

LAURENS MUNICIPAL POWER & COMMUNICATIONS

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

December 31, 2015 and 2014

**T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants**

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**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

OFFICIALS

December 31, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ben Storms	Trustee	April, 2021
Jerry Runneberg	Trustee	April, 2017
Richard Main	Trustee	April, 2019



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Laurens Municipal Power & Communications
Laurens, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of Laurens Municipal Power & Communications (the Utility), a component Unit of the City of Laurens, Iowa, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Utility'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Laurens Municipal Power & Communications, a component Unit of the City of Laurens, Iowa, as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the Utility adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles required Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Utility’s Proportionate Share of the Net Pension Liability, the Schedule of Utility Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5-10 and 32-39 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laurens Municipal Power & Communication’s basic financial statements. The schedules of operating revenue and expenses on pages 40-44 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenue and expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenue and expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The schedule of light and power plant statistics on pages 45 and 46 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2016 on our consideration of the Laurens Municipal Power & Communication's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Laurens Municipal Power & Communication's internal control over financial reporting and compliance

T.P. Anderson & Company, P.C.

June 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Laurens Municipal Power & Communications (the Utility) provides this Management's Discussion and Analysis of the Utility's financial statements. This narrative overview and analysis of the financial activities is based upon currently known facts, decisions, and conditions for the fiscal year ended December 31, 2015. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- ◆ The Utility's operating revenues decreased from approximately \$4.4 million in 2014 to approximately \$4.3 million in 2015, a decrease of 3%. This decrease primarily resulted from reduced carrier access fees, reduced energy sales due to energy conservation, mild temperatures throughout the year and customers converting from electric to gas furnaces.
- ◆ The Utility's operating expenses increased from \$3.9 million in 2014 to \$4.1 million in 2015, an increase of 5%. The increase in expenses resulted mainly from increased contributions to the City of Laurens, increased professional fees and increased SPP expenses.
- ◆ The Utility's Net Position increased \$31,298 during 2015. The Electric fund's net position increased \$68,530 while the Communication fund's net position decreased (\$37,232).

USING THIS ANNUAL REPORT

The Utility presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Utility's financial statements. The annual report consists of a series of financial statements and other information, as follows:

- ◆ Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.
- ◆ The Balance Sheet presents information on the Utility's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.
- ◆ The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Utility's operating revenues and expenses, non-operating revenues and expenses, and whether the Utility's financial position has improved or deteriorated as a result of the year's activities.
- ◆ Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- ◆ Required Supplementary Information further explains and supports the financial statements with a comparison of the Utility's budget for the year, the Utility's proportionate share of the net pension liability and related contributions and the funding progress for the retiree health care plan.
- ◆ The schedules of operating revenues and expenses included as Supplementary Information provide detailed information about operating revenues and expenses.

- ◆ The Other Information included in Schedule 3 provides statistical data for users of the financial statements and is unaudited.

REPORTING THE UTILITY'S FINANCIAL ACTIVITIES

Fund Financial Statements

The Utility utilizes proprietary fund accounting for its enterprise funds. Enterprise funds are used to report business type activities. The Utility maintains two enterprise funds to provide separate information for the electric and communications funds; both of which are considered to be major funds of the utility.

The condensed financial highlights below show the results of the Utilities' financial position and the changes in net position for the years ended December 31, 2015 and 2014.

Condensed Financial Highlights (Expressed in thousands)		
	2015	2014(not restated)
Operating		
Revenues	\$ 4,270	\$ 4,397
Expenses	<u>4,065</u>	<u>3,938</u>
Operating Income (Loss)	<u>205</u>	<u>459</u>
Non-Operating		
Revenues (Expenses)	<u>(174)</u>	<u>(198)</u>
Other		
Transfers to the City of Laurens	<u>-</u>	<u>(43)</u>
Change in Net Position	<u>\$ 31</u>	<u>\$ 218</u>
Assets		
Current	\$ 2,363	\$ 2,566
Capital	9,798	10,068
Noncurrent	<u>898</u>	<u>903</u>
Total Assets	<u>13,059</u>	<u>13,537</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>65</u>	<u>-</u>
Liabilities		
Current	700	869
Long-term	<u>6,428</u>	<u>6,525</u>
Total Liabilities	<u>7,128</u>	<u>7,394</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>93</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	3,304	3,253
Restricted	517	389
Unrestricted	<u>2,082</u>	<u>2,501</u>
Total Net Position	<u>\$ 5,903</u>	<u>\$ 6,143</u>

INDIVIDUAL MAJOR FUND ANALYSIS

Electric Utility

Electric Utility Financial Highlights
Dollars in Thousands

	<u>2015</u>	<u>2014</u>
Operating		
Revenues	3,339	3,449
Expenses	<u>3,097</u>	<u>2,994</u>
Operating income (expenses)	242	455
Non-operating		
Revenues (expenses)	<u>(174)</u>	<u>(198)</u>
Change in net position	<u>68</u>	<u>257</u>
Assets		
Current	2,181	2,374
Capital	9,632	9,876
Noncurrent	<u>898</u>	<u>903</u>
Total assets	<u>12,711</u>	<u>13,153</u>
Deferred outflows of resources		
Pension related deferred outflows	<u>34</u>	=
Liabilities		
Current	595	772
Long Term	<u>6,303</u>	<u>6,511</u>
Total liabilities	6,898	7,283
Deferred inflows of resources		
Pension related deferred inflows	<u>48</u>	=
Net Position		
Net investment in capital assets	3,138	3,061
Restricted	517	389
Unrestricted	<u>2,144</u>	<u>2,420</u>
Total Net Position	<u>5,799</u>	<u>5,870</u>

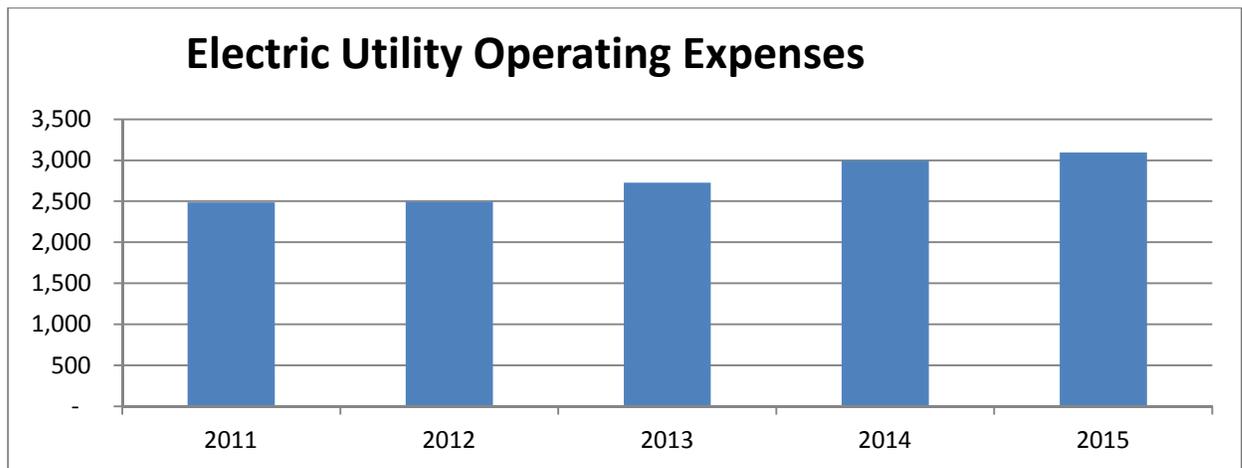
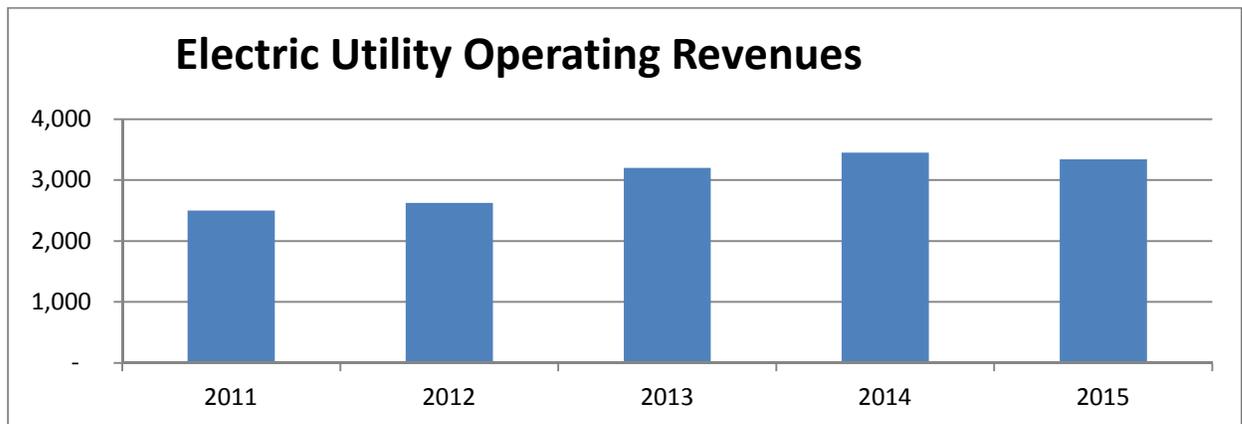
Overview

In 2015, the electric utility realized an operating gain of approximately \$242,000 and a nonoperating loss of approximately \$174,000 for a total net gain of approximately \$68,000 in 2015 (a decrease of \$189,000 from 2014). The change in net position was primarily caused by reduced energy sales and the expenses related to joining the Southwest Power Pool.

