BOARD OF WATERWORKS AND
ELECTRIC LIGHT AND POWER PLANT TRUSTEES - ATLANTIC, IOWA
D/B/A ATLANTIC MUNICIPAL UTILITIES

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

YEARS ENDED DECEMBER 31, 2015 AND 2014

ATLANTIC MUNICIPAL UTILITIES

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ATLANTIC MUNICIPAL UTILITIES
Officials
December 31, 2015

Trustees	Term Expires
Joyce A. Jensen, Chairperson	April, 2017
Joanne C. Lorence, Vice-Chairperson	April, 2017
Lawrence E. Turner (resigned December 31, 2015)	April, 2019
Dave Sturm	April, 2021
Ted E. Robinson	April, 2021

Management Personnel

General Manager
Steve J. Tjepkes

Comptroller
Jennifer M. Saathoff

Director of Electric Operations
Gregory J. Smith

Director of Water Operations
Jon H. Martens

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Atlantic Municipal Utilities
Atlantic, Iowa

Report on the Financial Statements

We have audited the accompanying statements of net position of the business-type activities and each major fund of Atlantic Municipal Utilities (a component unit of the City of Atlantic, Iowa) as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' 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 Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of Atlantic Municipal Utilities as of December 31, 2015 and 2014 and the changes in its financial position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Atlantic Municipal Utilities

Emphasis of a Matter

As discussed in Note P to the financial statements, Atlantic Municipal Utilities adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Schedule of Funding Progress for the Retiree Health Plan, and the Schedules of the Utilities' Proportionate Share of the Net Pension Liability and of the Utilities' Contributions (and the related notes) on pages 4 through 4g and on pages 37 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atlantic Municipal Utilities' basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended December 31, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information on pages 1 and 43 through 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2016 on our consideration of Atlantic Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and important for assessing the results of our audit.

Grell Wohl, Bell, Kyhnn & Co. P.C.

Atlantic, Iowa
March 4, 2016

AMU

Atlantic Municipal Utilities

Management's Discussion and Analysis
Audited Financial Statements
Years Ended December 31, 2015 and 2014

This section of the Utility's annual Financial Statements presents an analysis of the Utility's financial performance during the calendar year ended December 31, 2015. This information is presented in conjunction with the audited basic financial statements, which follow this section. The Utility is organized into two operating departments, electric and water. This discussion and analysis points out the highlights of each department.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2015

- The Utility's net position decreased as a result of implementing GASB Statement #68. The Electric Department's net position decreased by $1,152,161, or 4.8%, from $24,066,643 to $22,914,482. The Water Department's net position decreased by $85,688, or 1.9%, from $4,493,640 to $4,407,952.

- An Electric rate increase of approximately 5.0% for all customer classes was approved in December 2013, effective February 2014.

- A Water rate increase of approximately 5.0% for all customer classes was approved in December 2013, effective February 2014.

- Electric Department operating revenues decreased 8.0% to $9,694,426, while operating expenses decreased 3.1% to $9,177,264.

- Water Department operating revenues decreased 4.3% to $1,347,738, while operating expenses decreased 3.8% to $1,205,591.

- The Electric Department delivered approximately 108,128,000 kilowatt hours (kWh) of electricity to its retail customers in 2015, compared to approximately 110,693,000 kWh in 2014, a 2.3% decrease.

- The Water Department delivered approximately 240,310,000 gallons of water to its retail customers in 2015, compared to approximately 258,984,000 gallons in 2014, a 7.2% decrease.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements of the Utility report information utilizing generally accepted accounting practices for electric and water utilities. In general, these practices follow the Federal Energy Regulatory Commission's (FERC) prescribed Uniform System of Accounts for the Electric Department. Practices for the Water Department follow suggested guidelines from the National Association of Regulatory Commissioners (NARUC). There are three major reports for each Department.

The *Statements of Net Position* include each Department's assets and liabilities, and provide information about the nature and amounts of investments in resources (assets) and the obligations to Utility creditors (liabilities). They also provide the basis for making a variety of financial assessments about the Utility's financial position. Supporting schedules of the Department's debt are included in the "Other Supplementary Information" section of the report.

The *Statements of Revenues, Expenses and Changes in Net Position* provide information about each Department's revenues and expenses. This report measures the success of the Department's operations. It can be used to determine whether or not the Department has successfully recovered all its costs through its rates, fees and other forms of revenues. It also provides a measure of the Department's, and Utility's, profitability and creditworthiness. Details of the Department's revenues and expenses are included in the "Other Supplementary Information" section of the report. This statement also provides information about the equity, or net position, of the Department.

The *Statements of Cash Flows* provide information about each Department's cash receipts, cash disbursements, and net changes in cash resulting from operations, capital and related financing activities and investing activities. These statements indicate where each Department's cash came from, how it was used, and the change in cash balances during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utilities' accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events.

Additional information regarding AMU's financial and operating status are contained in the *Required Supplementary Information*, and *Other Supplementary Information*. These sections of the report provide information including comparisons of budgeted versus actual expenditures, details regarding long-term debt outstanding, and a number of supporting schedules.

The *Comments and Recommendations* section of the report comments on AMU's internal control and compliance with various state statutes.

CONDENSED FINANCIAL INFORMATION – ELECTRIC DEPARTMENT

The following condensed financial information of the Electric Department serves as the key financial data and indicators for management, monitoring, and planning.

Electric Department

Condensed Statements of Net Position

	Electric Department	
	2015	2014 (not restated)
Current Assets	$ 2,986,271	$ 3,224,090
Capital Assets, net	23,523,720	22,558,712
Other Assets	5,965,881	4,819,058
Total Assets	32,475,872	30,601,860
Deferred Outflows of Resources	327,816	0
Total Assets and Deferred Outflows of Resources	$ 32,803,688	$ 30,601,860
Current Liabilities	$ 1,361,204	$ 1,503,974
Other Liabilities	1,320,089	326,243
Long-Term Debt	6,828,913	4,705,000
Total Liabilities	9,510,206	6,535,217
Deferred Inflows of Resources	379,000	-
Net Investment in Capital Assets	16,899,378	17,276,203
Restricted	2,695,464	1,854,487
Unrestricted	3,319,640	4,935,953
Total Net Position	22,914,482	24,066,643
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 32,803,688	$ 30,601,860

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Electric Department	
	2015	2014 (not restated)
Sale of Electricity	$ 8,676,343	$ 9,413,332
Other Operating Revenue	1,018,083	1,119,560
Total Operating Revenue	9,694,426	10,532,892
Electric Production & Purchased Power	4,227,402	4,362,534
Transmission & Distribution	2,011,336	2,066,483
Administrative & Accounting	1,530,119	1,641,224
Provision for Depreciation	1,408,407	1,402,072
Total Operating Expense	9,177,264	9,472,313
Income from Operations	517,162	1,060,579
Grant Revenue	-	76,288
Interest Expense	(192,400)	(222,611)
Other, net	(176,923)	(20,656)
Total Non-Operating Expense	(369,323)	(166,979)
Change in Net Position	147,839	893,600
Net Position, Beginning of Year, as Restated	22,766,643	23,173,043
Net Position, End of Year	$ 22,914,482	$ 24,066,643

