

WATER BOARD OF TRUSTEES
Regular Meeting
November 13, 2017
4:00 PM
Location: 1208 South St.

Agenda

1. Approve agenda.
2. Approve minutes of the October 9, 2017 regular meeting.
3. Approve invoices and financial statements.
4. Customer forum.
5. Consideration and discussion of high water bill for 2161 Avenue.
6. Consideration and discussion of high water bill for 801 A Avenue East.
7. Approve acceptance of the annual financial report for fiscal year 2016-2017 as prepared by Hunt and Associates, P.C.
8. Consideration and discussion of annual health insurance premiums.
9. Discussion of waste water operations.
10. General Manager's Update.
11. Updates from members of the Board of Trustees.
12. Adjourn

INFORMATION CONCERNING AGENDA ITEMS:

Agenda Item #4

Chair – Please read this statement to the audience.

“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.”

There are no items to present at this time.

Agenda Item #5

Josh Newell, 2161 Street, would like to address the Board about a recent water bill that he received that was significantly higher than normal. After staff contacted him about the high bill he found that he had a yard hydrant leaking. This home is located outside of city limits and is subject to the higher billing rate.

Agenda Item #6

Kathryn Avis, 801 A Avenue East, will be in to discuss a high water and sewer bill. The account has been credited a sewer reduction per the City’s requirements, but the resulting amount and timeline are beyond what staff are able to set for payment arrangements. Kathryn has met with OMWD staff to discuss what can be paid and any arrangement will need Board authorization.

Agenda Item #7

Doug Hunt will be in attendance at Monday’s meeting to review the FY2016-2017 audit. Hard copies of the audit will be available at the meeting and electronic copies will be attached to the packet.

Agenda Item #8

Jim Anderson will be here to present the health insurance renewal package for the Water Department. Our current policy has increased by 15.59% for the upcoming year. With the proposed increase of 15.59% for 2018 in our current policy, OMWD health insurance rates would be 2.5% above what was paid in 2013. We saw a 25% decrease for 2014 and small to moderate increases after that. It has taken 5 years for our rates to get back to what we were paying in 2013 for health insurance. It is safe to say that OMWD has been able to see significant savings in health insurance over the last five years. Here is a brief comparison of our current plan and two others, the Enhanced Blue 1000 PPO Gold plan and the myBlue HDHP Gold 2000 PPO plan.

| | Current Policy | Enhanced Blue 1000 PPO Gold | myBlue HDHP Gold 2000 PPO |
|--|--|---|---|
| Health Premium | \$19,737.43 | \$19,789.34 | \$18,937.25 |
| Plan Type | PPO | PPO | PPO |
| Medical | | | |
| Deductible | \$1500 Single/\$3000 Family | \$1000 Single/\$2000 Family | \$2000 Single/\$4000 Family |
| Coinsurance | 10% | 20% | 0% |
| Out-of-pocket Maximum | \$3000 Single \$6000 Family | \$4000 Single \$8000 Family | \$2000 Single \$4000 Family |
| Preventive Care | | | |
| Preventive Care | \$15 copay, one preventive exam per year | All costs waived when using an in-network provider | All costs waived when using an in-network provider |
| Professional/Physician Services | | | |
| Office Services | \$15 copay in- network, 20% out-of-network | PCP; \$25 copay/NonPCP; \$50 copay | Medical deductible applies |
| Emergency Room | \$100 copay | \$350 copay | Medical deductible applies |
| Prescription Drug Coverage | | | |
| Deductible | None | Medical deductible applies | Medical deductible applies |
| Tier 1 | \$10 copay | \$10 copay | Medical deductible applies |
| Tier 2 | \$25 copay | \$50 copay | Medical deductible applies |
| Tier 3 | \$40 copay | \$100 copay | Medical deductible applies |

| | | | |
|-------------------------|-----------------------------|----------------------------|----------------------------|
| Preferred Specialty | Same as copays above | | Medical deductible applies |
| Non-Preferred Specialty | depending on drug category. | \$150 copay \$300 copay | |

There are other policies available that I have not shown in the comparison but in the case of the Blue Simplicity Gold PPO GOLD plan, the expense of the plan is actually higher than our current plan. In the case of the Complete Blue 2800 PPO SILVER plan, the policy cost is lower, but the deductible, out-of-pocket max and several other factors would mean a large increase in expenses for employees. When we budgeted last winter we budgeted a 20% increase for rates in our budget. We would be below that if we stayed with the current policy. OMWD has been able to maintain a grandfathered status plan for several years now and it continues to serve the employees well, providing stability for those employees who in turn contribute to the overall well-being of the utility. Therefore, it is staff's recommendation to continue with the current policy.