The electric utility continued to make capital improvements during 2015. The electric utility had depreciation expense of approximately \$411,000 in 2015 and \$410,000 in 2014.

Results of Operations

Revenue from operations decreased approximately 3% from 2014. Resale revenues decreased nearly 4% during the year as a result of our capacity sharing agreement with NIMECA, which can vary year over year. Energy sales decreased approximately 3.6% due to energy conservation, mild temperatures throughout the year and customers converting from electric to gas furnaces. Operating expenses decreased approximately 1% from 2014. Purchased energy is down approximately 5.3% and the Neal 4 Generation Plant expenses decreased approximately 4.8%. Offsetting these decreases was an increase in SPP charges and credits. Operating expenses were restated and increased approximately \$140,000 related to the GASB 68 accounting change in 2014.



Communications Utility

Communication Utility Financial Highlights
Dollars in Thousands

	<u>2015</u>	<u>2014</u>
Operating		
Revenues	931	948
Expenses	<u>968</u>	<u>944</u>
Change in net position	<u>(37)</u>	<u>4</u>

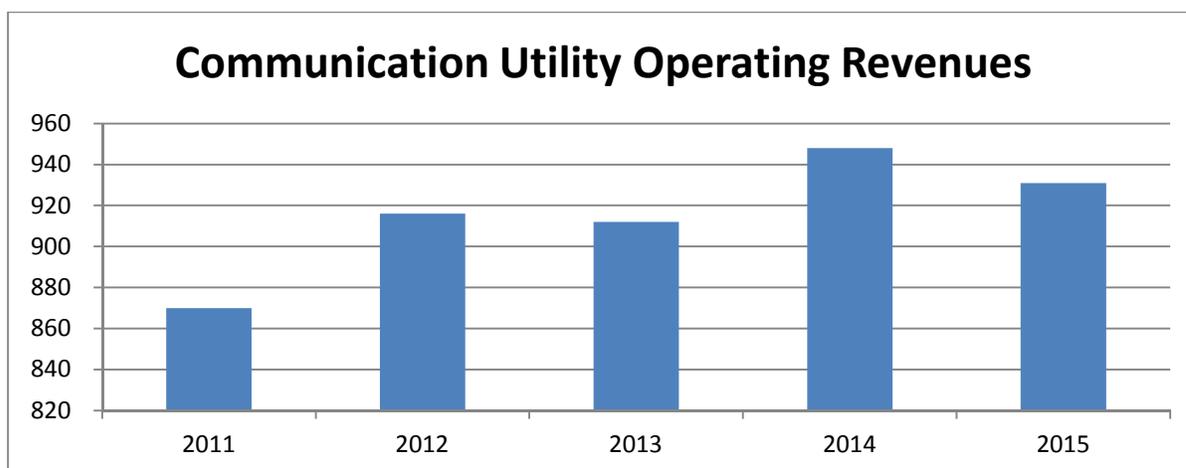
Assets		
Current	182	192
Capital	<u>166</u>	<u>191</u>
Total assets	348	383
Deferred outflows of resources		
Pension related deferred outflows	<u>31</u>	=
Liabilities		
Current	105	97
Long Term	<u>125</u>	<u>14</u>
Total liabilities	230	111
Deferred inflows of resources		
Pension related deferred inflows	<u>45</u>	=
Net Position		
Net investment in capital assets	166	191
Unrestricted	<u>(62)</u>	<u>81</u>
Total Net Position	<u>104</u>	<u>272</u>

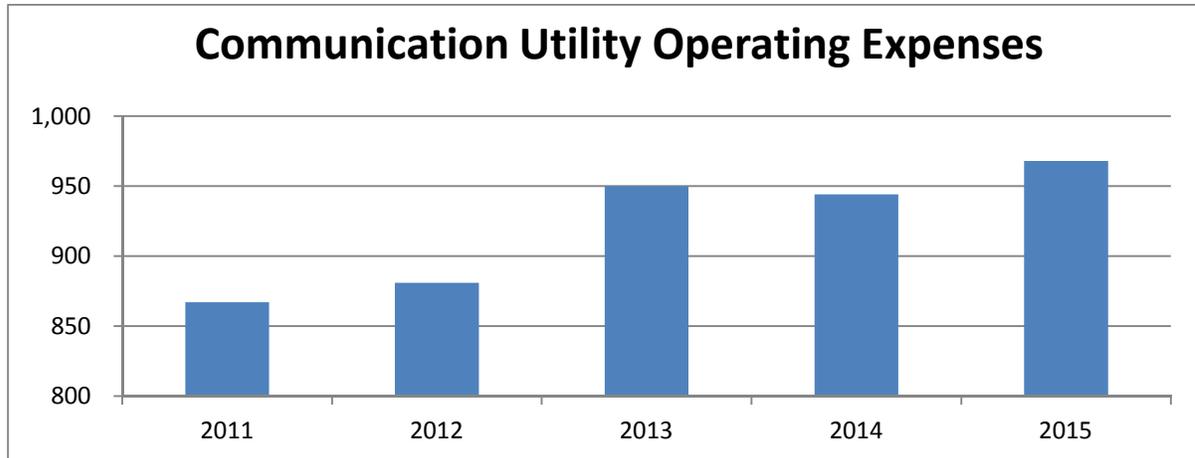
In 2015, the communications utility realized an operating loss of approximately \$37,000. This was a decrease from the \$3,700 in operating income generated in 2014. The change in position was primarily due to an increase in Cable TV rates and a revised contract for services with Long Lines. The communications utility realized decrease in capital assets caused by current year depreciation outpacing current year additions. The communications utility had depreciation expense of approximately \$57,000 in 2015 and \$51,000 in 2014.

Results of Operations

Revenue from operations decreased approximately 2% from 2014. Telephone revenues decreased 13.5%. This decline was driven by a 20% decrease in carrier access billing and a 33% decrease in Transport fee credits. Offsetting these decreases was an increase in Cable TV rates, increased Internet sales and special circuits.

Operating expenses increased approximately 2.5% from 2014. Increases in depreciation, Cable TV programming fees and other general and administrative expenses were nearly offset by the decrease in joint use fees as described previously.





ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Utility continued to improve its financial position during 2015. However the current condition of the economy continues to be a concern. Management continues to monitor all relevant factors that affect the utility including, but not limited to, the following:

- ◆ Facilities at the Utility require constant maintenance and upkeep.
- ◆ The challenge for the Utility to comply with ever-changing Federal and State legislation.
- ◆ Planning for the future of the Electric Utility (Power supply, transmission, distribution and cost of services).
- ◆ Planning for the future of the Communication Utility (Bandwidth, transmission, distribution and cost of service).
- ◆ Cash flow analysis will be done on an annual basis in order to maintain the appropriate rates charged for services.

CONTACTING THE UTILITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Laurens Municipal Power & Communication’s finances and to provide accountability for the money the Utility receives. If you have questions about this report or need additional financial information, contact the Utility’s administration office at 272 North Third Street, Laurens Iowa.