FINANCIAL ANALYSIS OF THE ELECTRIC DEPARTMENT

Electric Department

Current Assets decreased $237,819 or 7.4%, to $2,986,271 in 2015. Cash decreased $317,094 to $1,270,476 at December 31, 2015 as excess cash was transferred to a Capital Improvement Reserve Fund. Receivables decreased $228,972 to $571,106 at December 31, 2015 due to the decrease in the receivable from Midcontinent Independent System Operator (MISO) as excess energy sales decreased in December as lower excess energy was available for sale in addition to lower market prices for the energy that was sold. Inventory increased $305,612 due to increasing the coal inventories at Walter Scott Generating Station Unit 3 (WS#3) from 28 days burn in 2014, to 91 days burn at December 31, 2015.

Annual capital expenditures totaled $2,388,024 in 2015. Depreciation expense and net capital retirements totaled $1,423,016, thus Net Capital Assets increased by $965,008 to $23,523,720 at December 31, 2015. The Electric Department's capital additions were funded with cash generated from operations and from the issuance of $2,525,000 of 2015 Capital Loan Notes.

Other Assets increased $1,146,823, to $5,965,881. The unused portion of the proceeds from the 2015 Capital Loan Notes of $725,658 at December 31, 2015 is designated for planned future capital improvements and is included in Special Purpose Funds on the Balance Sheet.

The Deferred Outflow of Resources of $327,816 at December 31, 2015 consists of $181,816 of deferred refunding cost due to the advance refunding of the 2007 Capital Loan Notes and $146,000 of deferred pension costs.

Current Liabilities decreased $142,770, or 9.5%, to $1,361,204 at December 31, 2015. The decrease was primarily due to a decrease in Accounts Payable of $216,886 partially offset by of an increase in the Current Maturities of Long-Term Debt of $88,276.

Other Liabilities increased $993,846 to $1,320,089 at December 31, 2015. During the year, the Utility implemented Government Accounting Standards Board (GASB) Statement No. 68 regarding accounting and financial reporting for pensions. As a result, the Utility recorded a Net Pension Liability of $994,000 for its share of unfunded liabilities with the Iowa Public Employees Retirement System (IPERS).

Total Long-Term Debt of the Electric Department increased $2,123,913, to $6,828,913. During the year, the Utility issued $7,350,000 of 2015 Capital Loan Notes. Of the proceeds, $4,825,000 was used to advance refund the outstanding balance of the 2007 Capital Loan Notes with the remaining $2,525,000 to be used for capital projects occurring in 2015 and 2016.

The Deferred Inflows of Resources – Pension balance of $379,000 at December 31, 2015 consists of deferred inflows arising from events related to pensions recorded as a result of implementing GASB Statement No. 68 during the year.

Total Sales of Electricity decreased $736,989, or 7.8%, to $8,676,343 in 2015. Retail Electricity Sales decreased $125,468, or 1.6%, to $7,648,695 with retail kWh sales decreasing 2.3%, due to generally milder weather during the year. A retail rate increase of approximately 3.0% went into effect February 2016. Sales to Other Utilities decreased $607,035, or 49.5%. The Utility sells generation from its share of the jointly owned W/S#3 plant directly into the MISO market and purchases any local power needs above current purchase power contract requirements from MISO. Sales to Other Utilities are shown net of these MISO power purchases. Periodically, W/S#3 shuts-down production for several weeks for major maintenance and repairs. Beginning October 2015, the W/S#3 plant was shut-down for about 10 weeks for an extended maintenance outage. The most previous extended maintenance shutdown occurred in 2009. During the 10 week shutdown, there were no energy sales into the MISO market. In addition, low market prices throughout the year also hindered market sales.

Other operating revenue decreased by $101,477, or 9.1%, to $1,018,083 in 2015. The Utility is a transmission owner in MISO and receives revenue from MISO for its share of transmission revenue collected by MISO. These transmission revenue collections decreased $125,719 to $883,754 in 2015, primarily due to lower recoverable transmission costs being incurred during the 2014 cost recovery year.

Electric production & purchased power expenses decreased $135,122, or 3.1%, to $4,227,402. Decreased fuel (coal) costs of $515,123 at W/S#3 due to the 10 week shutdown and lower generation during the year was partially offset by higher maintenance expenses of $273,533 incurred during the shutdown.

Transmission & Distribution expenses decreased $55,147, or 2.7%, to $2,011,336 in 2015.

Administrative and Accounting expenses decreased $111,105, or 6.8%, to $1,530,119 in 2015.

Total Non-Operating Expense of $369,323 increased from $166,979 in 2014. The Utility incurred debt issue costs of $144,732 in 2015 with issuance of the 2015 Capital Loan Notes. Also, 2014 was the last year of receiving grant funds that were used to install advanced electric meters and the related communication network in the electric distribution system.

The Electric Department's change in net position for the year was $147,839, compared to a net change of $893,600 in 2014. In addition, with the implementation of Government Accounting Standards Board (GASB) Statement No. 68 regarding accounting and financial reporting for pensions, the beginning net position as of January 1, 2015 was restated by ($1,300,000).

CONDENSED FINANCIAL INFORMATION – WATER DEPARTMENT

The following condensed financial information of the Water Department serves as the key financial data and indicators for management, monitoring, and planning.

Water Department

Condensed Statements of Net Position

	Water Department	
	2015	2014 (not restated)
Current Assets	$ 498,301	$ 495,353
Capital Assets, net	4,323,644	4,319,118
Other Assets	918,563	868,638
Total Assets	5,740,508	5,683,109
Deferred Outflows of Resources	33,000	-
Total Assets and Deferred Outflows of Resources	$ 5,773,508	$ 5,683,109
Current Liabilities	$ 362,866	$ 358,401
Other Liabilities	258,940	70,337
Long-Term Debt	673,750	760,731
Total Liabilities	1,295,556	1,189,469
Deferred Inflows of Resources	70,000	-
Net Investment in Capital Assets	3,562,913	3,472,692
Restricted	946,578	972,303
Unrestricted	(101,539)	48,645
Total Net Position	4,407,952	4,493,640
Total Liabilities and Net Position	$ 5,773,508	$ 5,683,109

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Water Department	
	2015	2014 (not restated)
Sale of Water	$ 1,295,130	$ 1,343,195
Other Operating Revenue	52,608	65,801
Total Operating Revenue	1,347,738	1,408,996
Source of Supply, Pumping & Treatment	224,910	216,943
Distribution	317,116	327,070
Administrative & Accounting	476,649	520,044
Provision for Depreciation	186,916	188,767
Total Operating Expense	1,205,591	1,252,824
Income from Operations	142,147	156,172
Interest Expense	(5,791)	(6,836)
Other, net	14,306	109
Total Non-Operating Revenue (Expense)	8,515	(6,727)
Change in Net Position	150,662	149,445
Contributions in Aid of Construction	1,650	675
Net Position, Beginning of Year	4,255,640	4,343,520
Net Position, End of Year	$ 4,407,952	$ 4,493,640

FINANCIAL ANALYSIS OF THE WATER DEPARTMENT

Water Department

Current Assets increased $2,948, or 0.6%, to $498,301 at December 31, 2015.

