

WATER BOARD OF TRUSTEES
Regular Meeting
December 21, 2015
3:00 PM
Location: 1208 South St.

Agenda

1. Approve Agenda.
2. Approve Minutes of the November 20, 2015 regular meeting and December 11, 2015 special meeting.
3. Approve Invoices and Financial Statements.
4. Customer Forum.
5. Discussion of Wastewater Operations.
6. Approve Acceptance of the Annual Financial Report for Fiscal Year 2014-2015 as Prepared by Hunt & Associates, P.C.
7. Presentation on water meters.
8. Consideration and discussion of professional services agreement with Garden & Associates, LTD. for Hwy 23 water main replacement.
9. Consideration and discussion of Oskaloosa Municipal Water Department employee manual. Section 2 Employment Policies, subsection L, Probationary Period.
10. General Manager's Update.
11. Miscellaneous.
12. Adjourn.

INFORMATION CONCERNING AGENDA ITEMS:

Agenda Item #4

“This is the item reserved to receive comments from the community, our customers, for concerns whether or not they are included in the current agenda. The community is encouraged to come and speak before the Water Board of Trustees and asked to keep statements brief. Any questions are to be asked of the Water Department staff and Board of Trustee members prior to speaking to the full Board of Trustees so concerns may be properly researched and answered away from the meeting. Comments are to be directed to the Board of Trustees only.”

Agenda Item #5

- RFQ's for Wastewater
- Staffing

Agenda Item #6

Doug Hunt will be in attendance to provide a brief synopsis of the previous year's audit. I will have hard copies that I will distribute before the meeting for your review. I recommend approving the acceptance of the audit.

Agenda Item #7

Brad Klein, Ferguson Waterworks, will be here to give a short presentation about Ferguson as a Performance Distributor (installer and supplier) supporting the Neptune line.

Agenda Item #8

Garden & Associates, LTD., has offered a Professional Services Agreement for the Highway 23 Water Main Replacement. I will hard copies attached to your packet and available at the meeting for review. The cost for the agreement is set at a “not to exceed” price of \$13,000. This includes topographical survey, preliminary and final design, and permits. The price is based on OMWD staff completing the work. Staff recommends approval of the agreement.

Agenda Item #9

While preparing the new employee manuals for distribution to staff, there was one item that was found that needs to be addressed. In order to maintain consistency, in Section 2 Employment Policies, subsection L, Probationary Period the number of days needs to be changed from 90 (ninety) to 180 (one hundred eighty). Staff recommends approving the changes.

Agenda Item #10

Crystal and I have been working on budget numbers for any amendments and also looking at the budget for 2016-2017. The Board will need to decide on dates for budget meetings in January to look at the budget and then an additional meeting to approve the budget. I would like to also receive input from the City Manager on any necessary timelines needed for OMWD's budget approval.

As part of budget discussions, staff has been discussing the need for online bill pay and moving this forward. This has been a discussion topic in the past and I would like to revisit it during the meeting. As part of this discussion, it may be necessary to also discuss a move to monthly billing and added expenses as a result.

Agenda Item #11

There have been five leaks this last month;
Under the railroad tracks at B Avenue West on a 4" main. We have cut and capped this main and will work out a solution in the spring.
1600 block of Edmundson Drive, shear break on an 8" main
1000 block of Avenue East, crack on a 6" main
Hwy 23, hole in the 12" main
1400 block of A Avenue West, crack on the 6" main

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
OSKALOOSA, IOWA

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

June 30, 2015

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CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

WATERWORKS OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Joe Ryan	Chairman	July, 2016
Mike Vore	Secretary	July, 2018
Brad Hodges	Trustee	July, 2020
Chad Coon	General Manager	Indefinite
Crystal Breuklander	Office Manager	Indefinite
Cindy Scholtus	Billings Clerk	Indefinite
Cindy Van Donselaar	Customer Service	Indefinite
David Dixon	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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FAX 641/672-2461

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KNOXVILLE, IA 50138
641/842-3184
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
City of Oskaloosa Municipal Water Department
Oskaloosa, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa Municipal Water Department, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Water Department's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Water Department'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 Water Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa Municipal Water Department as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 5 to the financial statements, the City of Oskaloosa Municipal Water Department adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oskaloosa Municipal Water Department's basic financial statements. The supplementary information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, budgetary comparison information, the schedule of the Water Department's Proportionate Share of the Net Pension Liability and the Schedule of Water Department Contributions on pages 26 through 32 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.

The City of Oskaloosa Municipal Water Department has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2015 on our consideration of the City of Oskaloosa Municipal Water Department'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Oskaloosa Municipal Water Department's internal control over financial reporting and compliance.

Oskaloosa, Iowa
September 25, 2015

Hunt & Associates, P.C.