Agenda Item #9

Collection System Operations;

Jetted 1130'

Root cut 100'

Televised 300' all of this was in quadrant. They also did work out of quadrant for upcoming projects to assist Garden with design plans. Out of quadrant they jetted and televised 1210' of main. All of this work used 28,500 gallons of water.

Duke's Root Control was in town the week of November to perform root foaming on approximately 2800' of sewer main. Staff will be tracking the condition of these mains for root regrowth to determine how effective this treatment process is.

Staff met with contractors to gather bids for manhole repairs that are needed at the intersection of C Avenue West and North A Street, they also looked at the storm intake at the intersection of South Street and Avenue East to replace a failing structure.

Staff also jetted and televised the new sanitary sewer on Avenue West for the contractor to ensure that installation was successful as well as locating buried structures by the old community stadium for the same contractor to assist them.

They also were able to upload video from televising to our ArcGIS database.

Met with Hydro-Klean to discuss lining the sanitary sewer from North Market to North just west of Rosenburger Avenue.

Had to take the sewer camera to Minnesota for repairs so staff could continue to televise the system.

The generator for the Armory lift station was delivered and made operational and is now online.

Waste Water Plant Operations;

Staff have hauled sludge from the north plant to the digester at the south plant, as well as hauled out all of the sludge from the south plant digester and land applied it to surrounding fields.

They fixed a water leak on a yard hydrant at the north plant. They also fixed a plugged sludge line at the north plant.

Received the new lagoon pump and associated materials so that staff can pump out the lagoons as needed and then started hauling out sludge from the main lagoon at the south plant, hauling 100,000 gallons out the first week and more than that this last week.

Worked with area farmers to get quotes to land apply sludge from the lagoons to try and get them emptied out.

Met with electrical contractors to discuss upcoming work for security lighting at both plants.

Worked on purchase and delivery of new sludge tanker trailer for the plants.

Completed daily operations and testing as required by the NPDES permit.

DNR Form 542-3221 has been completed by both Oskaloosa Foods and the City of Oskaloosa to start the completion of the pre-treatment agreement. There are further negotiations that will be required to complete the rest of the agreement, but DNR Form 542-3221 was the one that was being required to be submitted to the DNR by November 12, 2017. It was submitted on November 8, 2017.

There was a break-in overnight between November and November . The only item that appears to have been stolen was the catalytic converter on the 2004 Dodge. There is a police report that was filed. We will look to try to find funding to install security cameras at both facilities. There is also work to complete an annual report to the City Council on operations under the 28E agreement that will be in addition to the spreadsheet shown last month.

Agenda Item #10

There were three leaks this last month. All three of them were cracks, on in the 1700 block of South , one on South Edmundson Drive, and one out of Highway 23 on the 6". It sounds like there is a new crack on Edmundson Drive and a valve on Avenue West that is leaking and needs to be rebuilt. Staff continue to work on South F Street. They have been installing service lines to houses on the north end of the project and are planning to make a couple interconnections this next week for larger services. Fire hydrant flushing was completed in one week and then we had a contractor come in for leak detection. There was one leak that was found that had not surfaced on South D Street.

OMWD staff has met with Garden staff to discuss plans for the South D Street project that is scheduled to start in the spring of 2018 to review plans and discuss any possible conflicts.

There were 82 accounts up for shut off this last month for non-payment.

There were some new analyzers that were installed at the water plant this last month, two new online chlorine analyzers and two turbidity analyzers. These were capital purchase items and there is still some money remaining and earmarked for the chlorine feed system.

Staff have prepared the wells for winter.