BASIC FINANCIAL STATEMENTS

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS**

**BALANCE SHEET
AS OF DECEMBER 31, 2015 and 2014**

	Electric Fund	
	2015	2014 Not restated
Current Assets		
Cash and cash equivalents- Unrestricted	\$ 117,481	\$ 654,017
Cash and cash equivalents- Restricted	173,130	182,726
Certificates of deposit - Unrestricted	715,762	494,078
Certificates of deposit - Restricted	384,748	255,923
Accounts receivable (net of allowance for doubtful accounts)	325,609	359,084
Notes receivable - current portion	108,029	57,505
Joint use contract receivable	47,334	55,719
Inventories	217,150	228,030
Accrued interest receivable	3,291	1,363
Prepaid expenses	88,585	85,460
Total current assets	2,181,119	2,373,905
Capital Assets		
Land	80,546	80,546
Plant in service	15,564,641	15,350,884
	15,645,187	15,431,430
Less accumulated depreciation	7,632,267	7,241,966
	8,012,920	8,189,464
Construction in progress	1,619,071	1,686,822
Total capital assets	9,631,991	9,876,286
Other Assets		
Notes receivable - net of current portion	362,033	125,062
Revolving loan receivable - net of current portion	180,000	225,000
NIMECA investments	303,480	497,737
Deferred patronage refund receivable	53,139	55,187
Total other assets	898,652	902,986
Total assets	12,711,762	13,153,177
Deferred Outflows of Resources		
Pension related deferred outflows	33,649	-
Total assets and deferred outflows of resources	\$ 12,745,411	\$ 13,153,177

Communications Fund		Total	
	2014		2014
2015	Not restated	2015	Not restated
\$ 120,987	\$ 128,717	\$ 238,468	\$ 782,734
-	-	173,130	182,726
-	-	715,762	494,078
-	-	384,748	255,923
		-	-
55,089	53,287	380,698	412,371
-	-	108,029	57,505
-	-	47,334	55,719
-	-	217,150	228,030
-	-	3,291	1,363
5,885	10,218	94,470	95,678
<u>181,961</u>	<u>192,222</u>	<u>2,363,080</u>	<u>2,566,127</u>
8,280	8,280	88,826	88,826
<u>1,410,138</u>	<u>1,378,575</u>	<u>16,974,779</u>	<u>16,729,459</u>
1,418,418	1,386,855	17,063,605	16,818,285
<u>1,252,464</u>	<u>1,195,509</u>	<u>8,884,731</u>	<u>8,437,475</u>
165,954	191,346	8,178,874	8,380,810
-	-	1,619,071	1,686,822
<u>165,954</u>	<u>191,346</u>	<u>9,797,945</u>	<u>10,067,632</u>
-	-	362,033	125,062
-	-	180,000	225,000
-	-	303,480	497,737
-	-	53,139	55,187
<u>-</u>	<u>-</u>	<u>898,652</u>	<u>902,986</u>
<u>347,915</u>	<u>383,568</u>	<u>13,059,677</u>	<u>13,536,745</u>
<u>31,516</u>	<u>-</u>	<u>65,165</u>	<u>-</u>
<u>\$ 379,431</u>	<u>\$ 383,568</u>	<u>\$ 13,124,842</u>	<u>\$ 13,536,745</u>

LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS

BALANCE SHEET-Continued
AS OF DECEMBER 31, 2015 and 2014

	Electric Fund	
	2015	2014 Not restated
Current and Accrued Liabilities		
Current maturities of revenue bonds	330,000	325,000
Accounts payable	148,044	320,351
Joint use contract payable	-	-
Deferred revenue	12,909	-
Customer deposits	40,168	49,969
Other current and accrued liabilities	64,079	76,695
Total current and accrued liabilities	595,200	772,015
 Long-Term Liabilities		
Electric revenue bonds - net of current portion	6,163,928	6,490,033
Net pension liability	114,316	-
OPEB obligation	24,800	20,795
	6,303,044	6,510,828
 Deferred Inflows of Resources		
Pension related deferred inflows	47,975	-
	47,975	-
 Net Position		
Net investment in capital assets	3,138,063	3,061,253
Restricted	517,710	388,680
Unrestricted	2,143,419	2,420,401
Total net position	5,799,192	5,870,334
 Total liabilities, deferred inflows of resources, and net position	\$ 12,745,411	\$ 13,153,177

See Notes to Financial Statements

Communications Fund		Total	
	2014		2014
2015	Not restated	2015	Not restated
-	-	330,000	325,000
28,316	30,841	176,360	351,192
47,334	55,719	47,334	55,719
-	-	12,909	-
-	-	40,168	49,969
29,453	10,388	93,532	87,083
<u>105,103</u>	<u>96,948</u>	<u>700,303</u>	<u>868,963</u>
-	-	6,163,928	6,490,033
107,072	-	221,388	-
18,163	14,412	42,963	35,207
<u>125,235</u>	<u>14,412</u>	<u>6,428,279</u>	<u>6,525,240</u>
44,934	-	92,909	-
<u>44,934</u>	<u>-</u>	<u>92,909</u>	<u>-</u>
165,954	191,346	3,304,017	3,252,599
-	-	517,710	388,680
(61,795)	80,862	2,081,624	2,501,263
<u>104,159</u>	<u>272,208</u>	<u>5,903,351</u>	<u>6,142,542</u>
<u>\$ 379,431</u>	<u>\$ 383,568</u>	<u>\$ 13,124,842</u>	<u>\$ 13,536,745</u>

LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	Electric Fund	
	2015	2014 Not restated
Operating revenues:	\$ 3,338,904	\$ 3,448,778
Operating expenses:		
Purchased power & programming	1,268,736	1,340,310
Generating plant - local	235,206	221,681
Generating plant - Neal 4	675,947	709,842
Distribution system - electric	109,571	98,020
Distribution system - communications	88,378	102,559
Transmission system	77,152	74,478
Customers' accounts expense	15,000	15,000
Administrative and general	626,512	431,569
Total operating expenses	3,096,502	2,993,459
Operating income (loss)	242,402	455,319
Non-operating revenues (expenses):		
Revenues from merchandising	(85)	4,995
Interest earned on investments	17,428	17,833
Interest expense	(191,876)	(194,173)
Loss on disposition of assets	(237)	(27,620)
Deferred patronage allocations	898	846
Non-operating income	(173,872)	(198,119)
Change in net assets	68,530	257,200
Less: Residual equity transfer to City - donation	-	(43,374)
Total net position, beginning of year	5,870,334	5,656,508
Restatement, see footnote 16	(139,672)	-
Total net position, beginning of year (as restated)	5,730,662	5,656,508
Total net position, end of year	\$ 5,799,192	\$ 5,870,334

See Notes to Financial Statements

Communications Fund		Total	
2015	2014 Not restated	2015	2014 Not restated
\$ 931,461	\$ 948,014	\$ 4,270,365	\$ 4,396,792
500,749	514,937	1,769,485	1,855,247
-	-	235,206	221,681
-	-	675,947	709,842
-	-	109,571	98,020
74,172	56,904	162,550	159,463
-	-	77,152	74,478
9,000	9,000	24,000	24,000
384,772	363,409	1,011,284	794,978
<u>968,693</u>	<u>944,250</u>	<u>4,065,195</u>	<u>3,937,709</u>
(37,232)	3,764	205,170	459,083
-	-	-	-
-	-	(85)	4,995
-	-	17,428	17,833
-	-	(191,876)	(194,173)
-	-	(237)	(27,620)
-	-	898	846
<u>-</u>	<u>-</u>	<u>(173,872)</u>	<u>(198,119)</u>
(37,232)	3,764	31,298	260,964
-	-	-	(43,374)
272,208	268,444	6,142,542	5,924,952
(130,817)	-	(270,489)	-
<u>141,391</u>	<u>-</u>	<u>5,872,053</u>	<u>5,656,508</u>
<u>\$ 104,159</u>	<u>\$ 272,208</u>	<u>\$ 5,903,351</u>	<u>\$ 6,142,542</u>

LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	Electric Fund	
	2015	2014 Not restated
Cash flows from operating activities:		
Cash receipts from customers	\$ 3,328,153	\$ 3,421,362
Cash receipts from interfund transfers	55,719	125,000
Cash payments for interfund transfers	-	-
Cash payments to suppliers	(2,632,259)	(2,180,092)
Cash payments to employees	(240,077)	(220,307)
Net cash provided by operating activities	511,536	1,145,963
Cash flows from noncapital financing activities:		
Payments to the city	-	(43,374)
Net cash (used) by noncapital financing activities	-	(43,374)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(165,087)	(782,181)
Repayment of revenue bonds	(325,000)	(320,000)
Cash payments for interest	(188,225)	(190,465)
Net cash (used) by capital and related financing activities	(678,312)	(1,292,646)
Cash flows from investing activities:		
Interest received	17,428	17,383
Note receivable issued	(300,000)	-
Collected notes receivable	57,505	56,759
Sale of resale merchandise	(85)	4,995
Proceeds from redemption of investments	961,428	1,048,188
Purchase of investments	(1,115,632)	(941,082)
Net cash (used) by investing activities	(379,356)	186,243
Net increase in cash and cash equivalents	(546,132)	(3,814)
Cash and cash equivalents, beginning of year	836,743	840,557
Cash and cash equivalents, end of year	\$ 290,611	\$ 836,743
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Income (loss) from operations	\$ 242,402	\$ 455,319
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	410,524	409,826
Change in accounts receivable	40,262	32,485
Change in joint use contract receivable	7,850	69,552
Change in prepaid expenses	(3,125)	91,027
Change in inventory	10,880	37,543
Change in accounts payable and accrued expenses (net of accounts payable for construction activities)	(187,088)	50,896
Change in customer deposits	(9,266)	(4,182)
Change in deferred revenue	6,122	-
Change in OPEB liability	4,005	3,497
Change in net pension liability	(50,997)	-
Change in deferred inflows of resources	47,975	-
Change in deferred outflows of resources	(8,008)	-
Net cash provided by operating activities	\$ 511,536	\$ 1,145,963