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Basic Financial Statements

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
As of and for the year ended June 30, 2015

	<u>Disbursements</u>	<u>Program Receipts</u> Charges for Services	Net (Disbursements) Receipts
Functions/Programs:			
Business Type Activities:			
Water operating	\$ 1,876,762	\$ 2,266,534	\$ 389,772
Debt service	418,895	-	(418,895)
Meter replacements	97,662	-	(97,662)
	<u>\$ 2,393,319</u>	<u>\$ 2,266,534</u>	<u>\$ (126,785)</u>
General receipts:			
Unrestricted investment earnings			6,867
Rents collected			23,943
Miscellaneous			<u>112,310</u>
Total general receipts			<u>143,120</u>
Change in cash basis net position			16,335
Cash basis net position beginning of year			<u>1,080,552</u>
Cash basis net position end of year			<u>\$ 1,096,887</u>
Cash basis net position:			
Restricted:			
Expendable:			
Debt service			\$ 34,895
Unrestricted			<u>1,061,992</u>
Total cash basis net position			<u>\$ 1,096,887</u>

See notes to financial statements.

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CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the year ended June 30, 2015

	Enterprise Funds			Total
	Water Utility Operating	Designated for Meter Replacement	Sinking Fund	
Operating receipts:				
Use of money and property:				
Meter rent	\$ 18,832	\$ -	\$ -	\$ 18,832
House rent	360	-	-	360
Sprinkler and hydrant rent	4,751	-	-	4,751
	<u>23,943</u>	<u>-</u>	<u>-</u>	<u>23,943</u>
Charges for services:				
Meter water sales	2,069,982	-	-	2,069,982
Late and inspection fees	45,959	-	-	45,959
Labor charges	6,854	-	-	6,854
Sales tax collected	143,739	-	-	143,739
	<u>2,266,534</u>	<u>-</u>	<u>-</u>	<u>2,266,534</u>
Miscellaneous:				
Materials sold	3,955	-	-	3,955
Reimbursements/refunds	653	-	-	653
Tower rental	20,700	-	-	20,700
Miscellaneous	31,163	-	-	31,163
Timber sold	55,839	-	-	55,839
	<u>112,310</u>	<u>-</u>	<u>-</u>	<u>112,310</u>
Total operating receipts	<u>2,402,787</u>	<u>-</u>	<u>-</u>	<u>2,402,787</u>
Operating Disbursements:				
Business type activities:				
Administration:				
Labor	290,308	-	-	290,308
Related labor expenses	41,992	-	-	41,992
Health insurance	163,843	-	-	163,843
Publications	2,102	-	-	2,102
Audit fees	7,925	-	-	7,925
Maintenance - Building	549	-	-	549
Computer expense	19,347	-	-	19,347
Insurance	49,705	-	-	49,705
Postage	12,435	-	-	12,435
Meter reading service	19,243	-	-	19,243
Telephone	7,463	-	-	7,463
Dues and subscriptions	6,112	-	-	6,112
Education/Seminars	4,326	-	-	4,326
Custodial expense	1,771	-	-	1,771
Legal expense	35,148	-	-	35,148

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the year ended June 30, 2015

	Enterprise Funds			Total
	Water Utility Operating	Designated for Meter Replacement	Sinking Fund	
Operating Disbursements (continued):				
Business type activities (continued):				
Administration (continued):				
Office supplies	\$ 5,482	\$ -	\$ -	\$ 5,482
Miscellaneous supplies	1,587	-	-	1,587
Credit card fees	2,004	-	-	2,004
Capital outlay and replacements	1,334	-	-	1,334
	<u>672,676</u>	<u>-</u>	<u>-</u>	<u>672,676</u>
Plant operation and maintenance:				
Labor	76,309	-	-	76,309
Related labor expenses	12,652	-	-	12,652
Lab expense	10,824	-	-	10,824
Maintenance:				
Buildings	2,946	-	-	2,946
Wells	50,817	-	-	50,817
Grounds	13,715	-	-	13,715
Machinery	11,816	-	-	11,816
Education/Seminars	1,450	-	-	1,450
Utilities	75,127	-	-	75,127
Miscellaneous supplies	1,139	-	-	1,139
Miscellaneous expense	875	-	-	875
Chemicals	186,514	-	-	186,514
Capital outlay and replacements	58,110	97,662	-	155,772
	<u>502,294</u>	<u>97,662</u>	<u>-</u>	<u>599,956</u>
Distribution operations:				
Labor	173,777	-	-	173,777
Related labor expenses	28,812	-	-	28,812
Uniforms	1,364	-	-	1,364
Maintenance:				
Meters	4,594	-	-	4,594
Water system	80,806	-	-	80,806
Building	3,061	-	-	3,061
Machinery	7,330	-	-	7,330
Gasoline	15,328	-	-	15,328
Truck expense	2,034	-	-	2,034
Education/Seminars	1,542	-	-	1,542
Utilities	4,645	-	-	4,645
Small tools	2,516	-	-	2,516
Miscellaneous supplies	2,241	-	-	2,241