Agenda Item #11

This is an item for members of the Board to provide updates or request future agenda items.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
OSKALOOSA, IOWA

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

June 30, 2017

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CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

WATERWORKS OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------|------------------|---------------------|
| Mike Vore | Chairman | July, 2018 |
| Kevin Tacke | Secretary | July, 2018 |
| Brad Hodges | Trustee | July, 2020 |
| Jason Carter | Trustee | July, 2022 |
| Dan Nance | Trustee | July, 2022 |
| Chad Coon | General Manager | Indefinite |
| Crystal Breuklander | Office Manager | Indefinite |
| Cindy Scholtus | Billings Clerk | Indefinite |
| Diane Brand | 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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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, 2017, 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, 2017, 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.

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 October 20, 2017 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.

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, 2017

| | <u>Disbursements</u> | <u>Program Receipts</u> Charges for Services | Net (Disbursements) Receipts |
|---|----------------------|--|------------------------------------|
| Functions/Programs: | | | |
| Business Type Activities: | | | |
| Water operating | \$ 2,676,376 | \$ 3,123,375 | \$ 446,999 |
| Debt service | 419,320 | - | (419,320) |
| Meter replacements | 99,351 | - | (99,351) |
| | <u>\$ 3,195,047</u> | <u>\$ 3,123,375</u> | <u>\$ (71,672)</u> |
| General receipts: | | | |
| Unrestricted investment earnings | | | 9,712 |
| Rents collected | | | 37,400 |
| Miscellaneous | | | <u>410,894</u> |
| Total general receipts | | | <u>458,006</u> |
| Change in cash basis net position | | | 386,334 |
| Cash basis net position beginning of year | | | <u>1,111,359</u> |
| Cash basis net position end of year | | | <u>\$ 1,497,693</u> |
| Cash basis net position: | | | |
| Restricted: | | | |
| Expendable: | | | |
| Debt service | | | \$ 34,967 |
| Unrestricted | | | <u>1,462,726</u> |
| Total cash basis net position | | | <u>\$ 1,497,693</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, 2017

| | Enterprise Funds | | | Total |
|----------------------------|-------------------------------|---|-----------------|------------------|
| | Water Utility Operating | Designated for Meter Replacement | Sinking Fund | |
| Operating receipts: | | | | |
| Use of money and property: | | | | |
| Meter rent | \$ 26,146 | \$ - | \$ - | \$ 26,146 |
| House and land rent | 4,360 | - | - | 4,360 |
| Sprinkler and hydrant rent | 6,894 | - | - | 6,894 |
| | <u>37,400</u> | <u>-</u> | <u>-</u> | <u>37,400</u> |
| Charges for services: | | | | |
| Meter water sales | 2,837,422 | - | - | 2,837,422 |
| Late and inspection fees | 71,562 | - | - | 71,562 |
| Labor charges | 11,490 | - | - | 11,490 |
| Sales tax collected | 202,901 | - | - | 202,901 |
| | <u>3,123,375</u> | <u>-</u> | <u>-</u> | <u>3,123,375</u> |
| Miscellaneous: | | | | |
| Materials sold | 7,580 | - | - | 7,580 |
| Reimbursements/refunds | 370,179 | - | - | 370,179 |
| Tower rental | 20,700 | - | - | 20,700 |
| Miscellaneous | 12,435 | - | - | 12,435 |
| | <u>410,894</u> | <u>-</u> | <u>-</u> | <u>410,894</u> |
| Total operating receipts | <u>3,571,669</u> | <u>-</u> | <u>-</u> | <u>3,571,669</u> |
| Operating Disbursements: | | | | |
| Business type activities: | | | | |
| Administration: | | | | |
| Labor | 259,724 | - | - | 259,724 |
| Related labor expenses | 41,321 | - | - | 41,321 |
| Health insurance | 152,536 | - | - | 152,536 |
| Publications | 3,068 | - | - | 3,068 |
| Audit fees | 9,575 | - | - | 9,575 |
| Maintenance - Building | 212 | - | - | 212 |
| Computer expense | 22,479 | - | - | 22,479 |
| Insurance | 57,962 | - | - | 57,962 |
| Postage | 24,792 | - | - | 24,792 |
| Meter reading service | 54,233 | - | - | 54,233 |
| Telephone | 6,786 | - | - | 6,786 |
| Dues and subscriptions | 6,586 | - | - | 6,586 |
| Education/Seminars | 3,790 | - | - | 3,790 |
| Custodial expense | 2,018 | - | - | 2,018 |
| Legal expense | 9,251 | - | - | 9,251 |