See Notes to Financial Statements

Communications Fund		Total	
2015	2014 Not restated	2015	2014 Not restated
\$ 929,659	\$ 969,841	\$ 4,257,812	\$ 4,391,203
-	-	55,719	125,000
(55,719)	(125,000)	(55,719)	(125,000)
(625,250)	(685,969)	(3,257,509)	(2,866,061)
(224,858)	(138,290)	(464,935)	(358,597)
23,832	20,582	535,368	1,166,545
-	-	-	(43,374)
-	-	-	(43,374)
(31,562)	(36,106)	(196,649)	(818,287)
-	-	(325,000)	(320,000)
-	-	(188,225)	(190,465)
(31,562)	(36,106)	(709,874)	(1,328,752)
-	-	17,428	17,383
-	-	(300,000)	-
-	-	57,505	56,759
-	-	(85)	4,995
-	-	961,428	1,048,188
-	-	(1,115,632)	(941,082)
-	-	(379,356)	186,243
(7,730)	(15,524)	(553,862)	(19,338)
128,717	144,241	965,460	984,798
\$ 120,987	\$ 128,717	411,598	965,460
\$ (37,232)	\$ 3,764	205,170	459,083
56,954	50,954	467,478	460,780
(1,802)	21,827	38,460	54,312
-	-	7,850	69,552
4,333	(2,444)	1,208	88,583
-	-	10,880	37,543
-	-	-	-
8,155	(57,123)	(178,933)	(6,227)
-	-	(9,266)	(4,182)
-	-	6,122	-
3,751	3,604	7,756	7,101
(47,762)	-	(98,759)	-
44,934	-	92,909	-
(7,499)	-	(15,507)	-
\$ 23,832	\$ 20,582	\$ 535,368	\$ 1,166,545

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Laurens Municipal Power & Communications (the Utility) is a component unit of the City of Laurens, Iowa. The Utility is engaged in the activities of providing electric energy, telephone, cable and internet services to consumers. The Mayor appoints the trustees of the Utility subject to approval by the City Council. The City Council also accepts the Utility's operating budget.

The Utility's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America applicable for proprietary funds of governmental entities as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

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

Basis of Presentation

The accounts of the Utility are organized on the basis of proprietary enterprise funds, each of which is considered to be a separate accounting entity and each reported in a separate column in the financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts, which comprise its assets, liabilities, net positions, revenues and expenses, and debt service of the designated activity. The Utility reports the following major enterprise funds:

- Electric Utility Fund
- Communications Utility Fund

Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net positions, financial position, and cash flows. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

In reporting its financial activity, the Utility applies all applicable GASB pronouncements for proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in

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NOTES TO FINANCIAL STATEMENTS

connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Utility result from charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Shared Utility Plants

Common Transmission System- North Iowa Municipal Electric Cooperative Association (NIMECA), acting as agent for its participating members, has entered into an agreement with Corn Belt Power Cooperative to obtain the benefit of its participating members a long-term right and access to electric transmission facilities, referred to as Common Transmission System (CTS) necessary to handle the combined needs of the participating members through undivided ownership interest in the capacity of transmission facilities. The Utility has recorded its share of the costs as capital assets in the Electric Utility Fund.

Neal 4 Generating System-The Utility is one of fourteen owners of Unit 4 George Neal Generating Station which is managed by MidAmerican Energy. The Utility owns .521 percent through an undivided ownership interest of the generating station for generating, purchasing, obtaining by exchange, or otherwise acquiring or transmitting electric power and energy. The Utility has recorded its share of the costs as capital assets and inventories in the Electric Utility Fund.

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and a public hearing for each of the utility's funds. The budgetary comparison schedules and related disclosures are reported as Required Supplementary Information. During the year ended December 31, 2015, actual disbursements did not exceed budgeted limitations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

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

Cash and Cash Equivalents – The various funds of the Utility combine their cash and invested cash funds into several shared bank accounts at one financial institution. The Utility considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are carried at cost which approximates market value.

Accounts Receivable and Allowance for Doubtful Accounts – The Utility uses the allowance method to account for uncollectible accounts receivable. Management uses its judgment based primarily on the length of time specific accounts have been outstanding in determining the estimated allowance for doubtful

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
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NOTES TO FINANCIAL STATEMENTS

accounts and related accounts receivable write-offs. A 1.5% per month penalty is charged for accounts older than 30 days.

The allowance for uncollectible accounts had a balance as of December 31, 2015 and 2014 as follows:

	Electric Fund	Communications Fund
December 31, 2015	\$33,190	\$22,404
December 31, 2014	\$23,643	\$16,254

Inventories – Inventories are stated at the lower of cost or replacement value using the first-in, first-out method. Cost is determined on a weighted average method. The electric utility fund inventory primarily includes fuel for the local plant and its joint ownership share of the coal and oil utilized at the Neal 4 Generation Station.

Capital Assets - Capital assets are carried at cost. Cost of labor, materials, supervision, and other costs incurred making improvements and replacements to the system, except minor replacements, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining the assets in efficient operating condition are charged to expense. The Utility computes depreciation on buildings and equipment using the straight-line method over the estimated useful lives of the property. Estimated useful lives of the buildings range from twenty to fifty years, while the lives of the equipment are estimated to range from three to thirty years.

Provisions for depreciation of generating, transmission, and distribution plant are computed on a straight-line basis employing a group method. The original costs of assets retired (not constituting the sale of an operating unit or system) together with the costs of removal less salvage are charged to the related accumulated depreciation accounts. In accounting for the sale of operating units or systems, gains or losses are reflected in net revenue.

Provisions for depreciation of general plant are computed on a straight-line basis employing the unit depreciation method. The original cost of property retired is removed from the general plant accounts and the related accumulated depreciation accounts are charged for the depreciation taken to date. Gain or loss is recognized to the extent that the salvage value of the assets retired exceeds or falls short of the remaining book value of the assets retired.

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

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

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NOTES TO FINANCIAL STATEMENTS

to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ 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.

Statement of Revenues and Expenses

Transactions deemed by management to be ongoing, major or central to the production of Utility sales are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as non-operating revenues and expenses. For most services, meters are read and bills are rendered on a cycle basis near midmonth. Revenues earned are recorded through the date meters are read each month. Additionally, revenues earned from utility usage delivered after meters are read to the end of the month during the last month of the year are estimated and recorded.

Net Position

Net positions are shown in three components:

- Net Investment in Capital Assets- This category of net assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.
- Restricted- This category of net assets results when constraints placed on net asset use are either externally imposed by outside creditors, others or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted- This category of net assets consist of net positions not meeting the definition of the two proceeding categories. Unrestricted net positions often have constraints on resources imposed by management, which can be removed or modified.

When an expense incurred by the Utility may be paid with restricted or unrestricted assets, it is the Utility’s policy to utilize the restricted resources first.

NOTE 2 – POOLED CASH AND INVESTMENTS

The Utility’s deposits in financial institutions at December 31, 2015 and 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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NOTES TO FINANCIAL STATEMENTS

investment companies; certain joint investment trusts; warrants or improvement certificates of a drainage district.

Interest rate risk – The Utility’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utility.

Custodial credit risk – For cash deposits held by financial institutions and cash held by jointly-owned entities for the benefit of the Utility, there is a risk that in the event of failure of the bank of jointly-owned entity, cash deposits may not be returned. All cash deposits held by banks are entirely covered by the FDIC. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. However, those portions of cash deposits held by jointly-owned entities are not held in the name of the Utility and may be subject to additional risk in the event one of these entities fails.