Annual capital expenditures totaled $192,269 in 2015. Depreciation expense and capital retirements totaled $187,743, thus Net Capital Assets increased by $4,526 to $4,323,644 at December 31, 2015. The Water Department's capital additions were funded with cash generated from operations, and no additional debt was issued.

Other Assets increased $49,925, to $918,563, as excess cash generated from operations was transferred to reserve funds, which are included in Board Designated Funds on the Statement of Net Position.

The Deferred Outflow of Resources of $33,000 at December 31, 2015 consists of deferred pension costs.

Total Assets at December 31, 2015 increased by $90,399, or 1.6%, to $5,773,508.

Current Liabilities increased $4,465, or 1.2%, to $362,866 at December 31, 2015.

Other Liabilities increased $188,603 to $258,940 at December 31, 2015. During the year, the Utility implemented Government Accounting Standards Board (GASB) Statement No. 68 regarding accounting and financial reporting for pensions. As a result, the Utility recorded a Net Pension Liability of $182,000 for its share of unfunded liabilities with the Iowa Public Employees Retirement System (IPERS).

Total Long-Term Debt decreased $86,981, to $673,750 at December 31, 2015, as the Water Department paid the annual principal payment of $85,695 on the internal note due to the Electric Department during the year.

Total Operating Revenue decreased $61,258, or 4.3%, to $1,347,738 in 2015. Sales of water decreased $48,065, or 3.6%, while water gallons sold decreased 7.2% to 240.3 million gallons sold. A retail rate increase of approximately 3.0% went into effect February 2016.

Total Operating Expenses for the Water Department decreased $47,233, or 3.8%, to $1,205,591 in 2015.

Non-operating revenues netted to a $8,515 increase to income from operations in 2015, compared to a ($6,727) deduction to income from operations in 2014. Non-operating revenues in 2015 included $9,173 gain on sale of equipment.

The Water Department's change in net position for the year (including contributions in aid of construction) was $152,312, compared to a net change of $150,120 in 2014. In addition, with the implementation of Government Accounting Standards Board (GASB) Statement No. 68 regarding accounting and financial reporting for pensions, the beginning net position as of January 1, 2015 was restated by ($238,000).

Contacting Financial Management

This financial report is designed to provide AMU's ratepayers and creditors with a general overview of Atlantic Municipal Utilities' finances and operations. If you have questions about this report, contact AMU's Comptroller at AMU, P.O. Box 517; 15 West Third Street; Atlantic, Iowa 50022; or e-mail jsaathoff@amu1.net or call 712-243-1395.

The General Manager can be contacted at the same address and phone, or by e-mail at stjepkes@amu1.net.

ATLANTIC MUNICIPAL UTILITIES
Statements of Net Position
December 31, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Electric	Water	Total
Capital Assets - net of depreciation	$ 23,523,720	$ 4,323,644	$ 27,847,364
Special Purpose Funds:			
Restricted funds	3,421,122	--	3,421,122
Board designated funds	1,622,282	918,563	2,540,845
Total special purpose funds	5,043,404	918,563	5,961,967
Current Assets:			
Cash	1,270,476	202,358	1,472,834
Accounts receivable	561,780	190,997	752,777
Other receivables	9,326	3,508	12,834
Inventory	992,412	78,526	1,070,938
Prepaid expenses	64,965	22,912	87,877
Note receivable - Water	87,312	--	87,312
Total current assets	2,986,271	498,301	3,484,572
Other Assets:			
Note receivable - Water	673,750	--	673,750
Electric project investments	248,727	--	248,727
Total other assets	922,477	--	922,477
Total assets	32,475,872	5,740,508	38,216,380
Deferred Outflows of Resources	327,816	33,000	360,816
Total assets and deferred outflows of resources	$ 32,803,688	$ 5,773,508	$ 38,577,196

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)

Long-Term Debt, less current maturities	$ 6,828,913	$ 673,750	$ 7,502,663
Net Pension Liability	994,000	182,000	1,176,000
Current Liabilities:			
Current maturities of long-term debt	658,276	86,981	745,257
Accounts payable	330,527	228,086	558,613
Accrued employee compensation	182,101	38,577	220,678
Accrued expenses	149,861	8,891	158,752
Accrued interest	40,439	331	40,770
Total current liabilities	1,361,204	362,866	1,724,070
Other Liabilities:			
Consumer deposits	52,527	16,249	68,776
Reserve for employees' retirement	112,351	36,307	148,658
Accrued OPEB	161,211	24,384	185,595
Total other liabilities	326,089	76,940	403,029
Total liabilities	9,510,206	1,295,556	10,805,762
Deferred Inflows of Resources - Pension	379,000	70,000	449,000
Net Position (Deficit):			
Invested in capital assets, net of related debt	16,899,378	3,562,913	20,462,291
Contributions in aid of construction	--	946,578	946,578
Restricted - expendable	2,695,464	--	2,695,464
Unrestricted	3,319,640	(101,539)	3,218,101
Total net position (deficit)	22,914,482	4,407,952	27,322,434
Total liabilities, deferred inflows of resources, and net position	$ 32,803,688	$ 5,773,508	$ 38,577,196

The accompanying notes are an integral part of these statements.

ATLANTIC MUNICIPAL UTILITIES
Statements of Net Position
December 31, 2014
(Not Restated)

ASSETS

	Electric	Water	Total
Capital Assets - net of depreciation	$ 22,558,712	$ 4,319,118	$ 26,877,830
Special Purpose Funds:			
Restricted funds	1,854,487	--	1,854,487
Board designated funds	1,922,609	868,638	2,791,247
Total special purpose funds	3,777,096	868,638	4,645,734
Current Assets:			
Cash	1,587,570	204,733	1,792,303
Accounts receivable	791,618	187,312	978,930
Other receivables	8,460	3,164	11,624
Inventory	686,800	76,156	762,956
Prepaid expenses	63,509	23,988	87,497
Note receivable - Water	86,133	--	86,133
Total current assets	3,224,090	495,353	3,719,443
Other Assets:			
Note receivable - Water	760,731	--	760,731
Electric project investments	248,727	--	248,727
Other	32,504	--	32,504
Total other assets	1,041,962	--	1,041,962
Total assets	$ 30,601,860	$ 5,683,109	$ 36,284,969