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2015

	Enterprise Funds			Total
	Water Utility Operating	Designated for Meter Replacement	Sinking Fund	
Operating Disbursements (continued):				
Business type activities (continued):				
Distribution operations (continued):				
Miscellaneous expense	\$ 6,344	\$ -	\$ -	\$ 6,344
Capital outlay and replacements	223,593	-	-	223,593
Debt service	-	-	418,895	418,895
	<u>557,987</u>	<u>-</u>	<u>418,895</u>	<u>976,882</u>
Other:				
Sales tax remitted	143,805	-	-	143,805
	<u>1,876,762</u>	<u>97,662</u>	<u>418,895</u>	<u>2,393,319</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	526,025	(97,662)	(418,895)	9,468
Non operating receipts:				
Interest on investments	6,867	-	-	6,867
	<u>532,892</u>	<u>(97,662)</u>	<u>(418,895)</u>	<u>16,335</u>
Excess (deficiency) of receipts over (under) disbursements				
Other financing sources (uses):				
Operating transfers in (note 3)	-	36,000	418,882	454,882
Operating transfers out (note 3)	(454,882)	-	-	(454,882)
Total other financing sources (uses)	<u>(454,882)</u>	<u>36,000</u>	<u>418,882</u>	<u>-</u>
Net change in cash balances	78,010	(61,662)	(13)	16,335
Cash balance beginning of year	<u>940,831</u>	<u>104,813</u>	<u>34,908</u>	<u>1,080,552</u>
Cash balance end of year	<u>\$ 1,018,841</u>	<u>\$ 43,151</u>	<u>\$ 34,895</u>	<u>\$ 1,096,887</u>

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2015

	Enterprise Funds			Total
	Water Utility Operating	Designated for Meter Replacement	Sinking Fund	
Cash basis fund balances:				
Restricted:				
Debt service	\$ -	\$ -	\$ 34,895	\$ 34,895
Unrestricted	1,018,841	43,151	-	1,061,992
	<u>\$ 1,018,841</u>	<u>\$ 43,151</u>	<u>\$ 34,895</u>	<u>\$ 1,096,887</u>

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
AGENCY FUNDS
Year ended June 30, 2015

	Customer Deposits	Sewer Receipts	Total
Receipts:			
Charges for services:			
Sanitary sewer receipts	\$ -	\$ 1,630,154	\$ 1,630,154
Stormwater receipts	-	230,344	230,344
Miscellaneous:			
Customer deposits	48,975	-	48,975
Total receipts	48,975	1,860,498	1,909,473
Disbursements:			
Business type activities:			
Customers' deposits refunded	47,750	-	47,750
Sanitary sewer receipts remitted to City	-	1,633,502	1,633,502
Stormwater receipts remitted to City	-	230,737	230,737
Total disbursements	47,750	1,864,239	1,911,989
Excess (deficiency) of receipts over (under) disbursements	1,225	(3,741)	(2,516)
Balance beginning of year	87,005	144,775	231,780
Balance end of year	\$ 88,230	\$ 141,034	\$ 229,264

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies

The City of Oskaloosa Municipal Water Department is an independent department and a component unit of the City of Oskaloosa. The Waterworks operates under an appointed Board of Trustees. The Water Department provides water service to the residents of Oskaloosa, Iowa located in Mahaska County.

A. Reporting Entity

For financial reporting purposes, the Municipal Water Department of the City of Oskaloosa, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The Water Department 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 Water Department, are such that exclusion would cause the Water Department's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Water Department 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 Water Department. The Water Department has no component units which meet the Governmental Accounting Standards Board criteria. These statements do not include any other City of Oskaloosa funds or transactions.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the primary government, the Water Department, and any component units. For the most part, the effect of interfund activity has been removed from this financial statement.

The Cash Basis Statement of Activities and Net Position presents the Water Department's nonfiduciary net position. Net position is reported in two categories:

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest on investments that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program receipts are reported instead as general receipts.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies

B. Basis of Presentation (continued)

Fund Financial Statements – Separate financial statements are provided for proprietary and fiduciary funds. Major individual proprietary funds are reported as separate columns in the funds financial statements.

The Water Department reports the following major proprietary funds:

Operating, Meter Replacement, and Sinking Fund Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Additionally, the Water Department reports the following fund type:

Fiduciary Funds:

Agency Funds are utilized to account for monies and properties received and held by the City of Oskaloosa Municipal Water Department in a trustee capacity as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The Municipal Water Department maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Water Department are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparisons and related disclosures are reported as Other Information.