As of December 31, 2015 and 2014, the Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2015 and 2014 were as follows:

December 31, 2015:

Electric Fund

Proprietary Activities	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 80,546	-	-	\$ 80,546
Construction in progress	1,686,822	73,967	141,718	1,619,071
	1,767,368	73,967	141,718	1,699,617
Capital assets being depreciated:				
Generating plant- Local	5,813,895	-	-	5,813,895
Generating plant- Neal 4	1,892,807	65,858	12,314	1,946,351
Transmission plant- Lehigh Webster	127,423	23,408	148	150,683
Transmission plant- Neal 4	76,407	-	-	76,407
Transmission plant- Local	903,032	-	-	903,032
Transmission plant- Corn Belt	1,814,393	41,520	7,763	1,848,150
Distribution plant	1,847,933	76,466	-	1,924,399
Communication plant	2,633,564	14,713	-	2,648,277
Other equipment	241,430	12,017	-	253,447
Total capital assets being depreciated	15,350,884	233,982	20,225	15,564,641
Less accumulated depreciation for:				
Generating plant- Local	767,167	186,848	-	954,015
Generating plant- Neal 4	1,621,429	20,385	12,314	1,629,500
Transmission plant- Lehigh Webster	93,609	3,904	148	97,365
Transmission plant- Neal 4	69,667	849	-	70,516

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NOTES TO FINANCIAL STATEMENTS

Transmission plant- Local	546,750	23,691	-	570,441
Transmission plant- Corn Belt	660,165	49,914	7,763	702,316
Distribution plant	1,018,821	56,487	-	1,075,308
Communication plant	2,348,390	51,491	-	2,399,881
Other equipment	115,968	16,957	-	132,925
Total accumulated depreciation	<u>7,241,966</u>	<u>410,526</u>	<u>20,225</u>	<u>7,632,267</u>
Total capital assets being depreciated, net	<u>8,108,918</u>			<u>7,932,374</u>
Net capital assets	<u>\$ 9,876,286</u>			<u>\$ 9,631,991</u>

Communications Fund

Proprietary Activities	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 8,280	-	-	\$ 8,280
Capital assets being depreciated:				
Distribution plant-telephone	114,239	-	-	114,239
Other equipment-telephone	43,402	15,300	-	58,702
Distribution plant- CATV and internet	1,180,194	963	-	1,181,157
Other equipment-CATV and internet	40,740	15,300	-	56,040
Total capital assets being depreciated	<u>1,378,575</u>	<u>31,563</u>	<u>-</u>	<u>1,410,138</u>
Less accumulated depreciation for:				
Distribution plant-telephone	91,737	4,571	-	96,308
Other equipment-telephone	34,723	4,002	-	38,725
Distribution plant- CATV and internet	1,040,643	43,459	-	1,084,102
Other equipment-CATV and internet	28,406	4,923	-	33,329
Total accumulated depreciation	<u>1,195,509</u>	<u>56,955</u>	<u>-</u>	<u>1,252,464</u>
Total capital assets being depreciated, net	<u>183,066</u>			<u>157,674</u>
Net capital assets	<u>\$ 191,346</u>			<u>\$ 165,954</u>

December 31, 2014:

Electric Fund

Proprietary Activities	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 80,546	-	-	\$ 80,546
Construction in progress	1,826,433	292,894	432,505	1,686,822
	<u>1,906,979</u>	<u>292,894</u>	<u>432,505</u>	<u>1,767,368</u>
Capital assets being depreciated:				
Generating plant- Local	5,576,627	237,268	-	5,813,895
Generating plant- Neal 4	1,787,371	156,451	51,015	1,892,807

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NOTES TO FINANCIAL STATEMENTS

Transmission plant- Lehigh Webster	127,421	284	282	127,423
Transmission plant- Neal 4	76,425	-	18	76,407
Transmission plant- Local	903,032	-	-	903,032
Transmission plant- Corn Belt	1,615,305	216,772	17,684	1,814,393
Distribution plant	1,919,969	28,282	100,318	1,847,933
Communication plant	2,633,564	-	-	2,633,564
Other equipment	361,088	63,494	183,152	241,430
Total capital assets being depreciated	<u>15,000,802</u>	<u>702,551</u>	<u>352,469</u>	<u>15,350,884</u>
Less accumulated depreciation for:				
Generating plant- Local	584,274	182,893	-	767,167
Generating plant- Neal 4	1,639,834	32,610	51,015	1,621,429
Transmission plant- Lehigh Webster	90,457	3,434	282	93,609
Transmission plant- Neal 4	68,326	1,359	18	69,667
Transmission plant- Local	523,059	23,691	-	546,750
Transmission plant- Corn Belt	630,770	47,079	17,684	660,165
Distribution plant	1,043,168	54,343	78,690	1,018,821
Communication plant	2,298,496	49,894	-	2,348,390
Other equipment	284,587	14,523	183,142	115,968
Total accumulated depreciation	<u>7,162,971</u>	<u>409,826</u>	<u>330,831</u>	<u>7,241,966</u>
Total capital assets being depreciated, net	<u>7,837,831</u>			<u>8,108,918</u>
Net capital assets	<u>\$ 9,744,810</u>			<u>\$ 9,876,286</u>

Communications Fund

Proprietary Activities	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 8,280	-	-	\$ 8,280
Capital assets being depreciated:				
Distribution plant-telephone	100,316	13,923	-	114,239
Other equipment-telephone	47,067	5,195	8,860	43,402
Distribution plant- CATV and internet	1,172,090	12,470	4,366	1,180,194
Other equipment-CATV and internet	42,148	5,195	6,603	40,740
Total capital assets being depreciated	<u>1,361,621</u>	<u>36,783</u>	<u>19,829</u>	<u>1,378,575</u>
Less accumulated depreciation for:				
Distribution plant-telephone	87,877	3,860	-	91,737
Other equipment-telephone	40,907	2,008	8,192	34,723
Distribution plant- CATV and internet	1,002,665	42,344	4,366	1,040,643
Other equipment-CATV and internet	32,258	2,742	6,594	28,406
Total accumulated depreciation	<u>1,163,707</u>	<u>50,954</u>	<u>19,152</u>	<u>1,195,509</u>
Total capital assets being depreciated, net	<u>197,914</u>			<u>183,066</u>
Net capital assets	<u>\$ 206,194</u>			<u>\$ 191,346</u>

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
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NOTES TO FINANCIAL STATEMENTS

NOTE 4 – COMPENSATED ABSENCES

Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. The Utility's approximate liability for earned but unused vacation was \$24,515 and \$16,890 as of December 31, 2015 and 2014 respectively. This amount has been accrued and is reflected on the attached financial statements. Sick leave is not paid on termination, retirement or death; therefore, no accrual has been made for accumulated sick leave hours.

NOTE 5 - PENSION AND RETIREMENT BENEFITS

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, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

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

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

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

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary

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NOTES TO FINANCIAL STATEMENTS

will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

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

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the Utility contributed 8.93 percent for a total rate of 14.88 percent.

The Utility's contributions to IPERS for the year ended December 31, 2015 were \$35,950.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At December 31, 2015, the Utility reported a liability of \$221,388 for its proportionate share of the net pension liability. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the collective 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, 2014, the Utility's proportion was 0.0055823% percent, which was a decrease of 0.0000064 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the Utility recognized pension expense of \$14,590. At December 31, 2015, the Utility reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	2,406	-
Changes of assumptions	9,770	-
Net difference between projected and actual earnings on pension plan investments	-	84,431
Changes in proportion and differences between Utility contributions and proportionate share of contributions	-	8,478
Utility contributions subsequent to the measurement date	52,989	-
	65,165	92,909

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

NOTES TO FINANCIAL STATEMENTS

\$52,989 reported as deferred outflows of resources related to pensions resulting from the Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Total
2016	(20,383)
2017	(20,382)
2018	(20,382)
2019	(20,382)
2020	796
	(80,733)

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

NOTES TO FINANCIAL STATEMENTS

Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

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

Sensitivity of the Utility’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– The following presents the Utility’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Utility’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Utility’s proportionate share of the net pension liability (asset)	\$418,304	\$221,388	\$55,168

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.

Payable to the Pension Plan – At December 31, 2015, the Utility reported payables to the defined benefit pension plan of \$2,744 for legally required employer contributions and \$1,864 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 6 – RISK MANAGEMENT

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

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The Utility operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are no retired members in the plan.

The medical coverage is administered by Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit subsidy. The implicit subsidies result in an OPEB liability.

