical distribution system from 2400 volts to 12,470 volts. This upgrade was completed in January of 2002. In order to better serve our customers, a drive-thru pay window was installed in 1992 and the billing functions were moved from City Hall to the plant.

In 1995, two 1860kw Caterpillar generators were installed in place of the 1935 generator. In March of 1999, the 1939 generator was also removed to make room for additional Caterpillar generators. In May of 2000, three 1860kw Caterpillar generators came on line. In 2007, the two 1949 Superior generators were retired and currently the total generating capacity of the plant is 21,250kw.

In November of 1997, by a majority vote, the citizens of Independence approved the formation of a telecommunications company. A new administration building was built across the street from the plant and in May of 2000, the office and management personnel moved in. The vacated office area at the plant was remodeled for the new telecommunications equipment. Cable TV became operational in December 2000 and internet in May of 2001. In 2006, telephone service, or Voice Over Internet Protocol (VOIP) was added as an additional service.

In June of 2003, work began on the site of the west substation. This substation was installed to handle the continued growth west of the river. It will also be used to serve the entire town when east substation needs to be taken out of service. We are continuing to stay abreast with our customers' needs and keeping a watchful eye to the future. Our goal is the same as our founders, to deliver low cost dependable power to all citizens well into the future.

See accompanying Independent Auditors' Report.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited

As of and for the Years Ended December 31, 2015 and 2014

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS (cont.)

In May of 2013, Generation Capacity Payments were no longer available to the Utility and costs to bring the generators up to the new emission standards were estimated to be \$900,000. Without the ability to retain generation capacity payments and the high costs to update the generators to the new emissions rules standards, the Utility Board voted to solicit bids and sell the generators and associated equipment. In August of 2013, the West Substation located on Iowa Ave SW was energized providing increased reliability to electric customers.

On April 28, 2015 the West Substation was brought on line through the recently completed ITC double circuit transmission line from the new Wapsi Substation located at Wapsi Access Blvd and Otterville Blvd. This new transmission connection provides a contract path for purchase power to WPPI Energy and eliminates the payments to CIPCO, which was previously providing an emergency connection to the West Substation. Additionally, the recent improvements to area transmission lines allow the Utility to take service from a South, West or North transmission feed to each of the two substations, Independence Main Substation and Independence West Substation, greatly improving electric reliability to customers.

CONTACTING UTILITY MANAGEMENT

This financial report is designed to provide our customers, investors and creditors with a general overview of the Utility's finances. If you have questions about this report, or need additional financial information, contact the Kevin Sidles, General Manager, P.O. Box 754, Independence, IA 50644.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

STATEMENTS OF NET POSITION As of December 31, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 3,212,493	\$ 2,870,618
Customer accounts receivable - net	932,142	952,791
Unbilled revenues	207,802	192,939
Interest receivable	5,477	4,888
Investment income receivable	3,133	9,706
Materials and supplies	327,376	285,478
Prepaid items	24,494	34,187
Total Current Assets	4,712,917	4,350,607
BOARD DESIGNATED FUNDS		
Transmission capital investment fund	266,365	266,365
Capital improvement fund	2,023,233	1,591,233
Retirement and severance fund	959,816	974,459
Self insurance fund	1,050,000	950,000
Total Board Designated Funds	4,299,414	3,782,057
CAPITAL ASSETS		
Construction in progress	27,471	42,674
Capital assets	21,015,560	20,788,607
Less: Accumulated depreciation	(13,307,561)	(12,885,149)
Total Capital Assets - Net	7,735,470	7,946,132
OTHER ASSETS		
Investment in transmission	180,152	180,152
Notes receivable - revolving loan fund	85,715	137,143
Notes receivable - WVC	2,225,673	2,496,449
Total Other Assets	2,491,540	2,813,744
Total Assets	19,239,341	18,892,540
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	213,669	-

	<u>2015</u>	<u>2014</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 801,181	\$ 841,400
Accrued wages	50,625	46,130
Compensated absences	489,496	465,311
Unearned revenues	12,500	12,500
Accrued liabilities	22,946	32,580
Current portion of long term debt	<u>270,776</u>	<u>564,130</u>
Total Current Liabilities	<u>1,647,524</u>	<u>1,962,051</u>
OTHER LIABILITIES		
Notes payable - USDA revolving loan fund	300,000	300,000
Notes payable - USDA WVC	1,954,897	2,225,673
Accrued retirement insurance	334,108	345,904
Net pension liability	<u>761,238</u>	<u>-</u>
Total Other Liabilities	<u>3,350,243</u>	<u>2,871,577</u>
Total Liabilities	<u>\$ 4,997,767</u>	<u>\$ 4,833,628</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	<u>285,675</u>	<u>-</u>
NET POSITION		
Net Investment in capital assets	7,735,470	7,652,778
Unrestricted (deficit)	<u>6,434,098</u>	<u>6,406,134</u>
TOTAL NET POSITION	<u>\$ 14,169,568</u>	<u>\$ 14,058,912</u>

See accompanying notes to financial statements.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Charges for services	\$ 11,729,083	\$ 11,441,173
Other	89,217	84,978
Total Operating Revenues	11,818,300	11,526,151
OPERATING EXPENSES		
Generation expense	92,446	134,973
Purchased power and transmission expenses	6,217,117	6,209,150
Distribution expenses	301,397	372,080
Customer account expenses	104,818	101,752
Administration and general expenses	1,234,122	1,169,466
Cable and internet expenses	1,888,659	1,779,970
Benefits to community and city	33,732	81,869
Depreciation	885,962	895,199
Total Operating Expenses	10,758,253	10,744,459
Operating Income	1,060,047	781,692
NONOPERATING REVENUES (EXPENSES)		
Investment income	39,810	43,039
Miscellaneous revenues	77,657	131,019
Interest expense	(1,987)	(41,588)
Loss on disposal of property	(20,674)	(93,268)
Total Nonoperating Revenues (Expenses)	94,806	39,202
INCOME BEFORE TRANSFERS	1,154,853	820,894
Transfers - To City	(156,000)	(156,000)
Change in Net Position	998,853	664,894
TOTAL NET POSITION - Beginning	14,058,912	13,394,018
Cumulative effect of a change in accounting principle	(888,197)	-
TOTAL NET POSITION - ENDING	\$ 14,169,568	\$ 14,058,912

See accompanying notes to the financial statements.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers and users	\$ 11,901,742	\$ 11,591,799
Paid to suppliers for goods and services	(8,911,589)	(8,542,744)
Paid to employees for services	(1,080,828)	(1,178,861)
Cash Flows from Operating Activities	1,909,325	1,870,194
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to city	(156,000)	(156,000)
Repayment of notes receivable	270,776	87,443
Repayment of revolving note receivable	51,428	51,429
Issuance of notes receivable	-	(2,000,000)
Principal paid on long term debt	(270,776)	(87,443)
Proceeds from long term debt	-	2,000,000
Cash Flows from Noncapital Financing Activities	(104,572)	(104,571)
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(709,352)	(682,949)
Disposal of capital assets	13,378	67,066
Debt retired	(293,354)	(2,238,781)
Interest paid	(1,987)	(41,588)
Cash Flows from Capital and Financing Activities	(991,315)	(2,896,252)
CASH FLOWS FROM INVESTING ACTIVITIES		
Marketable securities sold	3,600,000	3,600,000
Purchase of marketable securities	(3,400,000)	(3,600,000)
Interest income	45,794	43,039
Cash Flows from Investing Activities	245,794	43,039
Net Change in Cash and Cash Equivalents	1,059,232	(1,087,590)
CASH AND CASH EQUIVALENTS - Beginning of Year	3,052,675	4,140,265
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,111,907	\$ 3,052,675
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Loss on disposal of property	\$ (34,052)	\$ (160,334)

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 1,060,047	\$ 781,692
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Non-operating Income	77,657	68,187
Non-cash items included in operating income:		
Depreciation and amortization	885,962	895,199
Changes in assets and liabilities:		
Customer accounts receivable	20,649	(59,500)
Unbilled revenue receivable	(14,863)	56,735
Interest receivable		226
Materials and supplies	(41,898)	71,888
Prepayments	9,693	(17,762)
Accounts payable	(40,220)	84,470
Accrued sick leave	24,185	(5,642)
Other liabilities	(16,934)	(5,299)
Pension related deferrals and liabilities	(54,953)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,909,325</u>	<u>\$ 1,870,194</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 3,212,493	\$ 2,870,618
Transmission capital investment fund	266,365	266,365
Capital improvement fund	2,023,233	1,591,233
Retirement and severance fund	959,816	974,459
Self insurance fund	<u>1,050,000</u>	<u>950,000</u>
Total Cash and Investments	7,511,907	6,652,675
Less: Noncash equivalents	<u>(3,400,000)</u>	<u>(3,600,000)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 4,111,907</u>	<u>\$ 3,052,675</u>

See accompanying notes to financial statements.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Independence Light and Power, Telecommunications (utility) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to a component unit of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the utility are described below.