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, 2017

| | Enterprise Funds | | | Total |
|---------------------------------------|-------------------------------|---|-----------------|----------------|
| | Water Utility Operating | Designated for Meter Replacement | Sinking Fund | |
| Operating Disbursements (continued): | | | | |
| Business type activities (continued): | | | | |
| Administration (continued): | | | | |
| Office supplies | \$ 9,848 | \$ - | \$ - | 9,848 |
| Miscellaneous supplies | 9,232 | - | - | 9,232 |
| Credit card fees | 7,664 | - | - | 7,664 |
| | <u>681,077</u> | <u>-</u> | <u>-</u> | <u>681,077</u> |
| Plant operation and maintenance: | | | | |
| Labor | 89,119 | - | - | 89,119 |
| Related labor expenses | 14,788 | - | - | 14,788 |
| Lab expense | 16,117 | - | - | 16,117 |
| Maintenance: | | | | |
| Buildings | 2,401 | - | - | 2,401 |
| Wells | 85,506 | - | - | 85,506 |
| Grounds | 13,191 | - | - | 13,191 |
| Machinery | 35,767 | - | - | 35,767 |
| Education/Seminars | 1,353 | - | - | 1,353 |
| Utilities | 75,025 | - | - | 75,025 |
| Miscellaneous supplies | 596 | - | - | 596 |
| Miscellaneous expense | 2,141 | - | - | 2,141 |
| Chemicals | 173,988 | - | - | 173,988 |
| | <u>509,992</u> | <u>-</u> | <u>-</u> | <u>509,992</u> |
| Distribution operations: | | | | |
| Labor | 169,028 | - | - | 169,028 |
| Related labor expenses | 28,042 | - | - | 28,042 |
| Uniforms | 1,259 | - | - | 1,259 |
| Maintenance: | | | | |
| Meters | 2,530 | - | - | 2,530 |
| Water system | 102,346 | - | - | 102,346 |
| Building | 513 | - | - | 513 |
| Machinery | 8,010 | - | - | 8,010 |
| Gasoline | 11,236 | - | - | 11,236 |
| Truck expense | 6,474 | - | - | 6,474 |
| Education/Seminars | 1,444 | - | - | 1,444 |
| Utilities | 5,798 | - | - | 5,798 |
| Small tools | 3,180 | - | - | 3,180 |
| Miscellaneous supplies | 2,656 | - | - | 2,656 |

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, 2017

| | Enterprise Funds | | | Total |
|---------------------------------------|-------------------------------|---|-----------------|------------------|
| | Water Utility Operating | Designated for Meter Replacement | Sinking Fund | |
| Operating Disbursements (continued): | | | | |
| Business type activities (continued): | | | | |
| Distribution operations | | | | |
| (continued): | | | | |
| Miscellaneous expense | \$ 1,912 | \$ - | \$ - | \$ 1,912 |
| Capital outlay and replacements | 567,289 | 99,351 | - | 666,640 |
| Debt service | - | - | 419,320 | 419,320 |
| | <u>911,717</u> | <u>99,351</u> | <u>419,320</u> | <u>1,430,388</u> |
| | | | | |
| Total water disbursements | <u>2,102,786</u> | <u>99,351</u> | <u>419,320</u> | <u>2,621,457</u> |
| | | | | |
| Waste Water Treatment: | | | | |
| Labor | 129,388 | - | - | 129,388 |
| Related labor expenses | 21,471 | - | - | 21,471 |
| Health insurance | 27,312 | - | - | 27,312 |
| Uniforms | 424 | - | - | 424 |
| Miscellaneous | 40 | - | - | 40 |
| | <u>178,635</u> | <u>-</u> | <u>-</u> | <u>178,595</u> |
| | | | | |
| Waste Water Collections: | | | | |
| Labor | 131,770 | - | - | 131,770 |
| Related labor expenses | 20,541 | - | - | 20,541 |
| Health insurance | 36,878 | - | - | 36,878 |
| Uniforms | 427 | - | - | 427 |
| Miscellaneous | 104 | - | - | 104 |
| | <u>189,720</u> | <u>-</u> | <u>-</u> | <u>189,720</u> |
| | | | | |
| Waste Water Storm Water: | | | | |
| Labor | 1,559 | - | - | 1,559 |
| Related labor expenses | 258 | - | - | 258 |
| | <u>1,817</u> | <u>-</u> | <u>-</u> | <u>1,817</u> |
| | | | | |
| Total waste water disbursements | <u>370,172</u> | <u>-</u> | <u>-</u> | <u>370,172</u> |
| | | | | |
| Other: | | | | |
| Sales tax remitted | 203,418 | - | - | 203,418 |
| | <u>203,418</u> | <u>-</u> | <u>-</u> | <u>203,418</u> |
| | | | | |
| Total operating disbursements | <u>2,676,376</u> | <u>99,351</u> | <u>419,320</u> | <u>3,195,047</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, 2017