LIABILITIES AND NET POSITION

Long-Term Debt, less current maturities	$ 4,705,000	$ 760,731	$ 5,465,731
Current Liabilities:			
Current maturities of long-term debt	570,000	85,695	655,695
Accounts payable	547,413	227,191	774,604
Accrued employee compensation	177,797	35,086	212,883
Accrued expenses	154,745	9,991	164,736
Accrued interest	54,019	438	54,457
Total current liabilities	1,503,974	358,401	1,862,375
Other Liabilities:			
Consumer deposits	97,833	19,263	117,096
Reserve for employees' retirement	120,936	34,818	155,754
Accrued OPEB	107,474	16,256	123,730
Total other liabilities	326,243	70,337	396,580
Total liabilities	6,535,217	1,189,469	7,724,686
Net Position:			
Invested in capital assets, net of related debt	17,276,203	3,472,692	20,748,895
Contributions in aid of construction	--	972,303	972,303
Restricted - expendable	1,854,487	--	1,854,487
Unrestricted	4,935,953	48,645	4,984,598
Total net position	24,066,643	4,493,640	28,560,283
Total liabilities and net position	$ 30,601,860	$ 5,683,109	$ 36,284,969

The accompanying notes are an integral part of these statements.

ATLANTIC MUNICIPAL UTILITIES
ELECTRIC DEPARTMENT
Statements of Revenues, Expenses and Changes in Net Position
Year ended December 31, 2015

	Electric	Water	Total
Operating Revenue:			
Current use charges	$ 8,269,158	$ 1,169,727	$ 9,438,885
Services provided to the City	407,185	125,403	532,588
	8,676,343	1,295,130	9,971,473
Other operating revenue	1,018,083	52,608	1,070,691
Total operating revenue	9,694,426	1,347,738	11,042,164
Operating Expenses:			
Electric production/Water source of supply	2,661,491	44,043	2,705,534
Electric purchased power/Pumping	1,565,911	67,246	1,633,157
Electric transmission/Water treatment	1,025,266	113,621	1,138,887
Distribution expense	986,070	317,116	1,303,186
Administrative and accounting	1,530,119	476,649	2,006,768
Depreciation	1,408,407	186,916	1,595,323
Total operating expenses	9,177,264	1,205,591	10,382,855
Operating Income	517,162	142,147	659,309
Non-Operating Revenues (Expenses):			
Income from investments	22,928	5,133	28,061
Interest expense on revenue bonds	(188,770)	(5,151)	(193,921)
Gain (loss) on disposal of equipment	(52,611)	9,173	(43,438)
Other interest expense	(3,630)	(640)	(4,270)
Debt issue cost	(144,732)	--	(144,732)
Amortization	(2,508)	--	(2,508)
Non-operating revenues (expenses), net	(369,323)	8,515	(360,808)
Net Income	147,839	150,662	298,501
Contributions in Aid of Construction	--	1,650	1,650
Increase in Net Position	147,839	152,312	300,151
Net Position, Beginning of Year, as Restated (Note P)	22,766,643	4,255,640	27,022,283
Net Position, End of Year	$ 22,914,482	$ 4,407,952	$ 27,322,434

The accompanying notes are an integral part of these statements.

ATLANTIC MUNICIPAL UTILITIES
ELECTRIC DEPARTMENT
Statements of Revenues, Expenses and Changes in Net Position
Year ended December 31, 2014
(Not Restated)

	Electric	Water	Total
Operating Revenue:			
Current use charges	$ 9,001,661	$ 1,209,886	$ 10,211,547
Services provided to the City	411,671	133,309	544,980
	9,413,332	1,343,195	10,756,527
Other operating revenue	1,119,560	65,801	1,185,361
Total operating revenue	10,532,892	1,408,996	11,941,888
Operating Expenses:			
Electric production/Water source of supply	2,834,680	49,240	2,883,920
Electric purchased power/Pumping	1,527,854	60,777	1,588,631
Electric transmission/Water treatment	1,070,827	106,926	1,177,753
Distribution expense	995,656	327,070	1,322,726
Administrative and accounting	1,641,224	520,044	2,161,268
Depreciation	1,402,072	188,767	1,590,839
Total operating expenses	9,472,313	1,252,824	10,725,137
Operating Income	1,060,579	156,172	1,216,751
Non-Operating Revenues (Expenses):			
Income from investments	23,098	6,043	29,141
Grant revenue	76,288	--	76,288
Interest expense on revenue bonds	(221,255)	(6,420)	(227,675)
Loss on disposal of equipment	(35,354)	(5,934)	(41,288)
Other interest expense	(1,356)	(416)	(1,772)
Amortization	(8,400)	--	(8,400)
Non-operating revenues (expenses), net	(166,979)	(6,727)	(173,706)
Net Income	893,600	149,445	1,043,045
Contributions in Aid of Construction	--	675	675
Increase in Net Position	893,600	150,120	1,043,720
Net Position, Beginning of Year	23,173,043	4,343,520	27,516,563
Net Position, End of Year	$ 24,066,643	$ 4,493,640	$ 28,560,283

The accompanying notes are an integral part of these statements.

ATLANTIC MUNICIPAL UTILITIES
ELECTRIC DEPARTMENT
Statements of Cash Flows
Year ended December 31, 2015

	Electric	Water	Total
Cash flows from operating activities:			
Cash received from consumers	$ 8,904,994	$ 1,288,362	$ 10,193,356
Cash paid to suppliers	(7,123,670)	(702,030)	(7,825,700)
Cash paid to employees	(1,354,587)	(320,002)	(1,674,589)
Other operating revenue	1,011,973	51,313	1,063,286
Net cash provided by operating activities	1,438,710	317,643	1,756,353
Cash flows from noncapital financing activities:			
Consumer deposits, net	(45,306)	(3,014)	(48,320)
Interest paid	(3,630)	(640)	(4,270)
Net cash used in noncapital financing activities	(48,936)	(3,654)	(52,590)
Cash flows from capital and related financing activities:			
Debt proceeds	2,646,309	--	2,646,309
Principal payments	(570,000)	(85,695)	(655,695)
Interest paid on revenue bonds	(192,064)	(5,258)	(197,322)
Capital expenditures	(2,433,535)	(192,269)	(2,625,804)
Proceeds from sale of assets	--	10,000	10,000
Contributions in aid of construction	--	1,650	1,650
Net cash used in capital and related financing activities	(549,290)	(271,572)	(820,862)
Cash flows from investing activities:			
Special purpose fund investments			
Proceeds (purchases)	(601,067)	75	(600,992)
Revolving loan payments received	36,000	--	36,000
Water department note proceeds	85,695	--	85,695
Income from investments	23,035	5,133	28,168
Net cash provided by (used in) investing activities	(456,337)	5,208	(451,129)
Net increase in cash	384,147	47,625	431,772
Cash, beginning of year	3,514,561	572,313	4,086,874
Cash, end of year	$ 3,898,708	$ 619,938	$ 4,518,646