REPORTING ENTITY

The utility is a separate and distinct city utility and is chartered under Iowa Code Section 388. The utility is a component unit of the City of Independence (municipality). The utility provides electrical, cable, internet, and telephone services to the citizens of the City of Independence, Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis and the utilities are governed by a separate Board of Trustees which is appointed by the Mayor subject to the approval of the City Council.

Independence Telecommunications Utility, which provides cable, internet, and telephone services, is legally separate from Independence Light and Power, the Electric Utility, but is financially accountable to the Electric Utility, and its relationship with the Electric Utility is such that exclusion would cause the Electric Utility's financial statements to be misleading or incomplete. The Telecommunications Utility is governed by the same five-member Board as the Electric Utility, and appointed by the Mayor subject to the approval of the City Council.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The accounting records are maintained in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC).

GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, in June 2012 and November 2013, respectively. These statements establish accounting and financial reporting standards for the accounting and reporting to the utility's cost-sharing multiple employer pension plan. This statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employer. The utility adopted these statements effective January 1, 2015. The cumulative impact of implementation is shown in Note 16.

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

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Deposits and Investments

For purposes of the statement of cash flows, cash, and cash equivalents have original maturities of three months or less from the date of acquisition.

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

The utility has adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Accounts Receivable and Unbilled Revenue

Accounts receivable are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual customer balances. At December 31, 2015 and 2014, management identified all the receivables that are not fully collectible and has recorded an allowance for doubtful accounts of \$85,612 and \$84,448, respectively.

Unbilled revenue is for the services consumed between periodic scheduled billing dates and is estimated and recognized as revenue in the period in which the service is provided. At December 31, 2015 and 2014, the electric meter usage that has not been read or billed by the Electric Utility was \$207,802 and \$192,939, respectively.

Materials and Supplies

Materials and supplies are generally used for construction, operation, and maintenance work, not for resale. They are valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.

Board Designated Funds

These consist primarily of cash designated by the Board of Trustees for the improvement, replacement and expansion of capital assets, future investment in transmission, and future health insurance payments for retired employees. The Board retains control over these funds and may, at its discretion, subsequently use them for other purposes.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Notes Receivable

Independence Light and Power, Telecommunications has received money from the United States Department of Agriculture (USDA) which they have in turn loaned out to local customers. They have recorded a notes receivable for amounts loaned out and corresponding notes payable to the USDA. See Note 7 - Long term obligations for details on the individual notes payable.

Capital Assets

Capital assets are generally defined by the utility as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized.

Capital assets of the utility are recorded at cost, except for property, equipment, vehicles and infrastructure assets constructed prior to 1954, which are stated at appraisal valuations. Capital asset additions subsequent to that date are stated at cost or the fair market value at the time of contribution to the utility. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	25 - 50
Improvements other than buildings	15 - 40
Vehicles	5 - 10
Equipment and computers	3 - 25
Furniture	7 - 10
Infrastructure	15 - 55
Land Rights and intangibles	10 - 40
Telecommunication equipment	5 - 25

Deferred Outflow of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation and sick leave pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the utility.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Accrued Retirement Insurance

The utility provides postemployment health insurance benefits to all eligible employees. Eligibility is based on years of service and employee age. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. These amounts are recorded as accrued retirement insurance on the statement of net position.

Long-Term Obligations

Long-term debt and other obligations are reported as utility liabilities.

Pensions

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

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

REVENUES AND EXPENSES

The utility distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the utility's principal ongoing operations. The principal operating revenues of the utility are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charges for Services

Billings are rendered and recorded monthly based on metered usage at stated rates.

Income Taxes

Independence Light and Power, Telecommunications are subdivisions of the State of Iowa and exempt from federal and state income taxes.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REVENUES AND EXPENSES (cont.)

Budgets and Budgetary Accounting

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

ASB has approved GASB Statement No. 72, Fair Value Measure and Application, Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, and Statement No. 79, Certain External Investment Pools and Pool Participants. When they become effective, application of these standards may restate portions of these financial statements. The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 72, *Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. When they become effective, application of these standards may restate portions of these financial statements.

COMPARATIVE DATA

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - DEPOSITS AND INVESTMENTS

The carrying values of the utility's deposits and investments as of December 31, 2015 and 2014 were comprised of the following:

	Carrying Value as of		Risks
	December 31,		
	2015	2014	
Checking	\$ 2,654,754	\$ 2,193,279	Custodial Credit Risk
Savings	1,456,353	858,596	Custodial Credit Risk
CD's	3,400,000	3,600,000	Custodial Credit Risk
Petty Cash	<u>800</u>	<u>800</u>	
Totals	<u>\$ 7,511,907</u>	<u>\$ 6,652,675</u>	

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the utility's deposits may not be returned to the utility. Independence Light and Power, Telecommunications' deposits in banks at December 31, 2015 and 2014 were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

NOTE 3 - INVENTORIES

Inventory is stated at the lower of cost or market. At December 31, inventories consisted of the following:

	<u>2015</u>	<u>2014</u>
Lube oil	\$ 16	\$ 16
Distribution	142,678	132,576
Generation	20,000	20,000
Cable and internet supplies	<u>164,682</u>	<u>132,886</u>
Totals	<u>\$ 327,376</u>	<u>\$ 285,478</u>

NOTE 4 - BOARD DESIGNATED FUNDS

The Board has set up designated funds for the following specific purposes.

Capital Improvement Fund

At the October 20, 1994 meeting, the Board approved the combining of the Improvement Fund and the Future Construction Fund and called it the Capital Improvement Fund. This fund is to be used for new construction projects and improvements. Initially, monthly transfers to this fund were to be \$15,000. During 2014, the Utility's Board voted to freeze all monthly transfers into this fund. For 2015, the Utility's Board voted to transfer \$36,000 per month to this fund. Balance of the fund at December 31, 2015 and 2014 was \$1,783,233 and \$1,471,233 respectively.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 4 - BOARD DESIGNATED FUNDS (cont.)

Retirement and Severance Fund

The Board of Trustees has reserved this to pay for future health insurance coverage for retired employees. It also helps fund the accrued vacation and sick leave liability for current employees in the event of their termination, death or retirement. This fund is to equal the combined retirement and severance liabilities. \$7,700 was originally transferred into this fund each month. During 2014 the Utilities' Board voted to freeze all monthly transfers into this fund. Also during 2014, the Board voted to release and transfer \$600,000 from the fund to be used towards paying down the utility's long-term debt. Balance of the fund at December 31, 2015 and 2014 was \$959,816 and \$974,459 respectively.

Self Insurance Fund

The Board of Trustees has reserved the amounts in this fund to replace the distribution system that might be destroyed by a natural disaster. This reduces the amount of insurance premium that would be incurred if an outside insurer were paid for this coverage. Prior to October 1994, this fund was funded with all interest income received. At the October 20, 1994 board meeting, the policy was changed to have \$2,500 transferred to this fund each month. At the February 24, 2005 board meeting, the board approved a transfer of \$181,596 to this fund from the Retirement and Severance Fund, and approved capping this fund at \$1,000,000. At the November 19, 2009 board meeting, the board approved a transfer of \$250,000 to this fund from the checking account. At the August 25, 2011 board meeting the board approved a donation to the Mustang Foundation for the building of the new Junior Senior High School for \$500,000 to be paid from this fund. As of December 31, 2015 the \$500,000 of this amount had been paid. The board has approved a payback schedule of monthly transfers for \$8,333.34 for 60 months from revenues to the Self Insurance Fund. During 2015 a total of \$100,000 was transferred to this fund. Balance of the fund at December 31, 2015 and 2014 was \$1,050,000 and \$950,000 respectively.