Note 2. Cash and Pooled Investments

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

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 2. Cash and Pooled Investments (continued)

The Water Department 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 City of Oskaloosa Municipal Water Department's Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investments companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the Water Department had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificate of Deposit	\$ 200,000	\$ 200,000	September 22, 2016
Certificate of Deposit	65,000	65,000	July 11, 2016
Certificate of Deposit	200,000	200,000	November 3, 2015
Certificate of Deposit	<u>200,000</u>	<u>200,000</u>	February 6, 2016
	<u>\$ 665,000</u>	<u>\$ 665,000</u>	

Interest rate risk – The Water Department'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 Department.

Credit risk - The Water Department investments, held in financial depositories, are not subject to level of risk categorization.

Note 3. Interfund Transfers

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

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
Proprietary Enterprise: Water Utility Operating	Proprietary Enterprise: Meter Replacement	\$ 36,000
	Sinking Fund	<u>418,882</u>
Total		<u>\$ 454,882</u>

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

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 4. Indebtedness

The Water Department authorized and the Iowa Finance Authority approved Water Revenue Capital Loan Notes not to exceed \$6,500,000. The Water Department paid \$251,000 of principal, \$154,980 in interest and \$12,915 in service fees during the year. The annual debt service requirements to maturity for the revenue capital loan notes is as follows:

Year Ending June 30,	Revenue Capital Loan Notes				
	Water				
	Issued January 7, 2009				
Interest Rate	Interest	Service Fee	Principal	Total	
2016	3.00 %	\$ 147,450	\$ 12,288	\$ 259,000	\$ 418,738
2017	3.00	139,680	11,640	268,000	419,320
2018	3.00	131,640	10,970	277,000	419,610
2019	3.00	123,330	10,277	286,000	419,607
2020	3.00	114,750	9,563	295,000	419,313
2021	3.00	105,900	8,825	304,000	418,725
2022	3.00	96,780	8,065	314,000	418,845
2023	3.00	87,360	7,280	325,000	419,640
2024	3.00	77,610	6,468	335,000	419,078
2025	3.00	67,560	5,630	346,000	419,190
2026	3.00	57,180	4,765	357,000	418,945
2027	3.00	46,470	3,873	369,000	419,343
2028	3.00	35,400	2,950	381,000	419,350
2029	3.00	23,970	1,997	393,000	418,967
2030	3.00	12,180	1,015	406,000	419,195
		<u>\$ 1,267,260</u>	<u>\$ 105,606</u>	<u>\$ 4,915,000</u>	<u>\$ 6,287,866</u>

See accompanying independent auditor's report.

The resolution providing for the issuance of the revenue capital loan notes include the following provisions:

- a) The bonds will only be redeemed from the future earnings of the enterprise activity.
- b) Sufficient monthly cash transfers shall be made to a sinking fund account for the purpose of making the capital loan note principal, interest payments and service fee when due.
- c) Sufficiency of rates. On or before the beginning of each fiscal year the governing body will adopt or continue in effect rates for all services rendered by the Water Department determined to be sufficient to produce Net Revenues for the next succeeding fiscal year which are (i) adequate to pay the principal and interest requirements thereof and to create or maintain the reserves as provided in this Resolution, and (ii) not less than 110 percent of the principal and interest requirements of the next succeeding fiscal year.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Pension Plan

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

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

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

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

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

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

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

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Pension Plan (continued)

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 Water Department contributed 8.93 percent for a total rate of 14.88 percent.

The Water Department's contributions to IPERS for the year ended June 30, 2015 were \$45,385.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Water Department's liability for its proportionate share of the collective net pension liability totaled \$352,056. 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 Water Department's proportion of the collective net pension liability was based on the Water Department's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Water Department proportion was .008877 percent, which was an increase of 0.000592 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the Water Department's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$26,351, \$19,363 and \$134,264 respectively.

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
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

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

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

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Pension Plan (continued)

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US equity	23%	6.31
Non US equity	15%	6.76
Private equity	13%	11.34
Real estate	8%	3.52
Core plus fixed income	28%	2.06
Credit opportunities	5%	3.67
TIPS	5%	1.92
Other real assets	2%	6.27
Cash	1%	(0.69)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Water Department 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 Water Department’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Water Department’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Water Department’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.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Water Department's proportionate share of the net pension liability	\$ 665,200	\$ 352,056	\$ 87,730

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Pension Plan (continued)

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.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The City of Oskaloosa Municipal Water Department operates a benefit plan which provides medical/prescription drug and dental benefits for employees and their families. There are 10 active members in the plan.

The medical/prescription drug and dental benefits are provided through a fully-insured plan with Wellmark.

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

Employees contribute a certain amount for dental insurance each month \$5 for single plan, and \$16 for any other plan. The most recent active member monthly premiums for the Water Department plan members are \$512 for single coverage, \$1,049 for employee/spouse, and \$1,572 for family coverage. For the year ended June 30, 2015, the Water Department contributed \$165,668 and plan members eligible for benefits contributed \$1,587 to the plan.