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ATLANTIC MUNICIPAL UTILITIES
ELECTRIC DEPARTMENT
Statements of Cash Flows - Continued
Year ended December 31, 2015

	Electric	Water	Total
Reconciliation of cash to the statements of net position:			
Cash in current assets	$ 1,270,476	$ 202,358	$ 1,472,834
Cash in special purpose funds	2,628,232	417,580	3,045,812
Total cash	$ 3,898,708	$ 619,938	$ 4,518,646
Reconciliation of income from operations to net cash provided by operating activities:			
Income from operations	$ 517,162	$ 142,147	$ 659,309
Adjustments to reconcile income from operations to net cash provided by operating activities			
Depreciation	1,408,407	186,916	1,595,323
Uncollectible accounts	9,256	2,384	11,640
Reserve for employees' retirement	(8,585)	1,489	(7,096)
Accrued OPEB	53,737	8,128	61,865
Change in assets and liabilities			
Receivables	219,716	(6,413)	213,303
Inventory	(305,612)	(2,370)	(307,982)
Prepaid expenses	(1,456)	1,076	(380)
Deferred outflows of resources	(170,958)	(6,000)	(176,958)
Net pension liability	(452,000)	(83,000)	(535,000)
Accounts payable			
Trade	(209,377)	396	(208,981)
Due to City Sewer	--	499	499
Accrued employee compensation	4,304	3,491	7,795
Accrued expenses	(4,884)	(1,100)	(5,984)
Deferred inflows of resources	379,000	70,000	449,000
Total adjustments	921,548	175,496	1,097,044
Net cash provided by operating activities	$ 1,438,710	$ 317,643	$ 1,756,353

Non-Cash Transactions:

The Utilities' also incurred the following non-cash transactions in addition to the transactions reflected in the reconciliation of operating income to net cash provided by operating activities:

	Electric	Water	Total
Refunding debt	$ 4,705,000	$ --	$ 4,705,000
Debt issue costs	144,732	--	144,732
Book value of traded asset	867	--	867
	$ 4,850,599	$ --	$ 4,850,599

The accompanying notes are an integral part of these statements.

ATLANTIC MUNICIPAL UTILITIES
ELECTRIC DEPARTMENT
Statements of Cash Flows
Year ended December 31, 2014
(Not Restated)

	Electric	Water	Total
Cash flows from operating activities:			
Cash received from consumers	$ 9,490,469	$ 1,343,236	$ 10,833,705
Cash paid to suppliers	(6,424,531)	(788,066)	(7,212,597)
Cash paid to employees	(1,439,904)	(307,809)	(1,747,713)
Other operating revenue	1,113,833	63,817	1,177,650
Net cash provided by operating activities	2,739,867	311,178	3,051,045
Cash flows from noncapital financing activities:			
Consumer deposits, net	5,385	869	6,254
Interest paid	(1,356)	(416)	(1,772)
Net cash provided by noncapital financing activities	4,029	453	4,482
Cash flows from capital and related financing activities:			
Principal payments	(545,000)	(84,429)	(629,429)
Interest paid on revenue bonds	(226,433)	(6,526)	(232,959)
Capital expenditures	(1,633,270)	(68,135)	(1,701,405)
Capital grants	76,288	--	76,288
Contributions in aid of construction	--	675	675
Net cash used in capital and related financing activities	(2,328,415)	(158,415)	(2,486,830)
Cash flows from investing activities:			
Special purpose fund investments			
Proceeds	217	507	724
Revolving loan advance	(238,997)	--	(238,997)
Revolving loan payments received	36,000	--	36,000
Water department note proceeds	84,429	--	84,429
Income from investments	23,204	6,043	29,247
Net cash provided by (used in) investing activities	(95,147)	6,550	(88,597)
Net increase in cash	320,334	159,766	480,100
Cash, beginning of year	3,194,227	412,547	3,606,774
Cash, end of year	$ 3,514,561	$ 572,313	$ 4,086,874

(continued next page)

ATLANTIC MUNICIPAL UTILITIES
ELECTRIC DEPARTMENT
Statements of Cash Flows - Continued
Year ended December 31, 2014
(Not Restated)

	Electric	Water	Total
Reconciliation of cash to the statements of net position:			
Cash in current assets	$ 1,587,570	$ 204,733	$ 1,792,303
Cash in special purpose funds	1,926,991	367,580	2,294,571
Total cash	$ 3,514,561	$ 572,313	$ 4,086,874
Reconciliation of income from operations to net cash provided by operating activities:			
Income from operations	$ 1,060,579	$ 156,172	$ 1,216,751
Adjustments to reconcile income from operations to net cash provided by operating activities			
Depreciation	1,402,072	188,767	1,590,839
Uncollectible accounts	14,855	4,205	19,060
Reserve for employees' retirement	(28,786)	(2,603)	(31,389)
Accrued OPEB	57,982	3,883	61,865
Change in assets and liabilities			
Receivables	95,174	(16,659)	78,515
Materials and supplies inventory	138,279	(5,553)	132,726
Prepaid expenses	(1,838)	(2,156)	(3,994)
Accounts payable			
Trade	7,197	(2,778)	4,419
Due to City Sewer	--	(15,656)	(15,656)
Accrued employee compensation	(11,689)	1,867	(9,822)
Accrued expenses	6,042	1,689	7,731
Total adjustments	1,679,288	155,006	1,834,294
Net cash provided by operating activities	$ 2,739,867	$ 311,178	$ 3,051,045

The accompanying notes are an integral part of these statements.

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Board of Waterworks and Electric Light and Power Plant Trustees - Atlantic, Iowa operates under the name, Atlantic Municipal Utilities (Utilities or Utility). It is made up of two enterprise funds (departments) and is a component unit of the City of Atlantic, Iowa (City). It was instituted to provide water and electric service to residents of the City and the surrounding area. The Utilities are operated as a separate entity under the direction of a Board of Trustees. The members of the Board are appointed by the Mayor and approved by the City Council.

The financial positions and operations of the two departments are accounted for and reported separately in these financial statements. The Utilities report in accordance with Governmental Accounting Standards and Uniform Systems of Accounts prescribed by the Federal Energy Regulatory Commission and the National Association of Regulatory Utility Commissioners.

2. Basis of Presentation

The Statement of Net Position displays the Utilities' assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position in a balance sheet format. Net position is reported in four categories:

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

Contributions in aid of construction consist of the unamortized cost of contributions from outside parties for construction purposes.

Restricted net position:

a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Utilities.

b. *Expendable* - Expendable net position results when constraints placed on net position use 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 net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Utilities' policy to use restricted net position first.

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recoded when the liability is incurred.