Transmission Capital Investment Fund

At the April 19, 2007 Board of Director's meeting, it was approved to create a new designated fund - Transmission Capital Investment Fund. The funds will be used for future transmission capital investing. There was no activity in the fund during 2014 or 2015. Balance of the fund at December 31, 2015 and 2014 was \$266,365.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 5 - OTHER ASSETS

Investment in Transmission

In order to offset rising transmission costs, the Independence Light & Power Board of Trustees, through and in conjunction with its membership in the Midwest Municipal Transmission Group (MMTG), on June 25, 2009 entered into a Joint Agreement as a participating municipal utility with Iowa Public Power Agency (IPPA) for investment rights in the construction or acquisition and ownership of transmission upgrades and additions to Mid American Energy Company's (MEC) transmission system. IPPA is to issue and sell bonds to finance the cost of each agreement and transmission assets are to be operated by MEC. The initial investment and ownership interest is \$122,149 and 8.891%, respectively. If, upon termination of this Joint Agreement, there remains any property or assets in which the parties own an undivided interest, said property or assets shall be disposed of on a pro-rate basis in accordance with the terms of the agreement.

On February 28, 2007, the utility through and in conjunction with its membership in MMTG, also agreed to participate in the Brookings-Twin Cities Development Project Agreement with the Central Minnesota Municipal Power Agency (CMMPA) for the purpose of pursuing Development work for a Transmission Project. This Transmission Project (herein after referred to as "the Project") is being undertaken to assist in the maintenance and enhancement of system reliability for electric customers in the upper Midwest region. This agreement addresses the Development phase of the Transmission Project and will be replaced with an agreement providing for ILPT's entitlement and other related rights and arrangements pertaining to the Transmission Project once the development phase is completed. The initial agreement shall be for five years, but can be extended in one year increments until the Development work has been completed. Independence Light and Power, Telecommunications' is an "open participant" in this agreement, meaning that it does not participate in CMMPA's financing of the Development work and their "Participant Election Share" is 2.43%. Participants are responsible for their share of the monthly Development work costs, whether or not the Transmission Project is actually developed. ILPT's share of the Development work cost is to be \$248,648, of which \$58,003 had been invested as of December 31, 2015.

The carrying value and the approximate market value of the Electric Utility's investment in transmission at December 31, 2015 and 2014 was \$180,152.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 6 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2015 follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated				
Land and land rights	\$ 147,026	\$ -	\$ -	\$ 147,026
Capital assets being depreciated				
Telecommunications outside plant	2,307,919	-	-	2,307,919
Buildings and improvements	858,465	-	-	858,465
Generation in service	2,471,976	-	114,420	2,357,556
Distribution in service	8,260,342	79,508	52,933	8,286,917
Office equipment and computers	490,334	13,876	46,209	458,001
Small tools	55,946	-	41,452	14,494
Transportation	1,358,261	186,853	133,102	1,412,012
Cable and Internet equipment	4,838,338	425,992	91,160	5,173,170
Total Capital Assets Being Depreciated	20,641,581	706,229	479,276	20,868,534
Total Capital Assets	20,788,607	706,229	479,276	21,015,560
Less: Accumulated depreciation				
Total Accumulated Depreciation	(12,885,149)	(885,962)	463,550	(13,307,561)
Construction in progress	42,674	-	15,203	27,471
Net Capital Assets	\$ 7,946,132			\$ 7,735,470

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

A summary of changes in capital assets for 2014 follows:

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital assets, not being depreciated				
Land and land rights	\$ 147,026	\$ -	\$ -	\$ 147,026
Capital assets being depreciated				
Telecommunications outside plant	2,307,919	-	-	2,307,919
Buildings and improvements	817,617	40,848	-	858,465
Generation in service	3,037,377	150,762	716,163	2,471,976
Distribution in service	8,228,422	31,920	-	8,260,342
Office equipment and computers	497,405	-	7,071	490,334
Small tools	55,946	-	-	55,946
Transportation	1,358,261	-	-	1,358,261
Cable and Internet equipment	4,475,651	362,687	-	4,838,338
Total Capital Assets Being Depreciated	20,778,598	586,217	723,234	20,641,581
Total Capital Assets	20,925,624	586,217	723,234	20,788,607
Less: Accumulated depreciation				
Total Accumulated Depreciation	(12,713,184)	(895,199)	723,234	(12,885,149)
Construction in progress	-	42,674	-	42,674
Net Capital Assets	\$ 8,212,440			\$ 7,946,132

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 7 - LONG-TERM OBLIGATIONS

Revenue Bonds - Electric

The utility issued an Electric Revenue Improvement and Refunding Note dated August 1, 2005. The electric revenue note is a revenue note issued under the provisions of Chapter 384 of the Code of Iowa and, as such, the principal and interest are payable from the revenue from operations of the utility. Independence Light & Power, Telecommunications reserves the right to prepay principal on this note in whole or in part at any time prior to and in any order of maturity on terms of par and accrued interest. The balance at December 31, 2010 was \$4,136,993. On July 21, 2011 the utility signed an Agreement to Amend Terms of Electric Revenue Improvement and Refunding Note, Series 2005, which changed the note from a variable rate to a fixed rate of 2.70% as of August 1, 2011. Monthly principal and interest payments are now \$40,737 beginning September 1, 2011. Beginning January 1, 2012, the utility began paying an additional \$8,700 per month to reduce principal on the loan; the required principal and interest payment per month totals \$49,437. In July 2014 the utility paid an additional \$1,000,000 on this note. The balances at December 31, 2015 and 2014 were \$0 and \$293,354, respectively.

Other Long-Term Debt

Other long-term debt issued by the utility is as follows:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/15
4/1/2012	USDA RD	3/1/2022	-%	\$ 707,750	\$ 442,340
12/27/2014	USDA RD	11/27/2024	-	2,000,000	1,783,333
4/30/2010	USDA Revolving Loan	8/1/2017	-	300,000	300,000

Other long-term debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2016	\$ 270,776	\$ -	\$ 270,776
2017	570,776	-	570,776
2018	270,776	-	270,776
2019	270,776	-	270,776
2020	270,776	-	270,776
2021 - 2024	871,793	-	871,793
Totals	<u>\$ 2,525,673</u>	<u>\$ -</u>	<u>\$ 2,525,673</u>

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Other Long-Term Debt (cont.)

In 2010 Independence Light & Power received a \$300,000 loan from the United States Department of Agriculture in order to establish a revolving loan fund. The utility also was required to contribute \$60,000 of its own funds towards the revolving loan fund. The total of \$360,000 is available for the utility to make loans to customers for economic development purposes. As the funds are paid back, the utility is able to loan the funds to other customers. During the year 2010, the entire balance of \$360,000 was loaned to the Buchanan County Health Center (BCHC) for their ambulance addition and remodeling project as a seven year, zero interest loan. As of December 31, 2015 and 2014 the loan receivable balances were \$85,715 and \$137,143, respectively.

In 2012 the Independence Light & Power Utility received a \$707,750 loan from the United States Department of Agriculture (USDA) in the role of an intermediary for the final recipient, Wapsie Valley Creamery, Inc. The loan is provided as part of the Rural Economic Development Loan and Grant Program, runs for ten years, and carries an interest rate of zero. The utility is to collect monthly principal from Wapsie Valley Creamery, Inc. in the amount of \$5,898 and remit to the USDA. There are two separate letters of credit on this transaction with Banklwa. The first is between Wapsie Valley Creamery and the USDA and the second is between Wapsie Valley Creamery and the utility. Balances outstanding at December 31, 2015 and 2014 were \$442,340 and \$513,116, respectively.

In December 2014 Independence Telecommunications Utility received a \$2,000,000 loan from the United States Department of Agriculture (USDA) in the role of an intermediary for the final recipient, Wapsie Valley Creamery, Inc. The loan is part of the Rural Economic Development Loan and Grant Program to promote Rural Development. The loan runs for ten years and carries an interest rate of zero. The utility is to collect monthly principal from Wapsie Valley Creamery, Inc. in the amount of \$16,667 and remit to the USDA. Wapsie Valley Creamery, Inc. has an Irrevocable Standby Letter of Credit from Banklwa, with USDA and Independence Telecommunications Utility as beneficiaries in case Wapsie Valley Creamery will have failed to comply with the terms and conditions of the note. Balance of loan at December 31, 2015 and 2014 was \$1,783,333 and \$1,983,333, respectively.