Note 7. Compensated Absences

Water Department’s employees accumulate a limited amount of earned but unused vacation, sick leave and comp hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Water Department until used or paid. The Water Department’s approximate liability for unrecognized earned compensated absences is as follows:

<u>Type of Benefits</u>	<u>Amount</u>
Vacation	\$ 15,362
Sick Leave	43,355
Comp	10,851
Holiday Leave	1,800
Total	\$ 71,368

This liability has been computed based on rates of pay as of July 1, 2015.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Risk Management

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

Note 9. Sewer and Stormwater Receipts

The Water Department assesses and collects sewer and stormwater charges for the City of Oskaloosa, Iowa. The receipts from collections from customers and remittances to the City of Oskaloosa are accounted for in the Agency - Sewer Receipts Fund.

Note 10. Commitments and Contingencies

In January, 2002 the Water Department implemented a plan to self-fund the increase in their out of pocket and deductible limits of their health insurance policy for all eligible employees. The maximum annual calendar year exposure to the Water Department would be \$18,000 of which \$500 has been paid in claims as of June 30, 2015. The maximum remaining contingent liability as of June 30, 2015 is \$17,500.

The Water Department has entered into a five year contract for leak detection services that will cost \$3,000 per year, effective June 30, 2011.

The Water Department has entered into an engineering agreement on May 18, 2015 for professional services with regards to installing 5700 level feet of water main to replace existing water main. Total professional services not to exceed \$47,250.

The City of Oskaloosa has approved a contract that includes a project that the Water Department will reimburse the City for. The Water Department's share of the project 3rd Avenue East Reconstruction Project is \$284,632 of which the Water Department has reimbursed \$93,736. The remainder will be reimbursed to the City as the project is completed.

In July, 2015 the Water Department entered into an agreement to pay \$14,375 in water main work in relation to a new apartment complex.

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Other Information

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – PROPRIETARY FUNDS
Other Information
Year Ended June 30, 2015

	<u>Actual</u>	<u>Amounts Not Required to be Budgeted</u>	<u>Actual Net</u>
Receipts:			
Water:			
Use of money and property	\$ 30,810	\$ -	\$ 30,810
Charges for services	2,122,795	-	2,122,795
Miscellaneous	161,285	48,975	112,310
	<u>2,314,890</u>	<u>48,975</u>	<u>2,265,915</u>
Disbursements:			
Business type activities:			
Water	2,297,330	47,750	2,249,580
Excess of receipts over disbursements/ (disbursements over receipts)	17,560	1,225	16,335
Cash balances beginning of year	<u>1,167,557</u>	87,005	1,080,552
Cash balances end of year	<u>\$ 1,185,117</u>	<u>\$ 88,230</u>	<u>\$ 1,096,887</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to Total Variance Favorable (Unfavorable)
<u>Original</u>	<u>Final</u>	
\$ 20,660	\$ 26,060	\$ 4,750
2,155,842	2,050,444	72,351
74,500	124,300	(11,990)
<u>2,251,002</u>	<u>2,200,804</u>	<u>65,111</u>
<u>2,387,614</u>	<u>2,413,400</u>	<u>163,820</u>
\$ <u><u>(136,612)</u></u>	\$ <u><u>(212,596)</u></u>	\$ <u><u>228,931</u></u>

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING
June 30, 2015

The budgetary comparison is presented in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgeting perspective differences resulting from not being able to present budgetary comparisons for the Enterprise Fund.

In accordance with the Code of Iowa, the Water Department's Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds, except Agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$25,786. The budget amendment is reflected in the final budgeted amounts.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

Schedule of the Water Department's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Other Information

	2015
Water Department's proportion of the net pension liability	0.0089%
Water Department's proportionate share of the net pension liability	\$ 352,056
Water Department's covered-employee payroll	\$ 508,235
Water Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.27%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

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

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

Schedule of Water Department Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Other Information

	<u>2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>
Statutorily required contribution	\$ 45,385	\$	51,872	\$	47,112	\$	40,163	\$	36,853
Contributions in relation to the statutorily required contribution	<u>(45,385)</u>		<u>(51,872)</u>		<u>(47,112)</u>		<u>(40,163)</u>		<u>(36,853)</u>
Contribution deficiency (excess)	-		-		-		-		-
Water Department's covered-employee payroll	<u>\$ 508,235</u>	\$	<u>580,877</u>	\$	<u>543,391</u>	\$	<u>461,643</u>	\$	<u>530,259</u>
Contributions as a percentage of covered-employee payroll	8.93%		8.93%		8.67%		8.07%		6.95%

See accompanying independent auditor's report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 34,127	\$ 32,766	\$ 29,460	\$ 28,174	\$ 27,611
<u>(34,127)</u>	<u>(32,766)</u>	<u>(29,460)</u>	<u>(28,174)</u>	<u>(27,611)</u>
-	-	-	-	-
<u>\$ 513,188</u>	<u>\$ 516,000</u>	<u>\$ 486,942</u>	<u>\$ 489,983</u>	<u>\$ 480,191</u>
6.65%	6.35%	6.05%	5.75%	5.75%

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of Benefit Terms – Legislation passed in 2010 modified benefit terms for current Regular members.