4. Use of Estimates

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

5. Utility Plant and Depreciation

The straight-line method is used for computing depreciation with lives on machinery and equipment ranging from five to thirty-five years and lives on buildings of fifty years. Cost of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the properties in efficient operating condition are charged to expense. Utility plant accounts are charged with the cost of improvements and replacements of the plant.

Water contributions in aid of construction represents the actual cost of property contributed to the water utility and nonrefundable payments received from consumers which are used to partially offset the cost of the construction of additional plant. The cost of depreciation on plant acquired through this process is included in depreciation expense. The balance in water contributions in aid of construction is amortized over a period equal to the estimated useful life of the related contributed asset.

6. Accounts Receivable and Revenue Recognition

Billings for electric and water revenues are rendered monthly on a cyclical basis. The Utilities do not record unbilled revenues representing estimated consumption for the period between the last billing date and the end of the fiscal year.

Accounts receivable reported in the statements of net position are shown net of the allowances for doubtful accounts (Electric: $16,000 in 2015 and 2014) (Water: $5,000 in 2015 and 2014).

7. Inventory Valuation

Inventories (materials, supplies and fuel) are valued at the lower of cost or market. Cost is determined on a first-in, first-out method for materials and supplies and a weighted average basis for fuel.

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Investments

Investments are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are stated at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the reported sales price and current exchange rates at year end. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in other income when earned.

9. Purpose of Special Funds

The Utilities have set aside certain assets for specific purposes. The board designated funds represent money designated by the Board of Trustees to be used in the payment of certain potential costs as identified in Note D. The electric revenue bond funds, as discussed in Note D, are the result of requirements established in bond issue documents. Use of restricted or unrestricted resources for individual projects is determined by the Utility Board of Trustees based on the facts regarding each specific situation.

10. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, contributions from the employer after the measurement date but before the end of the employer's reporting period, and deferred refunding costs.

11. Compensated Absences

Utility employees earn vacation hours at varying rates depending on years of service. Vacation time accumulates to a maximum of 200 hours. Any excess over 200 hours is lost. The computed amount of vacation benefits earned by year end is recorded as part of accrued employee compensation.

12. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

13. Property Taxes

According to Iowa law, the Electric Utility is required to pay property taxes on transmission lines and related Utility property outside the Atlantic city limits. The property taxes are recorded as of the date they become a liability.

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

14. Cash Equivalents

For purposes of the statement of cash flows, the Atlantic Municipal Utilities considers all highly liquid debt instruments purchased with a maturity of less than three months to be cash equivalents.

15. Debt Costs During Periods of Construction

During construction, costs of related debt are accumulated and capitalized. Interest earned on invested debt proceeds is offset against the accumulated costs and the net amount is included in capitalized construction costs. The Utilities had no major construction projects covering more than one year, therefore, no interest was capitalized during 2015 or 2014.

NOTE B - TRANSACTIONS WITH CITY OF ATLANTIC, IOWA

The Utilities provide electric and water services to the City in exchange for a partial payment. However, any payment received must be contributed back to the City at the time of receipt. Metered charges plus any excess costs are recorded as services to the City and included in administrative and accounting expenses as a payment in lieu of tax on these financial statements.

The Utilities act as the billing and collection agent for the City in the collection of sewer fees from the residents of Atlantic. This service is provided for a minimal charge to the City.

Following is a summary of activity between the Utilities and City during the year and amounts due to or receivable from the City at year end:

Electric Department	2015	2014
Metered Charges to City	$ 349,927	$ 351,588
Additional Costs Incurred	57,259	60,083
Payment in Lieu of Tax	$ 407,186	$ 411,671

Water Department	2015	2014
Metered Charges to City	$ 14,311	$ 14,313
Additional Costs Incurred	111,092	118,996
Payment in Lieu of Tax	$ 125,403	$ 133,309
Sewer Fees Collected for City	$ 1,581,015	$ 1,564,781
Charge to City for Sewer Billing Service	$ 37,066	$ 37,066
Account Payable to City	$ 224,116	$ 223,617

NOTE C - TRANSACTIONS BETWEEN ELECTRIC AND WATER DEPARTMENTS

Certain administrative costs are split between the Electric and Water Departments based on a formula applied consistently throughout the years. Other costs and all revenues are separately identified and accounted for within each Department.

Following is information about interdepartment transactions and amounts due between the Electric and Water Departments at December 31:

	2015	2014
Electric sales to Water	$ 46,242	$ 49,742
Water sales to Electric	$ 1,401	$ 1,343
Interest income (Electric) and expense (Water) during the year	$ 5,151	$ 6,420
Non-interest bearing note due to Electric from Water Department	$ 495,855	$ 495,855
Interest bearing note due to Electric from Water Department	$ 264,876	$ 350,571
Less current portion	86,981	85,695
	$ 177,895	$ 264,876
Current portion of interest bearing note due to Electric from Water Department	$ 86,981	$ 85,695
Interest due to Electric from Water Department	331	438
Current due to Electric from Water Department	$ 87,312	$ 86,133

The Electric Department non-interest bearing note receivable from the Water Department represents a temporary transfer of funds as part of the financing for a water improvement project. The note is non-interest bearing and is due in 2022. It is subordinate to any bonds or other debt obligations payable from revenues of the Water Department.

See Note J for details of the interest bearing note due to Electric from Water.

NOTE D - SPECIAL PURPOSE FUNDS

Restricted and board designated net assets are available for the following purposes:

Electric Department

	2015	2014
Restricted by Bond Resolution for:		
Payment of principal and interest	$ 1,235,364	$ 1,194,418
Capital improvements	1,825,658	300,000
Restricted by Grant Agreement for:		
Revolving loan fund	360,100	360,069
Total restricted	$ 3,421,122	$ 1,854,487
Board Designated for:		
Unforeseen disasters	$ 350,000	$ 350,000
Production plant repairs and capital expenditures	901,723	1,050,656
Equipment replacement	150,000	300,000
Employee retirement	150,375	150,375
Funding of bond requirements	70,184	71,578
Total board designated	$ 1,622,282	$ 1,922,609

Water Department

	2015	2014
Board Designated for:		
System improvements	$ 858,563	$ 808,638
Employee retirement	60,000	60,000
Total board designated	$ 918,563	$ 868,638

NOTE E - DEPOSITS AND INVESTMENTS

The Utilities' deposits at December 31, 2015 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. The investments are all insured, registered, or held by the Utilities or their agent in the Utilities' name. Investments are stated as indicated in Note A.

NOTE E - DEPOSITS AND INVESTMENTS - Continued

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

The Electric Department's investments at December 31 are as follows:

	2015	2014
Invested Funds:		
Certificates of Deposit	$ 2,130,000	$ 1,530,000
Other Interest Bearing Accounts	2,628,232	1,926,991
Note receivable	282,000	318,000
Interest Receivable	3,172	2,105
Total Investments	$ 5,043,404	$ 3,777,096

The Water Department's investments at December 31 are as follows:

	2015	2014
Invested Funds:		
Certificates of Deposit	$ 500,000	$ 500,000
Other Interest Bearing Accounts	417,580	367,580
Interest Receivable	983	1,058
Total Investments	$ 918,563	$ 868,638

The Utilities' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in 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 Utilities.