| | Enterprise Funds | | | Total |
|---|-------------------------------|---|------------------|---------------------|
| | Water Utility Operating | Designated for Meter Replacement | Sinking Fund | |
| Excess (deficiency) of operating receipts over (under) operating disbursements | 895,293 | (99,351) | (419,320) | 376,622 |
| Non operating receipts: | | | | |
| Interest on investments | 9,712 | - | - | 9,712 |
| Excess (deficiency) of receipts over (under) disbursements | 905,005 | (99,351) | (419,320) | 386,334 |
| Other financing sources (uses): | | | | |
| Operating transfers in (note 3) | - | 102,000 | 419,344 | 521,344 |
| Operating transfers out (note 3) | (521,344) | - | - | (521,344) |
| Total other financing sources (uses) | (521,344) | 102,000 | 419,344 | - |
| Net change in cash balances | 383,661 | 2,649 | 24 | 386,334 |
| Cash balance beginning of year | 1,024,997 | 51,419 | 34,943 | 1,111,359 |
| Cash balance end of year | <u>\$ 1,408,658</u> | <u>\$ 54,068</u> | <u>\$ 34,967</u> | <u>\$ 1,497,693</u> |
| Cash basis fund balances: | | | | |
| Restricted: | | | | |
| Debt service | - | - | 34,967 | 34,967 |
| Unrestricted | 1,408,658 | 54,068 | - | 1,462,726 |
| | <u>\$ 1,408,658</u> | <u>\$ 54,068</u> | <u>\$ 34,967</u> | <u>\$ 1,497,693</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, 2017

| | Customer Deposits | Sewer Receipts | Total |
|--|----------------------|-------------------|--------------|
| Receipts: | | | |
| Charges for services: | | | |
| Sanitary sewer receipts | \$ - | \$ 2,431,064 | \$ 2,431,064 |
| Stormwater receipts | - | 262,834 | 262,834 |
| Miscellaneous: | | | |
| Customer deposits | 52,650 | - | 52,650 |
| Total receipts | 52,650 | 2,693,898 | 2,746,548 |
| Disbursements: | | | |
| Business type activities: | | | |
| Customers' deposits refunded | 48,300 | - | 48,300 |
| Sanitary sewer receipts remitted to City | - | 2,416,470 | 2,416,470 |
| Stormwater receipts remitted to City | - | 260,773 | 260,773 |
| Total disbursements | 48,300 | 2,677,243 | 2,725,543 |
| Excess of receipts over disbursements | 4,350 | 16,655 | 21,005 |
| Balance beginning of year | 89,935 | 207,641 | 297,576 |
| Balance end of year | \$ 94,285 | \$ 224,296 | \$ 318,581 |

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints 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 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 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, 2017

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. 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, 2017 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, 2017

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, 2017, the Water Department had the following investments:

| Type | Carrying Amount | Fair Value | Maturity |
|------------------------|--------------------|-------------------|-------------------|
| Certificate of Deposit | \$ 200,000 | \$ 200,000 | December 22, 2017 |
| Certificate of Deposit | 65,000 | 65,000 | July 12, 2018 |
| Certificate of Deposit | 200,000 | 200,000 | November 4, 2018 |
| Certificate of Deposit | <u>200,000</u> | <u>200,000</u> | May 5, 2018 |
| | <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.