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

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.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

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

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

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

Supplementary Information

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Approved to be Issued	Balance Beginning of Year
Revenue Refunding Capital Loan Notes: Water	January 7, 2009	3.00%	\$ 6,500,000	\$ <u>5,166,000</u>

See accompanying independent auditor's report.

<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Service Fee Paid</u>	<u>Interest Due and Unpaid</u>	<u>Service Fee Due and Unpaid</u>	<u>Notes Due and Unpaid</u>
\$ <u>-</u>	\$ <u>251,000</u>	\$ <u>4,915,000</u>	\$ <u>154,980</u>	\$ <u>12,915</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

DEBT MATURITIES
Year Ended June 30, 2015

Year Ending June 30,	Revenue Capital Loan Notes				
	Water				
	Issued January 7, 2009				
	Interest Rate	Interest	Service Fee	Principal	Total
2016	3.00 %	\$ 147,450	\$ 12,288	\$ 259,000	\$ 418,738
2017	3.00	139,680	11,640	268,000	419,320
2018	3.00	131,640	10,970	277,000	419,610
2019	3.00	123,330	10,277	286,000	419,607
2020	3.00	114,750	9,563	295,000	419,313
2021	3.00	105,900	8,825	304,000	418,725
2022	3.00	96,780	8,065	314,000	418,845
2023	3.00	87,360	7,280	325,000	419,640
2024	3.00	77,610	6,468	335,000	419,078
2025	3.00	67,560	5,630	346,000	419,190
2026	3.00	57,180	4,765	357,000	418,945
2027	3.00	46,470	3,873	369,000	419,343
2028	3.00	35,400	2,950	381,000	419,350
2029	3.00	23,970	1,997	393,000	418,967
2030	3.00	12,180	1,015	406,000	419,195
		<u>\$ 1,267,260</u>	<u>\$ 105,606</u>	<u>\$ 4,915,000</u>	<u>\$ 6,287,866</u>

See accompanying independent auditor's report.

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

To the Board of Trustees:
City of Oskaloosa Municipal Water Department
Oskaloosa, Iowa

We have audited (in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States) the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Municipal Water Department, a component unit of the City of Oskaloosa as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Water Department's basic financial statements, and have issued our report thereon dated September 25, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water Department's internal control over financial reporting to determine the audit procedures 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 Municipal Water Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipal Water Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Oskaloosa Municipal Water Department'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

Water Department's Responses to Findings

City of Oskaloosa Municipal Water Department responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Oskaloosa Municipal Water Works' responses were not subjected to the auditing procedures applied on the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Oskaloosa, Iowa
September 25, 2015

Hunt & Associates, P.C.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

No matters were noted.

Instances of Non-Compliance:

No matters were noted.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted in the business type activities function.
- II-B-15 Questionable Disbursements - No disbursements were noted that might not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.
- II-C-15 Travel Expense - No disbursements of the Water Department's money for travel expense of spouses of the Water Department's officials or employees were noted.
- II-D-15 Business Transactions - No business transactions between the Water Department and the Water Department's officials or employees were noted.
- II-E-15 Bond Coverage - Surety bond of Water Department 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.
- II-F-15 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Water Department's investment policy were noted.
- II-H-15 Revenue Notes - No instances of non-compliance with the revenue note resolutions were noted.



GARDEN & ASSOCIATES, LTD.

1701 3rd Avenue East, Suite 1 • P.O. Box 451 • Oskaloosa, IA 52577

Phone: 641.672.2526 • Fax: 641.672.2091

December 15, 2015

Chad Coon
Oskaloosa Municipal Water Department
P.O. Box 708
Oskaloosa, IA 52577

Re: Professional Services Agreement
Hwy 23 Water Main Replacement
G&A 4015329

Dear Chad:

Enclosed herewith are two (2) copies of the "Professional Services Agreement" for the referenced project. The agreement assumes that the water main construction will be performed by OMWD personnel and does not include construction phase services.

If the agreement meets your and board approval, please execute the agreement and return one (1) copy to Garden & Associates, the other copy is for your file.

Contact me with questions at 641-672-2526.

Sincerely,
GARDEN & ASSOCIATES, LTD.

Jack Pope, P.E.