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

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

The following tables show the components of the Utility’s annual OPEB cost for the year ended December 31, 2015 and 2014, the amount actually contributed to the plan and changes in the Utility’s net OPEB obligation:

Electric Fund

	2015	2014
Annual required contribution	\$ 2,748	\$ 2,654
Interest on net OPEB obligation	433	346
Adjustment to the annual required contribution	824	768
Annual OPEB cost	4,005	3,768
Net OPEB obligation beginning of year	20,795	17,027
Net OPEB obligation end of year	\$ 24,800	\$ 20,795

Communications Fund

	2015	2014
Annual required contribution	\$ 2,566	\$ 3,604
Interest on net OPEB obligation	413	323
Adjustment to the annual required contribution	772	727
Annual OPEB cost	3,751	2,554

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
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NOTES TO FINANCIAL STATEMENTS

Net OPEB obligation beginning of year	14,412	10,808
Net OPEB obligation end of year	\$ 18,163	\$ 14,412

For calculation of the net OPEB obligation, the actuary has set the measurement date as January 1, 2013. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the years ended December 31, 2015 and 2014.

For the years ended December 31, 2015 and 2014, the Utility did not contribute to the medical plan. The Utility's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of December 31, 2015, 2014 and 2013 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost</u>	<u>Net OPEB Obligation</u>
December 31, 2015	\$ 7,756	0%	\$ 42,963
December 31, 2014	7,372	0%	35,207
December 31, 2013	6,995	0%	27,835

Funded Status and Funding Progress. As of January 1, 2013, the most recent actuarial valuation date for the periods January 1, 2014 through December 31, 2014 and January 1, 2013 through December 31, 2013, the actuarial accrued liability was \$52,418, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$52,418. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$420,000 and the ratio of the UAAL to covered payroll was 12.5%. As of December 31, 2015 and 2014, there were no trust fund assets.

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

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

As of the January 1, 2013 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the Utility's funding policy. The ultimate medical trend rate is 6%. Rates are from an aging curve study presented by the Society of

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
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NOTES TO FINANCIAL STATEMENTS

Actuaries in February 2006. The modest employee turnover rate was used to determine the annual retirement and termination probabilities.

NOTE 8 – ELECTRIC REVENUE BONDS

Changes in the electric utility revenue bonds for the year ended December 31, 2015 are as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
2012 Electric Utility Revenue Bonds (interest rates from .5% to 3.8%)	<u>\$ 6,880,000</u>	<u>-</u>	<u>325,000</u>	<u>6,555,000</u>
	<u>\$ 6,880,000</u>	<u>-</u>	<u>325,000</u>	<u>6,555,000</u>

Changes in the electric utility revenue bonds for the year ended December 31, 2014 are as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
2012 Electric Utility Revenue Bonds (interest rates from .5% to 3.8%)	<u>\$ 7,200,000</u>	<u>-</u>	<u>320,000</u>	<u>6,880,000</u>
	<u>\$ 7,200,000</u>	<u>-</u>	<u>320,000</u>	<u>6,880,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending December 31,</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 330,000	185,300	515,300
2017	340,000	181,670	521,670
2018	345,000	176,910	521,910
2019	355,000	171,045	526,045
2020	360,000	164,300	524,300
2021-2025	1,970,000	688,085	2,658,085
2026-2030	2,335,000	360,405	2,695,405
2031	<u>520,000</u>	<u>19,760</u>	<u>539,760</u>
	<u>\$ 6,555,000</u>	<u>1,947,475</u>	<u>8,502,475</u>

The resolutions providing for the issuance of revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to electric revenue sinking account for the purpose of making the bond principal and interest payments when due.
- C. The Utility is to establish a separate Electric Revenue Debt Service Reserve Fund into which there shall be set apart and funded monthly until the sum of \$541,000 has been accumulated.

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
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NOTES TO FINANCIAL STATEMENTS

D. Sufficient rates are to be charged to generate net revenues adequate to pay the principal and interest on the bonds and to create/maintain the reserves required by the bonds. The net revenues are also to be equal to or greater than 125% of the principal and interest requirements of the next calendar year.

NOTE 9 – RESTRICTED CASH AND CERTIFICATES OF DEPOSIT

Cash and certificates of deposit have been restricted in amounts necessary to fund the following specific requirements in the Electric Utility Fund:

	2015	2014
Restricted:		
Bond retirement sinking fund	\$ 42,942	\$ 42,769
Customer deposits	40,168	49,969
Bond reserve fund	38,748	255,923
Revolving loan fund cash	90,020	89,988
	\$ 557,878	\$ 438,649

NOTE 10 – NOTES RECEIVABLE

City of Laurens – On September 23, 2015, the Utility received a note for \$300,000 for a temporary transfer of funds to the City of Laurens to help fund a portion of the City’s 2015 street project. The amortization of the note requires annual principal payments of \$50,000 and semi-annual interest payments at a rate of 3.00% through June 2021. The ending balance of this note at December 31, 2015 was \$300,000.

City of Marathon – On January 1, 2004, the Utility received a note for \$194,025 in exchange for the construction of a 69/12.5 KV substation for the City of Marathon. In 2012, the City of Marathon increased the note by \$30,000 in order to finance improvements made to their system. As of December 31, 2015 and 2014, \$125,062 and \$137,567 were outstanding on the notes respectively. The amortization of the note requires monthly payments of \$1,584, including interest of 5.00% through December 2023. Total maturities for the note receivable are summarized as follows:

Year Ending	Electric Utility
<u>December 31:</u>	<u>Principal</u>
2016	\$ 13,029
2017	13,713
2018	14,414
2019	15,152
2020	15,917
2021-2023	52,837
Total	\$ 125,062

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – REVOLVING LOAN FUND

The Utility implemented a revolving loan program in 2012. The program was funded with a \$300,000 Grant from USDA Rural Development. The grant funds and a \$60,000 local match were lent to one borrower in 2012. This loan charges no interest and calls for repayment of the note with annual payments of \$45,000. The ending balance of this loan was \$225,000 and \$270,000 at December 31, 2015 and 2014, respectively.

NOTE 12 – PAYMENT TO THE CITY

The Utility made a voluntary cash donation to the City in the amount of \$73,351 and \$73,374 for the years ended December 31, 2015 and 2014 respectively.

NOTE 13 – JOINT USE AGREEMENT

The Board of Trustees have adopted and approved an intra-fund resolution under Iowa Code Chapter 28E between the Electric Utility and the Communications Utility to finance and install a communications distribution system for the use and support of the electronic functions of the electric utility system. This communications distribution system is the sole property of the Electric Utility. Through the joint use agreement, the Communications Utility is granted the right to use the fiber and coaxial networks, HDT and voice ports and the network operations control building in varying percentages as specified in the agreement. For the term of this agreement, the Communications Utility will pay the Electric Utility the sum of \$250,000 by making yearly payments as noted in the agreement. In addition, the Communications Utility will pay an amount equal to its prorata portion of the cost of operation and maintenance for the year. These payments extend through December 31, 2020.

NOTE 14 - RECLASSIFICATION

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 15 – SUBSEQUENT EVENTS

The Utility's management has evaluated events and transactions for potential recognition or disclosure through June 21, 2016 the date the financial statements were available to be issued.

NOTE 16 – ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted,

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
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NOTES TO FINANCIAL STATEMENTS

beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for the business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Electric	Communication	Total
Net position December 31, 2014			
as previously reported	5,870,334	272,208	6,142,542
Net pension liability at December 31, 2014	(165,313)	(154,834)	(320,147)
Change in outflows of resources			
related to contributions made after			
the June 30, 2013 measurement date	25,641	24,017	49,658
Net position January 1, 2015, as restated	<u>5,730,662</u>	<u>141,391</u>	<u>5,872,053</u>

REQUIRED SUPPLEMENTARY INFORMATION

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2015

	Actual	Original Budget	Final to Actual Variance
Revenues:			
Use of money and property	\$ 17,428	\$ 116,000	\$ (98,572)
Charges for services	4,158,466	4,422,500	\$ (264,034)
Miscellaneous	112,797	20,500	\$ 92,297
	4,288,691	4,559,000	(270,309)
 Expenses	 4,257,393	 4,521,000	 263,607
 Excess of Receipts Over Disbursements	 31,298	 38,000	
 Net Position at Beginning of Period	 5,872,053	 6,157,452	
 Net Position at End of Period	 \$ 5,903,351	 \$ 6,195,452	

See Accompanying Independent Auditor's Report

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED DECEMBER 31, 2015

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing for each of its funds. The annual budgets may be amended during the year utilizing similar statutorily prescribed procedures.

Disbursements for Laurens Municipal Power and Communications did not exceed the budgeted limit for the year ended December 31, 2015.