Long-Term Obligations Summary

Long-term obligation activity for the year ended December 31, 2015 is as follows:

	1/1/15 Balance	Additions	Reductions	12/31/15 Balance	Due Within One Year
Revenue bonds	\$ 293,354	\$ -	\$ 293,354	\$ -	\$ -
Notes payable	2,796,449	-	270,776	2,525,673	270,776
Accrued retirement insurance	345,904	-	11,796	334,108	-
Net pension liability	-	761,238	-	761,238	-
Totals	<u>\$ 3,435,707</u>	<u>\$ 761,238</u>	<u>\$ 575,926</u>	<u>\$ 3,621,019</u>	<u>\$ 270,776</u>

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary (cont.)

Long-term obligation activity for the year ended December 31, 2014 is as follows:

	1/1/14 Balance	Additions	Reductions	12/31/14 Balance	Due Within One Year
Revenue bonds	\$ 2,532,135	\$ -	\$ 2,238,781	\$ 293,354	\$ 293,354
Notes payable	883,892	2,000,000	87,443	2,796,449	270,776
Accrued retirement insurance	390,792	-	44,888	345,904	-
Totals	<u>\$ 3,806,819</u>	<u>\$ 2,000,000</u>	<u>\$ 2,371,112</u>	<u>\$ 3,435,707</u>	<u>\$ 564,130</u>

NOTE 8 - NET POSITION

GASB No. 34 requires the classification of net position into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the utility's policy to use restricted resources first, then unrestricted resources as they are needed.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 8 - NET POSITION (cont.)

The following calculation supports the net investment in capital assets:

	<u>2015</u>	<u>2014</u>
Total construction work in progress	\$ 27,471	\$ 42,674
Plant in service	21,015,560	20,788,607
Accumulated depreciation	<u>(13,307,561)</u>	<u>(12,885,149)</u>
	<u>7,735,470</u>	<u>7,946,132</u>
Less: Capital related debt		
Current portion of capital related long-term debt	<u>-</u>	<u>293,354</u>
Net investment in capital assets	<u>\$ 7,735,470</u>	<u>\$ 7,652,778</u>

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM

The utility implemented GASB No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective January 1, 2015.

General Information about the Pension Plan

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

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

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

* A multiplier (based on years of service).

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

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

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

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

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

In 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 utility's total contributions to IPERS for the year ended December 31, 2015 were \$98,297.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2015, the utility reported a liability of \$761,238 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The utility's proportion of the net pension liability was based on the utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the utility's collective proportion was .01531 percent which was a decrease of .002067 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the utility recognized pension expense of \$43,344.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

At December 31, 2015, the utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,501	\$ -
Changes in assumption	20,467	-
Net differences between project and actual earnings on pension plan	113,896	177,238
Change in proportionate share	18,557	108,437
Employer contributions subsequent to the measurement date	49,248	-
Totals	\$ 213,669	\$ 285,675

Deferred outflows related to pension resulting from the IPERS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31	Deferred Outflow of Resources	Deferred Inflows of Resources
2016	\$ 42,381	\$ (69,764)
2017	42,381	(69,764)
2018	42,381	(69,764)
2019	35,370	(69,764)
2020	1,908	(6,619)
Thereafter	-	-
Totals	\$ 164,421	\$ (285,675)

There were no non-employer contributing entities at IPERS.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Measurement date of net pension liability (asset)	June 30, 2015
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.5%, compounded annually, net of investment expense, including inflation
Discount rate	7.5%
Salary increases	
Salary increases	4.0 to 17.0%, average, including inflation.
Mortality	RP-2000 Mortality Table

The actuarial assumptions used in the June 30, 2015 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.

Long-term expected Return on Plan Assets. 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 of return (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	Long-term Real Rate of Return	Target Allocation
US Equities	6.3%	23.0%
International Equities	5.7	15.0
Private Equity	11.3	13.0
Real Estate	3.5	8.0
Core Plus Fixed Income	2.1	28.0
Credit Opportunities	3.7	5.0
TIPS	1.9	5.0
Other Real Assets	6.27	2
Cash	(0.7)	1.0

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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 City 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 utility's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the utility's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50 percent, as well as what the utility's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease to Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase to Discount Rate (8.50%)
Utility's proportionate share of the net pension liability	\$ 1,332,791	\$ 761,238	\$ 278,806

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.

Required Disclosures Under GASB No. 27

Covered payroll listed below is substantially the same as total payroll.

	Year Ended December 31	
	2014	2013
Total Covered Employee Payroll	\$ 1,075,991	\$ 1,221,050
Total Required Contributions	<u>\$ 96,086</u>	<u>\$ 105,865</u>
Total Required Contributions	<u>8.93</u>	<u>8.67</u>

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

During 1986, the Board of Trustees voted to recognize the probable liability of retirement health insurance coverage by appropriating funds for this purpose, based on the life expectancy of each retiree. The criteria for determining eligibility includes years of service and employee age. The benefit is available to the spouse for up to three months after the death of the retiree. At December 31, 2015 and 2014, Independence Light and Power, Telecommunications had accrued retirement insurance of \$334,108 and \$345,904 which is recorded as a liability in the statement of net position. The amount of the liability is determined using life expectancy table and a variable health care inflation assumption.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont.)

At a July 2004 Board of Trustees meeting, the utilities adopted a resolution stating that future retirees would not be provided retirement health insurance coverage. Current retirees and spouses will continue to be covered under the plan.

Independence Light and Power, Telecommunications covered eight retired employees and six spouses at December 31, 2015 and 2014.

Plan Description - The utilities operate a single-employer benefit plan which provides medical/prescription drug benefits or Medicare supplement, if applicable, for employees, retirees and their spouses.

Funding Policy - The contribution requirements for plan members are established by the utility board and may be amended. The utilities currently finance the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums to Wellmark for the active utility employees are \$429 for single coverage and \$866 for single plus spouse. The retiree Medicare supplemental premiums for the utility are \$210 per retired member.

The following table shows the components of the utility's annual OPEB cost for the year, the amount actually contributed to plan, benefits paid and changes in the utility's net OPEB obligation to the Retiree Health Plan:

	2015	2014
Annual required contribution	\$ -	\$ -
Benefits paid	(34,188)	(37,014)
Adjustment to annual required contribution	22,394	(7,874)
Decrease in net OPEB obligation	(11,794)	(44,888)
 Net OPEB Obligation - Beginning of Year	 345,904	 390,792
 Net OPEB Obligation - End of Year	 \$ 334,108	 \$ 345,904

Valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, and the healthcare cost trend. Amounts determined regarding the plan liability and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Long-Term Contracts - WPPI Energy

The electric utility is one of 51 WPPI Energy member municipalities located throughout the States of Wisconsin, Iowa, and Michigan. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses, and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

In 2002, all WPPI Energy members ratified a thirteen year extension to their original thirty-five year contracts. The new contract expires at midnight on December 31, 2037. In January 2016, the utility approved an additional eighteen year extension through December 31, 2055.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract is \$455 million as of December 31, 2015.

Claims and Judgments

From time to time, the utility is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the utility's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the utility's financial position or results of operations.

NOTE 12 - RISK MANAGEMENT

The utility is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors, and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

The utility has retained the risk of damage to and destruction of most distribution property and equipment and maintains funds intended to cover potential losses relating thereto as described in Note 4 - Board Designated Funds. There were no material estimated liabilities or claims paid during the past fiscal year.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 13 - LEASE AGREEMENTS

Independence Light and Power, Telecommunications has a Joint Use Contract with CenturyLink Corporation (formerly Qwest Corporation). Both parties own poles used by the other party. A lease of \$16.79 per pole is paid to the owner. The net amount, (Joint Use Poles owned by the Independence Light and Power, Telecommunications less the number of Joint Use Poles owned by CenturyLink Corporation) was 549 poles. During the years ended December 31, 2015 and 2014, Independence Light and Power, Telecommunications received \$9,218 and \$9,218, respectively.

The utilities also have a Joint Use Contract with Mediacom. Both parties own poles used by the other party. A lease of \$16.79 per pole is paid to the owner. The net amount, (Joint Use Poles owned by the Independence Light and Power, Telecommunications less the number of Joint Use Poles owned by Mediacom) was 1,773 poles. During the years ended December 31, 2015 and 2014, Independence Light and Power, Telecommunications received \$29,769 and \$29,769 and respectively.