NOTE F - FAIR VALUE MEASUREMENTS

The Utilities' investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority. The Utilities uses appropriate valuation techniques based on the available inputs to measure the fair value of its note receivable. When available, the Utilities measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 1 or 2 inputs were available to the Utilities, therefore, Level 3 inputs were used to value its investments at December 31, 2015 and 2014.

Level 3 Fair Value Measurements

The Electric Utility's note receivable is not actively traded and significant other observable inputs are not available. The fair value of the note receivable is based on contract value. Level 3 fair value for the note receivable was $282,000 at December 31, 2015 ($318,000 at December 31, 2014). The Electric Utility's Due from Water Department is not actively traded and significant other observable inputs are not available. The fair value of the amount due from the Water Department is based on contract value. Level 3 fair value for the amount due from the Water Department was $761,062 at December 31, 2015 ($846,864 at December 31, 2014). The Electric Utility's Electric Project Investments are not actively traded and significant other observable inputs are not available. The fair value for the investments was $248,727 at December 31, 2015 ($248,727 at December 31, 2014). Management believes these values approximate current fair value.

NOTE F - FAIR VALUE MEASUREMENTS - Continued

The following table reconciles the beginning and ending balances of fair value measurement for the Utilities' Level 3 assets using unobservable inputs for the years ended December 31, 2015 and 2014:

December 31, 2015	Note Receivable	Due from Water Department	Electric Project Investments
Beginning balance	$ 318,000	$ 846,864	$ 248,727
Collections on note receivable	(36,000)	--	--
Collections from Water Department	--	(85,802)	--
Ending balance	$ 282,000	$ 761,062	$ 248,727
December 31, 2014			
Beginning balance	$ 115,003	$ 931,399	$ 248,727
Note receivable	238,997	--	--
Collections on note receivable	(36,000)	--	--
Collections from Water Department	--	(84,535)	--
Ending balance	$ 318,000	$ 846,864	$ 248,727

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals, and balances for the years ended December 31, 2015 and 2014 were as follows:

	Balance 2014	Additions	Disposals	Balance 2015
Electric Department				
Plant and Equipment	$ 50,344,010	$ 1,896,830	$ 182,684	$ 52,058,156
Depreciation	29,828,225	1,408,407	129,206	31,107,426
Depreciable Capital Assets, Net	$ 20,515,785	$ 488,423	$ 53,478	$ 20,950,730
Construction in Progress	$ 1,402,957	$ 2,388,024	$ 1,884,841	$ 1,906,140
Land and Land Rights	639,970	26,880	--	666,850
Non-Depreciable Capital Assets	$ 2,042,927	$ 2,414,904	$ 1,884,841	$ 2,572,990

NOTE G - CAPITAL ASSETS - Continued

	Balance 2013	Additions	Disposals	Balance 2014
Electric Department				
Plant and Equipment	$ 49,049,266	$ 1,513,808	$ 219,064	$ 50,344,010
Depreciation	28,609,863	1,402,072	183,710	29,828,225
Depreciable Capital Assets, Net	$ 20,439,403	$ 111,736	$ 35,354	$ 20,515,785
Construction in Progress	$ 1,288,013	$ 1,628,752	$ 1,513,808	$ 1,402,957
Land and Land Rights	639,970	--	--	639,970
Non-Depreciable Capital Assets	$ 1,927,983	$ 1,628,752	$ 1,513,808	$ 2,042,927

	Balance 2014	Additions	Disposals	Balance 2015
Water Department				
Plant and Equipment	$ 9,755,167	$ 192,269	$ 63,956	$ 9,883,480
Depreciation	5,491,886	186,916	63,129	5,615,673
Depreciable Capital Assets, Net	$ 4,263,281	$ 5,353	$ 827	$ 4,267,807
Construction in Progress	$ --	$ --	$ --	$ --
Land and Land Rights	55,837	--	--	55,837
Non-Depreciable Capital Assets	$ 55,837	$ --	$ --	$ 55,837

	Balance 2013	Additions	Disposals	Balance 2014
Water Department				
Plant and Equipment	$ 9,687,738	$ 81,999	$ 14,570	$ 9,755,167
Depreciation	5,311,755	188,767	8,636	5,491,886
Depreciable Capital Assets, Net	$ 4,375,983	$(106,768)	$ 5,934	$ 4,263,281
Construction in Progress	$ 13,864	$ 68,135	$ 81,999	$ --
Land and Land Rights	55,837	--	--	55,837
Non-Depreciable Capital Assets	$ 69,701	$ 68,135	$ 81,999	$ 55,837

NOTE H - DEFERRED OUTFLOWS OF RESOURCES

The deferred outflows of resources include deferred refunding costs and pension items. The deferred refunding cost is the difference between the reacquisition price and the net carrying amount of the old debt through an advance refunding. The deferred pension items represent the differences between expected and actual experience, changes of assumptions, changes in proportion of contributions, and contributions subsequent to the measurement date. A schedule of the balances for the year ended December 31, 2015 follows:

	Electric	Water	Total
Refunding costs	$ 181,816	$ --	$ 181,816
Pension	146,000	33,000	179,000
	$ 327,816	$ 33,000	$ 360,816

NOTE I - ELECTRIC DEPARTMENT NON-CURRENT LIABILITIES

A schedule of changes in Electric Department non-current liabilities for the years ended December 31, 2015 and 2014 follows:

	Balance 2014 (as restated)	Additions	Reductions	Balance 2015
2007 Capital Loan Notes	$ 5,275,000	$ --	$ 5,275,000	$ --
2015 Capital Loan Notes	--	7,350,000	--	7,350,000
Debt Premium	--	146,041	8,852	137,189
Less Current Portion	(570,000)	(658,276)	(570,000)	(658,276)
Long-Term Debt, Net	4,705,000	6,837,765	4,713,852	6,828,913
Net Pension Liability	1,446,000	--	452,000	994,000
Consumer Deposits, Net	97,833	--	45,306	52,527
Reserve for Employee Retirement	120,936	--	8,585	112,351
Accrued OPEB	107,474	53,737	--	161,211
Total Non-Current Liabilities	$ 6,477,243	$ 6,891,502	$ 5,219,743	$ 8,149,002

NOTE I - ELECTRIC DEPARTMENT NON-CURRENT LIABILITIES - Continued

	Balance 2013	Additions	Reductions	Balance 2014
2007 Capital Loan Notes	$ 5,820,000	$ --	$ 545,000	$ 5,275,000
Less Current Portion	(545,000)	(570,000)	(545,000)	(570,000)
Long-Term Debt, Net	5,275,000	(570,000)	--	4,705,000
Consumer Deposits, Net	92,448	5,385	--	97,833
Reserve for Employee Retirement	149,722	--	28,786	120,936
Accrued OPEB	49,492	57,982	--	107,474
Total Non-Current Liabilities	$ 5,566,662	$(506,633)	$ 28,786	$ 5,031,243

Series 2007 Capital Loan Notes
The 2007 Series Capital Loan Notes constituted a lien on the net income of the Electric Department. They were not general obligations of the City of Atlantic. The notes were advance refunded by the Series 2015 Capital Loan Notes in 2015.