See Accompanying Independent Auditor's Report

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS**

SCHEDULE OF THE UTILITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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

Required Supplementary Information

	2015
City's proportion of the net pension liability	0.005582%
City's proportionate share of the net pension liability	221,388
City's covered-employee payroll	402,580
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.99%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditors report.

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

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS**

SCHEDULE OF UTILITY CONTRIBUTIONS

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

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 35,950	\$ 33,193	\$ 33,035	\$ 29,671
Contributions in relation to the statutorily required contribution	<u>35,950</u>	<u>33,193</u>	<u>33,035</u>	<u>29,671</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	402,580	371,697	381,028	367,675
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 26,061	\$ 25,705	\$ 22,411	\$ 21,673	\$ 18,369	\$ 15,423
<u>26,061</u>	<u>25,705</u>	<u>22,411</u>	<u>21,673</u>	<u>18,369</u>	<u>15,423</u>
<u>\$ -</u>					
374,983	386,537	352,923	358,236	319,456	268,227
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

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 assumptions:

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

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

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

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

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

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
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**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(In Thousands)**

Required Supplementary Information

Year Ended December 31	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
2015	January 1, 2013	-0-	\$ 47	\$ 47	0.00%	\$ 473	9.94%
2014	January 1, 2013	-0-	\$ 52	\$ 52	0.00%	\$ 420	12.4%
2013	January 1, 2013	-0-	\$ 56	\$ 56	0.00%	\$ 423	13.2%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See Accompanying Independent Auditor's Report

Supplementary Information

LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS

Schedule 1

SCHEDULES OF OPERATING REVENUES - LIGHT and POWER PLANT
FOR THE YEAR ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Sale of electricity:		
Residential	\$ 882,966	944,171
Commercial	1,206,879	1,225,206
Resale	966,503	1,005,405
Marathon	162,844	167,094
Forfeited discounts	11,396	10,021
Sales of steam	13,767	11,075
Miscellaneous	47,215	30,087
Joint use agreement	47,334	55,719
	<u>\$ 3,338,904</u>	<u>3,448,778</u>

See Accompanying Independent Auditor's Report

LAURENS MUNICIPAL POWER & COMMUNICATIONS
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Schedule 2

SCHEDULES OF OPERATING REVENUES - COMMUNICATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	CABLE TV		TELEPHONE		INTERNET		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
Sale of cable services:								
Basic and digital cable	261,592	256,980	-	-	-	-	261,592	256,980
Sale of telephone services:								
Local	-	-	141,586	146,659	-	-	141,586	146,659
Long distance	-	-	22,966	20,733	-	-	22,966	20,733
Access fees	-	-	94,584	118,252	-	-	94,584	118,252
Internet					201,529	195,157	201,529	195,157
Transport fee credits	-	-	40,000	60,000	-	-	40,000	60,000
Franchise fees	14,683	9,701	-	-	-	-	14,683	9,701
Special circuits	-	-	-	-	73,164	57,825	73,164	57,825
Other	-	-	9,521	9,727	-	-	9,521	9,727
USAC - high cost	-	-	-	51	-	-	-	51
Tower & fiber lease fees	13,380	14,610	-	-	-	-	13,380	14,610
Converters	31,832	32,188	-	-	-	-	31,832	32,188
Penalties	2,868	2,994	2,641	2,461	2,867	2,876	8,376	8,331
Miscellaneous	18,188	15,454	-	2,186	60	160	18,248	17,800
Total operating revenue	342,543	331,927	311,298	360,069	277,620	256,018	931,461	948,014

See Accompanying Independent Auditor's Report

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS**

Schedule 3

**SCHEDULE OF OPERATING EXPENSES - LIGHT AND POWER PLANT
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014**

	2015	2014 Not restated
Purchased energy	\$ 1,268,736	1,340,310
Generating plant - local:		
On-call labor	15,645	26,298
Fuel	8,674	(11,281)
Operating supplies	2,686	1,944
Maintenance and repairs	17,587	18,032
Buildings and grounds maintenance and repairs	3,766	3,795
Depreciation	186,848	182,893
Total local generating plant expenses	235,206	221,681
Generating plant - Neal 4		
Fuel	477,864	479,547
Maintenance and repairs	52,935	55,620
Operating	92,626	100,233
Property taxes	22,999	17,228
Depreciation	21,234	33,969
Other	8,289	23,245
Total Neal 4 generating plant expenses	675,947	709,842
Distribution system - electric:		
Line and station supplies and expense	9,323	8,383
Customers' installation expense	5,685	1,531
Miscellaneous distribution expense	3,923	1,086
Maintenance of lines	18,525	13,066
Maintenance of line transformers	13,195	14,069
Maintenance of street lighting and signal systems	-	3,607
Maintenance of meters	2,905	1,936
Depreciation	56,487	54,342
Total electric distribution expense	109,571	98,020
Distribution system - communications:		
Operating supplies and expense	2,774	2,382
Maintenance of lines	668	2,066
Maintenance of nodes, amps and peds	2,163	18,377
Maintenance of voice ports	198	-
Property taxes	3,489	2,714
Depreciation	79,086	77,020
Total communications distribution expense	88,378	102,559

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS**

Schedule 3 (continued)

**SCHEDULE OF OPERATING EXPENSES - LIGHT AND POWER PLANT
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014**

	2015	2014 Not restated
Transmission system:		
Depreciation	49,913	47,079
Capacity assignment costs	26,375	26,232
Line maintenance	864	1,167
Total transmission system expenses	77,152	74,478
Customers' accounts expense:		
Bad debt expense (recoveries)	15,000	15,000
Total customers' accounts expense	15,000	15,000
Administrative and general expense:		
Administrative and general salaries	217,407	197,777
NIMECA service charges and dues	28,885	28,178
SPP credits and charges	46,331	-
Conservation expense	21,888	11,141
Office supplies and postage	13,010	9,079
Audits, legal, and consultation services	64,823	19,045
Property insurance	20,199	21,675
Compensation insurance	11,323	11,577
Employees' group insurance	58,600	51,440
Trustees' fees	900	900
Dues and subscriptions	8,765	7,144
Cash payments to City	73,351	30,000
Cost of services to the Community	3,210	7,256
Legal publications	1,462	1,397
Advertising and promotion	2,195	1,974
Convention, meeting, and travel expense	1,602	1,996
Depreciation	16,957	14,523
Bank service charges	5,771	4,792
Motor vehicle and work equipment expense	8,211	7,227
Miscellaneous	21,622	4,448
Total administrative and general expense	626,512	431,569
Total operating expense	\$ 3,096,502	2,993,459

LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS

Schedule 4

SCHEDULES OF OPERATING EXPENSES - COMMUNICATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	CABLE TV		TELEPHONE		INTERNET		TOTAL	
	2014		2014		2014		2014	
	2015	Not restated						
Cost of service:								
Basic and digital programming	279,204	246,773	-	-	-	-	279,204	246,773
Internet fees	-	-	-	-	44,277	47,913	44,277	47,913
Transport fees	4,950	5,850	10,612	7,939	11,640	15,132	27,202	28,921
Switching fees	-	-	46,215	54,470	-	-	46,215	54,470
Long-distance fees	-	-	15,877	15,724	-	-	15,877	15,724
Access fees	-	-	23,378	45,188	-	-	23,378	45,188
Billing fees	-	-	16,298	15,623	-	-	16,298	15,623
Directory listing fees	-	-	724	4,118	-	-	724	4,118
Wireless fees	-	-	241	488	-	-	241	488
Joint use fees	15,759	18,573	15,767	18,573	15,807	18,573	47,333	55,719
Total cost of service	299,913	271,196	129,112	162,123	71,724	81,618	500,749	514,937
Head-end system:								
Operating expenses and supplies	3,082	2,398	2,249	1,344	11,765	2,873	17,096	6,615
Maintenance and repairs	2,239	1,252	344	361	863	361	3,446	1,974
Buildings and grounds	3,019	1,882	799	1,273	882	1,264	4,700	4,419
Depreciation	31,553	29,403	6,859	4,692	10,518	9,801	48,930	43,896
Total head-end system	39,893	34,935	10,251	7,670	24,028	14,299	74,172	56,904
Customers' accounts expense:								
Bad debt expense	3,000	3,000	3,000	3,000	3,000	3,000	9,000	9,000
Total customers' accounts expense	3,000	3,000	3,000	3,000	3,000	3,000	9,000	9,000
Administrative and general expense:								
Administrative and general salaries	44,537	46,880	100,814	95,014	72,931	66,335	218,282	208,229
Office supplies and postage	4,084	4,280	3,898	4,124	3,606	3,903	11,588	12,307
Audits, legal, and consultation services	4,216	8,533	15,599	13,101	5,802	3,675	25,617	25,309
Property insurance	4,404	4,218	4,404	4,218	4,404	4,218	13,212	12,654
Compensation insurance	2,776	2,573	3,031	2,868	3,046	2,868	8,853	8,309
Employees' group insurance	19,403	14,678	19,876	14,903	20,750	14,683	60,029	44,264
Trustees' fees	150	300	300	300	450	300	900	900
Dues and subscriptions	2,046	1,973	3,741	2,476	1,448	1,250	7,235	5,699
Franchise requirements - cost of services to City	14,752	14,877	-	-	-	-	14,752	14,877
Legal publications	324	362	324	362	342	362	990	1,086
Advertising and promotion	257	347	375	347	409	347	1,041	1,041
Convention, meeting, and travel expense	414	281	449	205	443	300	1,306	786
E911 fees	-	-	7,165	7,476	-	-	7,165	7,476
Depreciation	2,103	1,960	1,715	1,176	4,207	3,921	8,025	7,057
Motor vehicle and work equipment expense	961	1,312	994	1,325	1,078	1,312	3,033	3,949
Miscellaneous	395	648	1,768	1,723	581	7,095	2,744	9,466
Total administrative and general expense	100,822	103,222	164,453	149,618	119,497	110,569	384,772	363,409
Total operating expenses	443,628	412,353	306,816	322,411	218,249	209,486	968,693	944,250