NOTE 14 - RELATED PARTY TRANSACTIONS

Independence Light and Power, Telecommunications provides electrical service to the City of Independence. During the years ended December 31, 2015 and 2014, the charges for this electrical service were \$346,615 and \$346,308, respectively. In addition, the City paid \$20,487 and \$24,698, respectively, for meter reading.

During 2015 and 2014, Independence Light & Power, Telecommunications donated \$156,000 to the City of Independence which is shown as a transfer on the statement of revenues, expenses and changes in net position.

NOTE 15 - SUBSEQUENT EVENTS

The utility evaluated subsequent events through , the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

Rate Adjustment

The utility approved and implemented new electric rates effective September 1, 2016.

NOTE 16 - CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

The utility adopted GASB Statement No. 68 effective January 1, 2015. The cumulative effect of implementation is reflected as a change in net position as follows:

Net Pension liability January 1, 2015	\$	703,367
Deferred outflows/inflows January 1, 2015		<u>184,830</u>
Cumulative Effect of a Change in Accounting Principle	\$	<u>888,197</u>

Additional information required for retroactive implementation was not provided by the pension plan.

REQUIRED SUPPLEMENTAL INFORMATION

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

BUDGETARY COMPARISON SCHEDULE
OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL (CASH BASIS)
For the Year Ended December 31, 2015

	Accrual Basis	Budgeted Accrual Adjustments	Cash Basis	Budget	Final Budget to Actual Cash Basis Variance
Total Revenues	\$ 11,935,767	\$ 411,312	\$ 12,347,079	\$ 12,712,495	\$ (365,416)
Total Expenditures	10,936,914	844,731	11,781,645	12,348,724	567,079
Net	998,853	(433,419)	565,434	363,771	201,663
BALANCES, Beginning of Year	14,058,912	(7,406,237)	6,652,675	1,853,228	(4,799,447)
Cumulative effect of a change in accounting principle	(888,197)	888,197	-	-	-
BALANCES, END OF YEAR	<u>\$ 15,057,765</u>	<u>\$ (7,839,656)</u>	<u>\$ 7,218,109</u>	<u>\$ 2,216,999</u>	<u>\$ (5,001,110)</u>

See accompanying independent auditors' report.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY Iowa Public Employees' Retirement System Last 10 Fiscal Years*

The required supplementary information presented below represents the proportionate information for the enterprise fund included in this report.

	<u>2015</u>
Independence Light and Power, Telecommunications' proportion of the net pension liability	.01531%
Independence Light and Power, Telecommunications' proportionate share of the net pension liability	\$ 761,238
Independence Light and Power, Telecommunications' covered employee payroll	\$ 1,055,599
Plan fiduciary net position as a percentage of the total pension liability	72.1%

*The amounts presented for each fiscal year were determined as of June 30th that occurred within the Utility's fiscal year.

SCHEDULE OF CONTRIBUTIONS Iowa Public Employees' Retirement System Last 10 Fiscal Years*

	<u>2015</u>
Contractually required contributions	\$ 98,297
Contributions in relation to the contractually required contributions	(98,297)
Contributions deficiency (excess)	-
Independence Light and Power, Telecommunications' covered-employee payroll	1,100,750
Contributions as a percentage of covered-employee payroll	8.93%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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

See independent auditor's report and accompanying notes to required supplementary information.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION For the Year Ended December 31, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumption:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- > Decreased the inflation assumption from 3.25 percent to 3.00 percent
- > Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- > Adjusted male mortality rates for retirees in the Regular membership group.
- > Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- > Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- > Adjusted retiree mortality assumptions.
- > Modified retirement rates to reflect fewer retirements.
- > Lowered disability rates at most ages.
- > Lowered employment termination rates
- > Generally increased the probability of terminating members receiving a deferred retirement benefit.
- > Modified salary increase assumptions based on various service duration.

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

S U P P L E M E N T A R Y I N F O R M A T I O N

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

SCHEDULE OF OPERATING EXPENSES For the Years Ended December 31, 2015 and 2014

	2015	2014
GENERATION EXPENSES		
Fuel oil expense	\$ -	\$ 4,084
operating expenses	19	86
Generating vacation and sick leave	4,283	(7,983)
Maintenance of generators and equipment	1,861	2,123
Miscellaneous generation expenses	86,283	136,663
Total Generation Expenses	92,446	134,973
PURCHASE POWER AND TRANSMISSION EXPENSES		
Purchased power	6,086,910	6,087,329
Station - transmission	-	620
Transmission of electricity	125,927	117,567
Maintenance of plant - transmission	180	54
Miscellaneous transmission expenses	4,100	3,580
Total Purchase Power and Transmission Expenses	6,217,117	6,209,150
DISTRIBUTION EXPENSES		
Operation and maintenance of overhead	79,978	62,330
Operation and maintenance of underground	25,176	39,424
Operation and maintenance of transformers	112	3,344
Operation and maintenance of street lights	685	183
Operation and maintenance of security lights	2,358	5,513
Operation and maintenance of meters	5,319	8,697
Operation and maintenance of customer services	35,376	39,588
Operation and maintenance of substation	313	2,035
Distribution supervision	45,044	76,631
General distribution labor	36,715	35,097
Distribution vacation and sick leave	38,699	57,873
Miscellaneous distribution expenses	31,622	41,365
Total Distribution Expenses	301,397	372,080
CUSTOMER ACCOUNTS EXPENSE		
Customer records and collections	80,470	77,669
Bad debt expense	5,037	1,178
Meter Reading	19,311	22,905
Total Customer Accounts Expense	104,818	101,752

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

SCHEDULE OF OPERATING EXPENSES For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ADMINISTRATIVE AND GENERAL EXPENSES		
Office salaries	\$ 320,317	\$ 293,233
Office vacation and sick leave	81,200	87,859
Property insurance	93,065	91,712
Outside services	75,355	47,573
Office supplies, telephone and postage	28,219	19,653
Employer FICA	83,085	81,818
Employer IPERS	43,344	96,086
Maintenance - general	6,466	13,028
Miscellaneous expense	130,567	109,403
Uniforms	8,899	8,904
Safety expenses and equipment	18,543	16,325
Employee benefits	232,922	227,647
Energy efficiency programs	10,731	11,443
Marketing	30,567	5,474
Transportation	70,842	59,308
	<u>1,234,122</u>	<u>1,169,466</u>
Total Administrative and General Expenses		
	<u>1,234,122</u>	<u>1,169,466</u>
CABLE AND INTERNET EXPENSES	<u>1,888,659</u>	<u>1,779,970</u>
DEPRECIATION AND AMORTIZATION EXPENSE	<u>885,962</u>	<u>895,199</u>
BENEFITS TO THE COMMUNITY AND CITY		
Labor benefits to city	28,649	23,835
Community benefits	5,083	58,034
	<u>33,732</u>	<u>81,869</u>
Total Benefits to Community and City		
	<u>33,732</u>	<u>81,869</u>
TOTAL OPERATING EXPENSES	<u>\$ 10,758,253</u>	<u>\$ 10,744,459</u>

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

COMBINING STATEMENT OF NET POSITION

As of December 31, 2015

	ILP	ITU	Combined
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 1,722,436	\$ 1,490,057	\$ 3,212,493
Customer accounts receivable	615,561	316,581	932,142
Unbilled revenues	207,802	-	207,802
Interest receivable	5,477	-	5,477
Investment income receivable	3,133	-	3,133
Materials and supplies	162,694	164,682	327,376
Prepaid items	15,414	9,080	24,494
Total Current Assets	2,732,517	1,980,400	4,712,917
BOARD DESIGNATED FUNDS			
Transmission capital investment fund	266,365	-	266,365
Capital improvement fund	1,783,233	240,000	2,023,233
Retirement and severance fund	959,816	-	959,816
Self insurance fund	1,050,000	-	1,050,000
Total Board Designated Funds	4,059,414	240,000	4,299,414
CAPITAL ASSETS			
Construction in progress	-	27,471	27,471
Capital assets	15,252,685	5,762,875	21,015,560
Less: Accumulated depreciation	(10,014,271)	(3,293,290)	(13,307,561)
Total Capital Assets - Net	5,238,414	2,497,056	7,735,470
OTHER ASSETS			
Investment in transmission	180,152	-	180,152
Notes receivable - revolving loan fund	85,715	-	85,715
Notes receivable - WVC	442,340	1,783,333	2,225,673
Total Other Assets	708,207	1,783,333	2,491,540
Total Assets	12,738,552	6,500,789	19,239,341
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	126,156	87,513	213,669