The Water Department had no investments meeting the disclosure requirements of Governmental Accounting Standards Board statement No. 72.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

| Transfers from | Transfers to | Amount |
|--|--|-------------------|
| Proprietary Enterprise: Water Utility Operating | Proprietary Enterprise: Meter Replacement | \$ 102,000 |
| | Sinking Fund | <u>419,344</u> |
| Total | | <u>\$ 521,344</u> |

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 3. Interfund Transfers (continued)

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

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 \$268,000 of principal, \$139,680 in interest and \$11,640 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 |
| 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 |
| | | \$ 980,130 | \$ 81,678 | \$ 4,388,000 | \$ 5,449,808 |

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, 2017

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, 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 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, 2017

Note 5. Pension Plan (continued)

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS’ Contribution Rate Funding Policy and Actuarial amortization Method. State 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 2017, 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, 2017 were \$67,833.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Water Department had a liability of \$555,669 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Department’s proportion of the net pension liability was based on the Water Department’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the Water Department proportion was .008830 percent, which was an increase of 0.001333 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017 the Water Department’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$65,905, \$161,317 and \$75,395 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2016 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% per annum |
| Rates of salary increases (effective June 30, 2010) | 4.00 to 17.00%, average, including inflation |
| Long term investment rate of return plan (effective June 30, 1996) | 7.50% compounded annually, net of investment expense, including inflation |
| Wage growth (effective June 30, 1990) | 4.00% per annum, based on a 3.00% inflation and 1.00% real wage inflation |

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 5. Pension Plan (continued)

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 IPERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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 geometric 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 |
|------------------------|---------------------|---|
| Core plus fixed income | 28 % | 1.90 % |
| Domestic equity | 24 | 5.85 |
| International equity | 16 | 6.32 |
| Private equity/debt | 11 | 10.31 |
| Real estate | 8 | 3.87 |
| Credit Opportunities | 5 | 4.48 |
| US TIPS | 5 | 1.36 |
| Other real assets | 2 | 6.42 |
| Cash | 1 | (0.26) |
| 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 contributions from the Water Department will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’ 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% lower (6.5%) or 1% higher (8.5%) than the current rate.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 5. Pension Plan (continued)

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|--------------------------|----------------------------|--------------------------|
| Water Department's proportionate share of the net pension liability | \$ 898,997 | \$ 555,669 | \$ 265,895 |

IPERS' Fiduciary Net Position – Detailed information about IPERS' 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 13 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, \$10 for employee/spouse plan, and \$16 for family plan. The most recent active member monthly premiums for the Water Department plan members are \$610 for single coverage, \$1,155 for employee/spouse, and \$1,872 for family coverage. For the year ended June 30, 2017, the Water Department contributed \$195,770 and plan members eligible for benefits contributed \$1,924 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. Sick leave is only payable if the employee enters a bonafide retirement pursuant to IPERS. Sick leave is not payable for employees hired after December 31, 2015. The Water Department's approximate liability for unrecognized earned compensated absences is as follows:

| Type of Benefits | Amount |
|------------------|-----------|
| Vacation | \$ 20,162 |
| Sick Leave | 61,390 |
| Comp | 15,645 |
| Holiday Leave | 1,410 |
| Total | \$ 98,607 |

This liability has been computed based on rates of pay as of July 1, 2017.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 \$13,000 of which \$1,500 has been paid in claims as of June 30, 2017. The maximum remaining contingent liability as of June 30, 2017 is \$11,500.

Note 11. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

Note 12. Subsequent Events

The Water Department entered into a 28E agreement with the City of Oskaloosa to purchase a truck in an amount less than \$30,000 and additional equipment to outfit the truck. The two entities will each bear equally all costs associated with the truck.

The Water Department approved a bid for a water tower maintenance project in the amount of \$405,800 on September 12, 2017.

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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, 2017

| | Actual | Amounts Not Required to be Budgeted | Actual Net |
|---|--------------|---|---------------|
| Receipts: | | | |
| Water: | | | |
| Use of money and property | \$ 47,112 | \$ - | \$ 47,112 |
| Charges for services | 2,919,957 | - | 2,919,957 |
| Miscellaneous | 463,544 | 52,650 | 410,894 |
| | 3,430,613 | 52,650 | 3,377,963 |
| Disbursements: | | | |
| Business type activities: | | | |
| Water | 3,039,929 | 48,300 | 2,991,629 |
| | 3,039,929 | 48,300 | 2,991,629 |
| Excess of receipts over disbursements/ (disbursements over receipts) | 390,684 | 4,350 | 386,334 |
| Cash balances beginning of year | 1,201,294 | 89,935 | 1,111,359 |
| Cash balances end of year | \$ 1,591,978 | \$ 94,285 | \$ 1,497,693 |