See Accompanying Independent Auditor's Report

Other Information

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS**

Schedule 5

**SCHEDULE OF LIGHT AND POWER PLANT STATISTICS - Unaudited
FOR THE YEARS ENDED DECEMBER 31:**

Electricity Purchased and Cost

Year	kWh	
	Purchased	Cost
2015	29,915,125	\$ 1,285,887
2014	31,941,339	\$ 1,297,868
2013	32,659,937	\$ 1,242,143
2012	30,444,691	\$ 1,143,725
2011	31,865,763	\$ 1,169,387

Electric Utility Residential and Commercial Billings

Year	No. of Accounts	Total kWh Sold	Billings
2015	838	26,194,166	\$ 2,077,239
2014	838	28,120,837	\$ 2,146,886
2013	836	28,500,022	\$ 2,094,816
2012	843	26,402,592	\$ 1,805,268
2011	855	27,990,127	\$ 1,730,043

Peak Demand

Year	Peak
	Demand (MW)
2015	7.18
2014	8.05
2013	7.36
2012	7.05
2011	7.76

History of Electric Accounts Served

Year	Peak			Public		Total
	Residential	Commercial	Industrial	Authority	Interdepartmental	
2015	675	71	64	12	16	838
2014	677	68	66	12	15	838
2013	673	67	68	12	16	836
2012	682	65	69	11	16	843
2011	692	68	72	8	15	855

See Accompanying Independent Auditor's Report

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS**

Schedule 5

**SCHEDULE OF LIGHT AND POWER PLANT STATISTICS - Unaudited
FOR THE YEARS ENDED DECEMBER 31:**

Largest Electricity Users

Customer	2015 Annual Billings	% of Total Billings	2015 Total Billings
Fisher Hydraulics	\$ 229,418	11.04%	\$ 2,077,239
Jack Links	\$ 214,048	10.30%	\$ 2,077,239
Bobalee, Inc.	\$ 162,698	7.83%	\$ 2,077,239
Pengo Corporation	\$ 69,539	3.35%	\$ 2,077,239
Positech	\$ 47,996	2.31%	\$ 2,077,239
Laurens-Marathon School	\$ 47,059	2.27%	\$ 2,077,239
Farmers Cooperative	\$ 44,163	2.13%	\$ 2,077,239
Food Pride	\$ 35,866	1.73%	\$ 2,077,239
City's Water Plant	\$ 31,405	1.51%	\$ 2,077,239
Casey's General Store	\$ 28,249	1.36%	\$ 2,077,239

See Accompanying Independent Auditor's Report



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Trustees of
Laurens Municipal Power & Communications
Laurens, 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 financial statements of the major fund of Laurens Municipal Power & Communications (the Utility), a component unit of the City of Laurens, Iowa as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated June 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utilities' 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 the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with

governance. We consider the deficiencies (II-A-15, II-B-15, II-C-15 and II-D-15) described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Utility's 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 Utility. 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.

Laurens Municipal Power & Communication's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

TP Anderson & Company, PC

June 21, 2016

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2015**

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the basic financial statements.
- (b) The audit did not disclose any noncompliance which could have a material effect on the basic financial statements.
- (c) No material weaknesses in internal control were identified. Significant deficiencies were noted and included in our report on internal control.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Condition – There is a lack of segregation of duties with respect to accounts receivable, customer receipts, bank reconciliations, and general ledger maintenance.

Criteria – A sound system of internal controls requires that incompatible duties be assigned to more than one employee.

Cause – This issue is due to the limited number of staff at the Utility.

Effect – A significant deficiency in the Utility's control system.

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

Client Response – This is difficult with the minimal number of staff but we will continue to work on better segregation of duties.

Conclusion – Response accepted.

II-B-15 Condition – Significant adjustments to capital assets, long-term debt, and GASB 68 pension related accounts were required in order to present the financial statements fairly in accordance with accounting principles generally accepted in the United States of America.

Criteria – An internal control system that is functioning properly should either prevent or detect and correct material misstatements in a timely manner.

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2015**

Cause – Regular month-end practices do not include reconciling accounts payable with subsidiary ledgers or supporting documentation. The entries to record certain adjustments to receivables and capital assets were entries that were not normal for the Utility.

Effect – The financial reports generated by the accounting system were not accurate.

Recommendation – Procedures should be developed to ensure that all accounts payable are reconciled to supporting documents on a regular basis. When a material transaction is entered into and a clear understanding of the proper accounting for the transaction is not evident, you should consider consulting with an expert.

Client Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

II-C-15 Condition – The Utilities’ management and staff do not possess the expertise to select and apply accounting principles and to prepare full-disclosure financial statements in accordance with accounting principles generally accepted in the United States of America.

Criteria – A proper system of internal controls assumes that management is able to select and apply appropriate accounting principles in order to present financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause – The Utilities have a strong staff capable of performing duties such as billing, bookkeeping, and customer service and managing a smooth operating enterprise, however the benefit of having an employee on staff with the needed accounting expertise has been outweighed by the added cost.

Effect – Management is not able to, without assistance, prepare financial statements in accordance with the standards.

Recommendation – Management should consider obtaining professional education training specific to the accounting principles used by the Utilities.

Client Response – We will take steps to train the staff and management in order to become more proficient.

Conclusion – Response accepted.

II-D-15 Condition – Utility billings and collections are not reconciled monthly.

Criteria – Reconciliation of all significant assets and revenue streams is a proper internal control over financial reporting.

Cause – The Utility regularly reviews accounts receivable from utility billing reports but had not taken the step to reconcile the outstanding balance with collections on those accounts.

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2015**

Effect – The controls over utility revenue is not as strong as it could be.

Recommendation – Procedures should be established to reconcile utility billings and collections for each billing period.

Client Response – We will implement procedures to reconcile our utility billings and collections in a timely manner.

Conclusion – Response accepted.

**LAURENS MUNICIPAL POWER & COMMUNICATIONS
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2015**

Part III: Other Findings Related to Statutory Reporting:

- III-A-15 Certified Budget - Disbursements during the year ended December 31, 2015 were within the budgeted limits.
- III-B-15 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of Utility officials or employees were noted.
- III-D-15 Business Transactions – No business transactions between the Utility and Utility officials or employees were noted.
- III-E-15 Bond Coverage – Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-15 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, we found that the September meeting minutes were not published as required.

Criteria – Chapter 372.13(6) of the Code of Iowa states that minutes are to be published within 15 days of the meeting and is to include 1) total disbursements, 2) a list of all claims allowed, 3) a summary of all receipts and 4) a summary of ordinances or amendments adopted.

Cause – The Utility did not have a formal process of monitoring that the minutes were published in accordance with the Code of Iowa.

Effect – The Utility did not comply with the minutes section of the Code of Iowa for the year ended December 31, 2015.

Recommendation – The Utility should include a step in their monthly procedures to ensure minutes are being published timely.

Client Response – We will make an effort to comply with the requirements to publish our minutes timely.

Conclusion – Response accepted.

- III-G-15 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

- III-H-15 Revenue Bonds – No instances of non-compliance with revenue bond resolutions were noted.