	ILP	ITU	Combined
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 653,623	\$ 147,558	\$ 801,181
Accrued wages	31,210	19,415	50,625
Compensated absences	338,464	151,032	489,496
Unearned revenues	12,500	-	12,500
Accrued liabilities	8,147	14,799	22,946
Current portion of long term debt	70,776	200,000	270,776
Total Current Liabilities	<u>1,114,720</u>	<u>532,804</u>	<u>1,647,524</u>
OTHER LIABILITIES			
Notes payable - USDA revolving loan fund	300,000	-	300,000
Notes payable - USDA WVC	371,564	1,583,333	1,954,897
Accrued retirement insurance	334,108	-	334,108
Net pension liability	508,194	253,044	761,238
Total Other Liabilities	<u>1,513,866</u>	<u>1,836,377</u>	<u>3,350,243</u>
Total Liabilities	<u>2,628,586</u>	<u>2,369,181</u>	<u>4,997,767</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	<u>226,755</u>	<u>58,920</u>	<u>285,675</u>
NET POSITION			
Net Investment in capital assets	5,238,414	2,497,056	7,735,470
Unrestricted (deficit)	<u>4,770,953</u>	<u>1,663,145</u>	<u>6,434,098</u>
TOTAL NET POSITION	<u>\$ 10,009,367</u>	<u>\$ 4,160,201</u>	<u>\$ 14,169,568</u>

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

	ILP	ITU	Combined
OPERATING REVENUES			
Charges for services	\$ 8,620,559	\$ 3,108,524	\$ 11,729,083
Other	53,258	35,959	89,217
Total Operating Revenues	<u>8,673,817</u>	<u>3,144,483</u>	<u>11,818,300</u>
OPERATING EXPENSES			
Generation expense	92,446	-	92,446
Purchased power and transmission expenses	6,217,117	-	6,217,117
Distribution expenses	301,397	-	301,397
Customer account expenses	104,818	-	104,818
Administration and general expenses	689,315	544,807	1,234,122
Cable and internet expenses	6,619	1,882,040	1,888,659
Benefits to community and city	33,636	96	33,732
Depreciation	461,588	424,374	885,962
Total Operating Expenses	<u>7,906,936</u>	<u>2,851,317</u>	<u>10,758,253</u>
Operating Income	<u>766,881</u>	<u>293,166</u>	<u>1,060,047</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	29,158	10,652	39,810
Miscellaneous revenues	71,351	6,306	77,657
Interest expense	(1,987)	-	(1,987)
Loss on disposal of property	(6,500)	(14,174)	(20,674)
Total Nonoperating Revenues (Expenses)	<u>92,022</u>	<u>2,784</u>	<u>94,806</u>
INCOME (LOSS) BEFORE TRANSFERS	858,903	295,950	1,154,853
Transfers in (out)	105,000	(105,000)	-
Transfers - To City	<u>(156,000)</u>	<u>-</u>	<u>(156,000)</u>
Change in Net Position	807,903	190,950	998,853
TOTAL NET POSITION - Beginning	9,856,155	4,202,757	14,058,912
Cumulative effect of a change in accounting principle	<u>(654,691)</u>	<u>(233,506)</u>	<u>(888,197)</u>
TOTAL NET POSITION - ENDING	<u>\$ 10,009,367</u>	<u>\$ 4,160,201</u>	<u>\$ 14,169,568</u>

INDEPENDENCE LIGHT & POWER, TELECOMMUNICATIONS

Independence, Iowa

OFFICIALS

December 31, 2015

Board of Trustees

Gerald Stelter
Leon Bachman
Steve Elliott
Stephany Harvey
Amber Hunt

Chairperson
Secretary-Treasurer
Trustee
Trustee
Trustee

Utility Officials

Kevin M Sidles
Martin G Diesburg
Kevin M Sidles
Linda J Kress
Martin G Diesburg

General Manager
Assistant General Manager
Line Superintendent
Office Manager
Telecommunications Superintendent

City Council

Bonita Davis
Michael Lenius
Dennis Vaughn
Donald Brown
Dustin Dallenbach
Austin Grover
Robert Hill
Jon Holland

Mayor
Council Member
Council Member
Council Member
Council Member
Council Member
Council Member
Council Member

City Officials

Jeena Lynch
Al Roder
Carter Stevens

City Clerk
City Manager
City Attorney

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

TREASURER'S BALANCE December 31, 2015

	Cash and Cash Equivalents	Time Deposits	Total	Maximum Authorized Deposit
Security State Bank Independence, Iowa	\$ 508,885	\$ 1,000,000	\$ 1,508,885	\$ 10,000,000
Banklowa Independence, Iowa	\$ 3,608,185	\$ 2,200,000	\$ 5,808,185	\$ 10,000,000
Outstanding checks	\$ (5,963)		<u>\$ (5,963)</u>	
Subtotal Banklowa			<u>\$ 5,802,222</u>	
WFC Financial Bank Independence, Iowa	\$ -	\$ 200,000	\$ 200,000	\$ 10,000,000
Cash on Hand	<u>800</u>	<u>-</u>	<u>800</u>	
TOTAL BALANCE	<u><u>\$ 4,111,907</u></u>	<u><u>\$ 3,400,000</u></u>	<u><u>\$ 7,511,907</u></u>	

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

ANALYSIS OF KILOWATT HOURS AND BILLINGS For the Year Ended December 31, 2015 (unaudited)

Type of Service:	KWH Billed	Amount Billed	Revenue in cents/KWH	% KWH to Total	% Revenues to Total	Number of Accts
Residential Service	20,061,281	3,143,153	15.67	26.68%	36.52%	2,710
Security Lights	198,317	30,854	15.56	0.26%	0.36%	
Commercial Service	12,124,858	1,622,236	13.38	16.13%	18.85%	394
Demand Power	<u>39,493,800</u>	<u>3,461,936</u>	8.77	52.53%	40.23%	29
Total to Customers	<u>71,878,256</u>	<u>8,258,180</u>	11.49	95.61%	95.96%	3,133
Municipal Sales:						
Street Lighting	635,220	80,246	12.63	0.84%	0.93%	1
City Bldgs, Parks, Water Pumping	1,084,188	145,715	13.44	1.44%	1.69%	33
City Demand Power	1,417,520	121,556	8.58	1.89%	1.41%	2
Plant Lights, Office & Line Shop	<u>165,340</u>	<u>-</u>	0.00	0.22%	0.00%	
Total Municipal	<u>3,302,268</u>	<u>347,517</u>	10.52	4.39%	4.04%	36
Power Cost Adjustment	n/a	-	0.00	n/a	0.00%	
	-	-				
TOTALS	<u>\$ 75,180,524</u>	<u>\$ 8,605,697</u>	11.45	100.00%	100.00%	3,169

Analysis of Energy Generated:

Kilowatt Hours Generated	0
Less KWH Consumed by Station	499,435
KWH to Distribution Feeders	<u>-499,435</u>
KWH Purchased	78,418,171
Total	<u>77,918,736</u>
 Kilowatt Hours Billed and Metered	 <u>75,180,524</u>
Line Loss in Kilowatts	<u>2,738,212</u>
 Line Loss as a Percent to Total	 3.51%

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

KWH Billed by Category: Power Cost Adjustment Separate
For the Year Ended December 31, 2015
(unaudited)