See accompanying independent auditor's report.

| <u>Budgeted Amounts</u> | | Final to Total Variance Favorable <u>(Unfavorable)</u> |
|-------------------------|------------------|--|
| <u>Original</u> | <u>Final</u> | |
| \$ 25,735 | \$ 29,685 | \$ 17,427 |
| 2,784,788 | 2,924,588 | (4,631) |
| 426,223 | 458,931 | (48,037) |
| <u>3,236,746</u> | <u>3,413,204</u> | <u>(35,241)</u> |
| | | |
| <u>3,209,573</u> | <u>3,372,125</u> | <u>380,496</u> |
| | | |
| <u>\$ 27,173</u> | <u>\$ 41,079</u> | <u>\$ 345,255</u> |

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING
June 30, 2017

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 \$162,552. 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
For the Last Three Years*

Other Information

| | 2017 | 2016 | 2015 |
|---|------------|---------|---------|
| Water Department's proportion of the net pension liability | 0.0088% | 0.0075% | 0.0089% |
| Water Department's proportionate share of the net pension liability | \$ 555,669 | 370,369 | 352,056 |
| Water Department's covered-employee payroll | \$ 633,639 | 508,235 | 580,877 |
| Water Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 87.70% | 72.90% | 60.61% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.82% | 85.19% | 87.61% |

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

Schedule of Water Department Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Other Information

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Statutorily required contribution | \$ 67,833 | \$ 56,584 | \$ 45,385 | \$ 51,872 | \$ 47,112 |
| Contributions in relation to the statutorily required contribution | <u>(67,833)</u> | <u>(56,584)</u> | <u>(45,385)</u> | <u>(51,872)</u> | <u>(47,112)</u> |
| Contribution deficiency (excess) | - | - | - | - | - |
| Water Department's covered-employee payroll | <u>\$ 759,604</u> | <u>\$ 633,639</u> | <u>\$ 508,235</u> | <u>\$ 580,877</u> | <u>\$ 543,391</u> |
| Contributions as a percentage of covered-employee payroll | 8.93% | 8.93% | 8.93% | 8.93% | 8.67% |

See accompanying independent auditor's report.

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 40,163 | \$ 36,853 | \$ 34,127 | \$ 32,766 | \$ 29,460 |
| <u>(40,163)</u> | <u>(36,853)</u> | <u>(34,127)</u> | <u>(32,766)</u> | <u>(29,460)</u> |
| - | - | - | - | - |
| <u>\$ 461,643</u> | <u>\$ 530,259</u> | <u>\$ 513,188</u> | <u>\$ 516,000</u> | <u>\$ 486,942</u> |
| 8.07% | 6.95% | 6.65% | 6.35% | 6.05% |

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

Notes to Other Information – Pension Liability

Year ended June 30, 2017

Changes of Benefit Terms – Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% 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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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.

Supplementary Information

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2017

| 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>4,656,000</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> |
|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|-----------------------------|--|---|-------------------------------------|
| \$ - | \$ 268,000 | \$ 4,388,000 | \$ 139,680 | \$ 11,640 | \$ - | \$ - | \$ - |

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

DEBT MATURITIES
Year Ended June 30, 2017

| Revenue Capital Loan Notes | | | | | |
|----------------------------|------------------|------------|----------------|--------------|--------------|
| Water | | | | | |
| Issued January 7, 2009 | | | | | |
| Year Ending June 30, | Interest Rate | Interest | Service Fee | Principal | Total |
| 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 |
| | | \$ 980,130 | \$ 81,678 | \$ 4,388,000 | \$ 5,449,808 |

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, 2017, and the related notes to financial statements, which collectively comprise the Water Department's basic financial statements, and have issued our report thereon dated October 20, 2017. 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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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, 2017 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.

Hunt & Associates, P.C.

Oskaloosa, Iowa
October 20, 2017

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS

Year Ended June 30, 2017

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, 2017

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-17 Certified Budget - Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted in the business type activities function.
- II-B-17 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-17 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-17 Business Transactions - No business transactions between the Water Department and the Water Department's officials or employees were noted.
- II-E-17 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-17 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-17 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-17 Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.