Enc: Professional Services Agreement (2 copies)

JP/js

PROFESSIONAL SERVICES AGREEMENT

This agreement made between Oskaloosa Municipal Water Department

the CLIENT and GARDEN & ASSOCIATES, LTD., the CONSULTANT, for services concerning the following PROJECT:

Water System Distribution Improvement: Hwy 23 Water Main Replacement

GARDEN & ASSOCIATES, LTD. agrees to perform the following professional services in connection with the PROJECT:

See attached Exhibit 1: Scope of Work

The CLIENT hereby agrees to provide the CONSULTANT all criteria, design and construction standards, and full information as to the CLIENT'S requirements for the PROJECT. Other terms and conditions of this contract are as follows:

Contract is based on the project being constructed by OMWD personnel.

The CLIENT agrees to compensate the CONSULTANT for services rendered under this agreement on the following basis:

Standard hourly rates plus reimbursable expenses for a not to exceed fee of \$13,000.

THIS AGREEMENT IS SUBJECT TO ALL THE TERMS AND CONDITIONS ATTACHED HERETO.

This agreement represents the entire and integrated agreement between the CLIENT and the CONSULTANT and supersedes all prior negotiations, representations or agreements, either written or oral. This agreement may be amended only by written instrument signed by both the CLIENT and the CONSULTANT.

CLIENT


FOR GARDEN & ASSOCIATES, LTD.

DATE

12-16-2015
DATE

EXHIBIT 1: SCOPE OF WORK

We are pleased to submit this proposal to provide engineering and surveying services in association with the proposed Hwy 23 Water Main Replacement project for the Oskaloosa Municipal Water Department, Oskaloosa, Iowa. We propose to provide our services based on the actual time spent on the project at our standard rates. The scope of our work and estimated fees are as follows:

Topographic Survey – perform field survey of site and draft topographic survey. Fee - \$3,000.

Preliminary & Final Design – construction drawings and detailed specifications will be prepared for the proposed water system improvements. This item of work also includes submittal of the plans Iowa DNR for review and approval, and issuance of construction permits. Fee - \$8,000.

Permits – Prepare documentation for submittal to IDNR, IDOT and Railroad to obtain necessary construction permits. Fee \$2,000.

If this proposal meets with your approval, please contact me so we can discuss scheduling of the work. We appreciate the opportunity to provide these services and look forward to working with you.

ATTACHMENT TO AGREEMENT FOR PROFESSIONAL SERVICES

GENERAL CONDITIONS

Reference Conditions: Garden & Associates, Ltd. will hereinafter be referenced as CONSULTANT and the above referenced CLIENT will be referred to as CLIENT. The Project may be hereinafter referenced either as the "Project" or by abbreviation as above set forth.

Change Order: The term "Change Order" as used herein is a written order to CONSULTANT and signed by CONSULTANT and CLIENT, after execution of this Agreement, authorizing a change in the services, including additions or deletions and/or change of prices for such services. Each Change Order shall be considered an amendment to this Agreement.

Severability: The provision of this Agreement shall be severable, and if any clause, sentence, paragraph, provision, or other part hereto shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder hereof, which remainder shall continue in full force and effect.

Billings/Payments: Invoices for services shall be submitted at CONSULTANT's option either upon completion of such services or on periodic basis. Invoices shall be payable within 30 days after the invoice date. If the invoice is not paid within 30 days, CONSULTANT may, without waiving any claim or right against the CLIENT and without liability whatsoever to the CLIENT, terminate the performance of the service. Retainers shall be credited on the final invoice.

Late Payments: Accounts unpaid 30 days after the invoice date may be subject to a monthly service charge of 1.50% on the then unpaid balance (18.0% true annual rate) at the sole election of CONSULTANT. In the event any portion or all of an account remains unpaid 90 days after billing, the CLIENT shall pay all costs of collection including reasonable attorney's fees.

Waiver: No waiver by either party of any breach, default, or violation of any term, warranty, representation, agreement, covenant, condition, or provision hereof shall constitute a waiver of any subsequent breach, default, or violation of the same or any other term, warranty, representation, agreement, covenant, condition, or provision hereof. All waivers must be in writing.

Applicable Law: The validity, performance, and construction of this Agreement shall be governed by and construed according to the laws of the State of Iowa.

Standard of Care: Services performed by CONSULTANT under this Agreement will be conducted in a manner consistent with that level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions. No other representation expressed or implied, and no warranty of guarantee is included or intended in this Agreement, or in any report, opinion document, or otherwise.

Professional Liability: CLIENT agrees to limit CONSULTANT's liability to CLIENT and to all construction contractors and subcontractors on the "Project" arising from negligent professional acts, errors, or omissions, such that CONSULTANT's total aggregate liability shall not exceed \$50,000.00 or the total fee for this contract, whichever is greater.