2015	January	February	March	April	May	June	July	August	September	October	November	December	Total	Total for acct
Residential	1,854,174	1,882,433	1,828,981	1,452,272	1,321,781	1,378,618	1,655,926	2,159,529	2,035,593	1,749,192	1,354,651	1,388,131	20,061,281	20,061,281
Power Cost Adjustment													0	0
Commercial	1,017,150	1,042,222	997,555	913,549	911,863	991,951	1,067,500	1,168,554	1,170,999	1,021,068	961,876	860,571	12,124,858	12,124,858
Power Cost Adjustment													0	0
Industrial	3,104,940	3,314,380	3,005,300	3,132,760	3,237,960	3,446,020	3,526,080	3,663,580	3,676,140	3,356,560	3,305,860	2,724,220	39,493,800	39,493,800
Power Cost Adjustment													0	0
Security Lites	16,854	16,845	16,845	16,845	16,845	16,256	16,239	16,241	16,211	16,269	16,253	16,614	198,317	198,317
Street/HWY	52,935	52,935	52,935	52,935	52,935	52,935	52,935	52,935	52,935	52,935	52,935	52,935	635,220	635,220
City Comm	97,876	98,221	78,969	75,377	75,733	105,228	112,578	116,302	85,437	76,583	79,925	81,959	1,084,188	1,084,188
Power Cost Adjustment													0	0
City Demand	122,480	124,720	107,520	114,240	118,880	124,000	121,920	116,800	119,520	109,360	118,800	119,280	1,417,520	1,417,520
Power Cost Adjustment													0	0
	<u>6,266,409</u>	<u>6,531,756</u>	<u>6,088,105</u>	<u>5,757,978</u>	<u>5,735,997</u>	<u>6,115,008</u>	<u>6,553,178</u>	<u>7,293,941</u>	<u>7,156,835</u>	<u>6,381,967</u>	<u>5,890,300</u>	<u>5,243,710</u>	<u>75,015,184</u>	<u>75,015,184</u>

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

Independence, Iowa

ENERGY AND REVENUE ACCOUNTING REPORT

For Years Ended December 31, 2015, 2014, 2013, 2012, 2011

(unaudited)

	2015		2014		2013		2012		2011	
	KWH	%								
1. Total Gross Energy (all sources; % of previous year)	78,418,171	101.5%	77,272,943	107.0%	72,189,443	105.2%	68,648,900	103.8%	66,133,479	99.6%
2. Purchased Energy (% of line 1)	78,418,171	100.0%	77,272,943	100.0%	72,187,808	100.0%	67,913,178	98.9%	65,877,999	99.6%
3. Total Gross Energy Generated (line 1 - line 2)	0	#DIV/0!	0	#DIV/0!	1,635	100.0%	735,722	100.0%	255,480	100.0%
4. Energy Consumed by Station (% of line 3)	499,435	#DIV/0!	234,494	#DIV/0!	317,435	19415.0%	428,779	58.3%	434,353	170.0%
5. Total Net Energy Generated	-499,435	#DIV/0!	-234,494	#DIV/0!	-315,800	-19315.0%	306,943	41.7%	-178,873	-70.0%
6. Total Net Energy Outgoing Feeders	77,918,736	100.0%	77,038,449	100.0%	71,872,008	100.0%	68,220,121	100.0%	65,699,126	100.0%
7. Net Distributed Energy (% of line 6)	75,180,524	96.5%	73,749,351	95.7%	68,183,956	94.9%	64,888,234	95.1%	62,915,537	95.8%
8. Energy Lost in Distribution System (% of line 6)	2,738,212	3.51%	3,289,098	4.27%	3,688,052	5.13%	3,331,887	4.88%	2,783,589	4.24%
ENERGY CONSUMED BY EACH SERVICE AND PERCENT CHANGE IN CONSUMPTION:	KWH	% Change								
Residential Service	20,061,281	-3.9%	20,872,472	-1.1%	21,112,875	0.2%	21,063,092	-1.6%	21,394,861	-1.1%
Commercial Service	12,124,858	-3.0%	12,503,420	-2.1%	12,776,558	2.5%	12,459,250	-0.4%	12,508,862	2.6%
Demand Power	39,493,800	7.2%	36,855,360	19.5%	30,829,671	9.7%	28,096,400	9.5%	25,662,280	0.3%
Security Lights	198,317	-2.5%	203,389	-0.6%	204,576	8.7%	188,177	7.3%	175,372	1.9%
City Bldgs, Parks, Water Pump, Traffic Signals	1,084,188	3.6%	1,046,450	10.7%	945,641	6.0%	892,210	1.8%	876,386	5.6%
City Demand Accts: WWTP, Pump Station, Shop	1,417,520	-1.4%	1,437,520	-3.9%	1,495,840	8.9%	1,373,280	-1.5%	1,394,480	-4.3%
Street Lights	635,220	0.0%	635,220	0.0%	635,220	-0.2%	636,750	-11.2%	716,988	0.0%
Plant Lights, Office & Line Shop	165,340	-15.4%	195,520	6.5%	183,575	2.5%	179,075	-3.9%	186,308	-2.9%
TOTAL	75,180,524	1.9%	73,749,351	8.2%	68,183,956	5.1%	64,888,234	3.1%	62,915,537	0.2%
ELECTRIC SALES INCLUDING AVERAGE UNIT REVENUE PER KWH:	Billings	Per Unit Revenue In Cents								
Residential Service	3,143,153	15.67	3,261,766	15.63	3,393,847	16.07	3,597,406	17.08	3,629,986	16.97
Commercial Service	1,622,236	13.38	1,675,351	13.40	1,716,517	13.43	1,663,937	13.36	1,658,001	13.25
Demand Power	3,461,937	8.77	3,277,607	8.89	2,798,720	9.08	2,516,567	8.96	2,329,442	9.08
Security Lights	30,854	15.56	31,535	15.50	31,504	15.40	30,101	16.00	28,890	16.47
City Bldgs, Parks, Water Pump, Traffic Signals	145,715	13.44	141,864	13.56	128,615	13.60	120,345	13.49	116,298	13.27
City Demand Accts: WWTP, Pump Station, Shop	121,556	8.58	125,347	8.72	132,904	8.88	117,889	8.58	120,311	8.63
Street Lights	80,246	12.63	80,246	12.63	80,246	12.63	79,622	12.50	90,533	12.63
TOTAL	8,605,697	11.45	8,593,716	11.65	8,282,353	12.15	8,125,868	12.52	7,973,461	12.67

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

Independence, Iowa
(unaudited)

Electric Rate Schedule

Effective April 1, 2013

Residential:	Service Charge	\$13.50
	All kWh	\$0.13482
Commercial:	Service Charge	\$20.00
	All kWh	\$0.12595
Industrial:	Service Charge	\$120.00
	Demand Charge	\$10.60 per KW
	All kWh	\$0.0630

An energy cost adjustment is made monthly to the above rates based on the utility's kWh sales and power costs.

Security Lighting Monthly Rental Fees

Effective January 1, 2009

100 Watt High Pressure Sodium	10.00
250 Watt High Pressure Sodium	15.00
400 Watt High Pressure Sodium	18.50
400 Watt Metal Halide	15.00
Metal Arch	10.00

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

Independence, Iowa

MONTHLY & YEARLY PEAK LOAD IN KILOWATTS For the Year Ended December 31, 2015 (unaudited)

Date	KW	Time	Day
January 8	11,352	6:00 PM	Thursday
February 5	11,329	7:00 PM	Thursday
March 4	11,123	8:00 PM	Wednesday
April 7	9,921	1:00 PM	Tuesday
May 29	11,109	4:00 PM	Friday
June 9	13,986	5:00 PM	Tuesday
July 13	15,847	4:00 PM	Monday
August 14	15,045	5:00 PM	Friday
September 3	15,751	4:00 PM	Thursday
October 8	10,631	2:00 PM	Thursday
November 24	10,377	6:00 PM	Tuesday
December 16	11,056	6:00 PM	Wednesday

2015 Peak for the Year

July 13	15,847	4:00 PM
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Comparison

2014 Peak	15,404
2013 Peak	15,601
2012 Peak	15,233
2011 Peak	15,266
2010 Peak	13,930
2009 Peak	12,720
2008 Peak	12,410
2007 Peak	13,398
2006 Peak	15,030
2005 Peak	16,580
2004 Peak	15,500
2003 Peak	17,000
2002 Peak	15,500
2001 Peak	16,310
2000 Peak	16,030
1999 Peak	16,310
1998 Peak	13,836
1997 Peak	13,950
1996 Peak	14,000
1995 Peak	15,800
1994 Peak	12,500
1993 Peak	12,600
1992 Peak	10,500

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

Independence, Iowa

TEN LARGEST INDUSTRIAL CUSTOMERS

December 31, 2015

(unaudited)

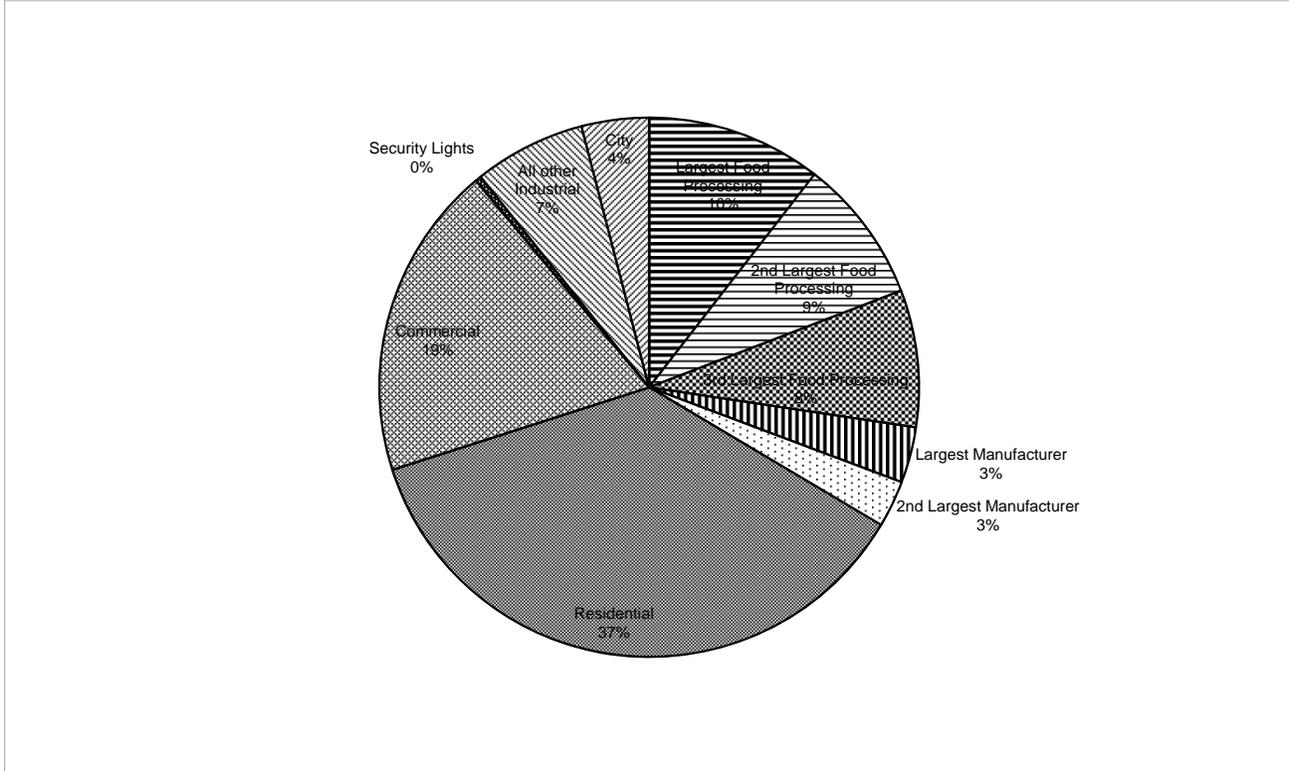
	Customer	KWh Metered At Industrial Rate	Revenue	% of Total Revenue
Ranking:				
1	Food Processing	10,963,800	\$904,312	10.5%
2	Food Processing	8,392,160	\$744,620	8.7%
3	Food Processing	8,226,920	\$707,064	8.2%
4	Manufacturing	3,232,960	\$287,872	3.3%
5	Manufacturing	2,780,800	\$241,223	2.8%
6	Education	1,928,240	\$192,077	2.2%
7	Government	1,417,520	\$121,556	1.4%
8	Health Care	1,357,040	\$116,283	1.4%
9	Retail	682,320	\$60,575	0.7%
10	Retail	359,880	\$31,184	0.4%
	Total of Ten Largest	39,341,640	\$3,406,766	39.6%

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

Independence, Iowa

2015 REVENUE BREAKDOWN

Shows 5 Largest Customers Individually
(unaudited)



Customer	KWh	Revenue	% of Total Revenue
1 Largest Food Processing	10,963,800	\$904,312	10.51%
2 2nd Largest Food Processing	8,392,160	\$744,620	8.65%
3 3rd Largest Food Processing	8,226,920	\$707,064	8.22%
4 Largest Manufacturer	3,232,960	\$287,872	3.35%
5 2nd Largest Manufacturer	2,780,800	\$241,223	2.80%
All Others Residential	20,061,281	\$3,143,153	36.52%
Commercial	12,124,858	\$1,622,236	18.85%
Security Lights	198,317	\$30,854	0.36%
All other Industrial	5,897,160	\$576,846	6.70%
City	3,136,928	\$347,517	4.04%
Total Sales	75,015,184	\$8,605,697	100.00%

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

Independent Auditors' Report

To the Board of Trustees
Independence Light and Power, Telecommunications
Independence, Iowa

We have audited, 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, the accompanying financial statements of Independence Light and Power, Telecommunications, a component unit of the City of Independence, Iowa, which comprise the statements listed in the table of contents, as of and for the year ended December 31, 2015, and have issued our report dated September 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independence Light and Power, Telecommunications' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independence Light and Power, Telecommunications' internal control. Accordingly, we do not express an opinion on the effectiveness of Independence Light and Power, Telecommunications' 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 and responses, we identified deficiencies in internal controls that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These material weaknesses are items II-A-15 and II-B-15.

To the Board of Trustees
Independence Light and Power, telecommunications

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Independence Light and Power, Telecommunications' operations for the year ended December 31, 2015, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Independence Light and Power, Telecommunications. 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.

Independence Light and Power, Telecommunications' Response to Findings

Independence Light and Power, Telecommunications' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Independence Light and Power, Telecommunications' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Madison, Wisconsin
September 16, 2016

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended December 31, 2015

FINDINGS

The audit identified the following material weaknesses:

II-A-15 **Criteria:** Statement on Auditing Standards AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit* requires auditors to report a deficiency if Independence Light and Power, Telecommunications (ILPT) is not able to prepare its financial statements or has material adjusting journal entries.

Condition: The 2015 financial statements and material adjusting journal entries were prepared during the course of the audit by Baker Tilly Virchow Krause, LLP.

Cause: As a result of the size of the entity, ILPT has elected for the auditors to prepare the financial statements so operations can continue as normal on a day to day basis.

Effect: ILPT's financial records may be materially misstated before the annual audit is completed.

Recommendation: The utility should consider becoming more involved in the preparation of the annual financial statements in future years.

Management's Response: Management will consider this recommendation in future years.

II-B-15 **Criteria:** According to Statement on Auditing Standards AU-C Section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, sufficient internal accounting controls should be in place that mitigate the risk of material misstatement in the financial records due to fraud or error.

Condition: During the audit, we identified that proper segregation of duties was not in place.

Cause: During 2015 ILPT did not have the resources required to adequately segregate all accounting functions at all times.

Effect: Due to the lack of segregation, there is a risk that material misstatements due to fraud or error may go undetected in ILPT's financial records.

Recommendation: The utility should increase the amount of management's involvement in the day-to-day operation of the system.

Management's Response: As staffing levels permit, management will become more involved in day-to-day activities, realizing that responsibilities in a limited number of individuals is not desirable from a control point of view.

INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended December 31, 2015

FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

- 15-II-A Official Depositories – A resolution naming official depositories has been approved by the utility. The maximum deposit amounts stated in the resolution were not exceeded during the year ended December 31, 2015.
- 15-II-B Certified Budget – Disbursements during the year ended December 31, 2015 were below the amounts budgeted.
- 15-II-C Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 15-II-D Travel Expense – No disbursements of utility money for travel expenses of spouses of utility officials or employees were noted.
- 15-II-E Business Transactions – We noted no business transactions between the utility and utility officials or employees.
- 15-II-F Bond Coverage – Surety bond coverage of utility officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.
- 15-II-G Board Minutes – No transactions were found that we believe should have been approved in the board minutes but were not.
- 15-II-H Revenue Bonds – No instances of noncompliance with the Electric Revenue Note provisions were noted.
- 15-II-I Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.
- 15-II-J Telecommunications Services – We noted no instances of non-compliance with Chapter 388.10 of the Code of Iowa.