Indemnification: The CLIENT shall indemnify and hold harmless CONSULTANT and all of its personnel from and against any and all claims, damages, losses, and expenses (including reasonable attorney's fees) arising out of or resulting from the performance of the services, provided that any such claim, damage, loss, or expense is caused in whole or in part by the negligent act, omission, and/or strict liability of the CLIENT or anyone directly or indirectly employed by the CLIENT (except CONSULTANT). CONSULTANT shall indemnify and hold harmless the CLIENT and all of its personnel from and against damages, losses and expenses arising out of or resulting from the performance of the services, up to the limit of liability agreed to under the professional liability section of this contract, provided that any such claim, damage, loss, or expense is caused in whole or in part by the negligent act, omission of CONSULTANT or anyone directly or indirectly employed by CONSULTANT (except the CLIENT). In any instance where there is a claim for damages, losses, and expenses resulting from the proven negligent acts of both the CLIENT and CONSULTANT, then the responsibility shall lie between the CLIENT and CONSULTANT in proportion to their contribution of negligence. In no case shall CONSULTANT's liability exceed the limit of liability established under the Professional Liability Section of this contract, and in no event shall liability exist for any lost profits or loss of use.

Terms: Unless sooner terminated or extended as provided herein, this Agreement shall remain in full force and affect from the date first written on the Agreement until the date of completion of the services or either party becomes insolvent, make an assignment for the benefit of creditors, or a bankruptcy petition is filed by or against it. Either party may terminate the Agreement at any time by giving written notice of such termination to the other party. Upon such termination of this Agreement, CLIENT shall pay and reimburse CONSULTANT for services rendered and costs incurred by CONSULTANT prior to the effective date of termination. The indemnification of CONSULTANT by CLIENT wherever stated herein shall survive the termination of this Agreement regardless of cause of termination.

Without Representation or Warranty: CONSULTANT makes no representation or warranty of any kind, including but not limited to, the warranties of fitness for a particular purpose or merchantability, nor for such warranties to be implied with respect to the data or service furnished. CONSULTANT assumes no responsibility with respect to CLIENT's use thereof.

Applicability: These General Conditions, being part of an Agreement for Professional Services between the parties above listed, shall by agreement of said parties delete paragraphs that have been crossed out and initialed by both parties as not being applicable to this Project. In all other instances, the parties reaffirm the listed paragraphs in this document.

On-site Observation: In the event that any on-site observation of Contractors' work shall be included as a part of these services, the CONSULTANT shall endeavor to guard the CLIENT against apparent defects and deficiencies in the permanent work constructed by the Contractor but does not guarantee or warrant the performance of the Contractor. The CONSULTANT is not responsible for the construction means, methods, techniques, sequence or procedures, time of performance, programs, or for any safety precautions in connection with the construction work. The CONSULTANT is not responsible for the Contractor's failure to execute the work in accordance with the construction contract, nor is the CONSULTANT responsible for defects or omissions in work performed as part of any construction contract by the Contractor, or any Subcontractors or any of the Contractor's or Subcontractor's employees, or that of any person or entities responsible for performing such work.

Time of Performance: Neither party shall hold the other responsible for damages or delay in performance caused by acts of God, strikes, walkouts, accidents, Government acts, or other events beyond the control of the other or the other's employees and agents.

Opinion of Construction Cost: Any Opinion of Construction Cost prepared by the CONSULTANT represents his judgment as a design professional and is supplied for the general guidance of the CLIENT. Since the CONSULTANT has no control over the cost of labor and material or over competitive bidding or market conditions, the CONSULTANT does not guarantee the accuracy of such opinions as compared to Contractor bids or actual cost to client.

Additional Services: Normal and customary services do not include services as defined as Additional Services. Additional Services shall be performed as requested in writing by the CLIENT and shall be billed to the CLIENT on an hourly basis at hourly fees set forth in the CONSULTANT's Standard Fee Schedule or as set forth in a written Scope of Services defined by the CLIENT and the CONSULTANT.

Fee Schedule: Where lump sum fees have been agreed to between the parties, they shall be so designated in the Agreement attached hereto and by reference made a part hereof. Where fees are based upon hourly charges and reimbursable expenses for services and costs incurred by CONSULTANT, they shall be based on the annually adopted Standard Rate Schedule of CONSULTANT for the period from March 1st through February 28th of each year. The Standard Rate Schedule will annually be subject to change each March 1st of each year.

Enforcement: In the event Client should fail to perform any obligation hereunder, Client agrees to pay all costs of enforcement, including CONSULTANT's reasonable attorney fees and court costs. The parties further agree that in the event of litigation thereon, that the District Court of Mahaska County shall have exclusive jurisdiction, unless waived in writing by CONSULTANT.

L. Probationary Period

Each new hire shall be “on probation” for one hundred eighty (180) days. Employment during the probationary period is at the exclusive discretion of the employer. No explanation or justification for failing to continue employment need be given. Completion of a probationary period does not change an employee’s status as an at-will employee and does not restrict the O.M.W.D.’s right to terminate employment.

During the probationary period an employee accrues, but cannot use vacation leave. Sick leave is not accrued until the employee successfully completes the probationary period. Probationary employees do not receive paid holidays.