Series 2015 Capital Loan Notes
The Series 2015 Capital Loan Notes were issued to advance refund the Series 2007 Capital Loan Notes and provide funding for other capital needs. The 2015 Series Capital Loan Notes constitute a lien on the net income of the Electric Department. They are not general obligations of the City of Atlantic. The notes mature in increasing amounts ranging from $610,000 to $720,000. Interest rates range from 2.00% to 3.00%. The part of these notes maturing after April 1, 2022 are subject to early redemption on or after that date.

The annual debt service on the notes is expected to require less than 42% of cash flow available for debt service. For the current year, debt service and cash flow for debt were approximately $762,100 and $1,800,000, respectively.

NOTE I - ELECTRIC DEPARTMENT NON-CURRENT LIABILITIES - Continued

The resolutions of the Board of Trustees authorizing the issuance of the 2015 Electric Capital Loan Notes specify the creation and maintenance of a sinking fund, a debt service reserve fund, a capital improvement fund, and a surplus fund. Funding requirements have been fulfilled with the only remaining requirement being monthly accumulation of principal and interest for the next due date. Principal and interest payments required on Electric Department long-term debt during each of the five years ending December 31, 2016 through 2026 are as follows:

	Principal	Interest	Total
2016	$ 645,000	$ 155,305	$ 800,305
2017	665,000	142,205	807,205
2018	680,000	128,755	808,755
2019	690,000	115,055	805,055
2020	705,000	101,105	806,105
2021-2025	3,310,000	291,763	3,601,763
2026	655,000	9,825	664,825
	$ 7,350,000	$ 944,013	$ 8,294,013

Advance Refunding of Debt

On April 30, 2015, the Utilities issued $4.825 million in Electric Revenue Refunding Capital Loan Notes, Series, 2015, with an average interest rate of 2.0 percent to advance refund $4.705 million of outstanding 2007 Series Capital Loan Notes with an average interest rate of 4.2 percent. The net proceeds of $4.892 million (including $95,000 of premium, less $74,000 in underwriting fees, insurance, and other issuance costs) plus an additional $46,000 of Utility funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2007 Series Capital Loan Notes. As a result, the 2007 Series Capital Loan Notes are considered to be defeased, and the liability for those notes has been removed from the statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $200,954. This difference, reported in the statement of net position as a deferred outflow of resources, is being charged to operations through the year 2022 using a straight line method. The Utilities completed the advance refunding to reduce its total debt service payments over the next 7 years by $269,254 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $254,131.

NOTE J - WATER DEPARTMENT NON-CURRENT LIABILITIES

A schedule of changes in Water Department non-current liabilities for the years ended December 31, 2015 and 2014 follows:

	Balance 2014 (as restated)	Additions	Reductions	Balance 2015
Due to Electric Department				
Non-interest bearing note	$ 495,855	$ --	$ --	$ 495,855
Interest bearing note	350,571	--	85,695	264,876
	846,426	--	85,695	760,731
Less current portion	(85,695)	--	1,286	(86,981)
Long-term due to Electric Department	760,731	--	86,981	673,750
Net Pension Liability	265,000	--	83,000	182,000
Consumer Deposits, Net	19,263	--	3,014	16,249
Reserve for Employees' Retirement	34,818	1,489	--	36,307
Accrued OPEB	16,256	8,128	--	24,384
Total Non-Current Liabilities	$ 1,096,068	$ 9,617	$ 172,995	$ 932,690

	Balance 2013	Additions	Reductions	Balance 2014
Due to Electric Department				
Non-interest bearing note	$ 495,855	$ --	$ --	$ 495,855
Interest bearing note	435,000	--	84,429	350,571
	930,855	--	84,429	846,426
Less current portion	(84,429)	--	1,266	(85,695)
Long-term due to Electric Department	846,426	--	85,695	760,731
Consumer Deposits, Net	18,394	869	--	19,263
Reserve for Employees' Retirement	37,421	--	2,603	34,818
Accrued OPEB	12,373	3,883	--	16,256
Total Non-Current Liabilities	$ 914,614	$ 4,752	$ 88,298	$ 831,068

NOTE J - WATER DEPARTMENT NON-CURRENT LIABILITIES - Continued

The non-interest bearing note payable to the Electric Department represents a temporary transfer of funds as part of the financing for a water improvement project. The note is non-interest bearing and is due in 2022. It is subordinate to any bonds or other debt obligations payable from revenues of the Water Department.

The interest bearing note payable to the Electric Department resulted when the Electric Department paid off the Water Department Capital Loan Notes in 2009. The Board set the interest rate on the Note to 1.5%. In December, 2012, the Board established a five year payment schedule to pay off this note. Principal and interest payments currently required on Water Department long-term debt during subsequent years are as follows:

	Principal	Interest	Total
2016	$ 86,981	$ 3,973	$ 90,954
2017	88,285	2,669	90,954
2018	89,610	1,344	90,954
2019	--	--	--
2020	--	--	--
2021-2022	495,855	--	495,855
	$ 760,731	$ 7,986	$ 768,717

NOTE K - EMPLOYEE RETIREMENT

Reserve For Employees' Retirement
Under rules adopted by the Board of Trustees, upon retirement, employees are eligible to receive payments based on accumulated but unused sick leave credits. Payments based on unused sick leave credits are also payable to a named beneficiary if a retiree dies before receiving all benefits earned.

NOTE L - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Utilities, except for those covered by another retirement system. Employees of the Utilities 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 by general informational purposes only. Refer to the plan documents for more information.

NOTE L - PENSION PLAN - Continued

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% 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% for each month that the member receives benefits before age 65.

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

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

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

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the Utilities contributed 8.93% for a total rate of 14.88%.

The Utilities' contributions to IPERS for the year ended December 31, 2015 were approximately $168,300.

NOTE L - PENSION PLAN - Continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2015, the Utilities reported a liability of $1,176,000 for its proportionate share of the net pension liability. The Utilities net pension liability was estimated as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an estimate of an actuarial valuation. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At December 31, 2014, the Utilities' proportion was 0.029037%, which was a decrease of 0.001174% from its proportion measured as of December 31, 2013. For the year ended December 31, 2015, the Utilities' recognized pension expense of approximately $92,000. At December 31, 2015, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Electric		Water		Total All Utilities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,800	$ --	$ 2,000	$ --	$ 12,800	$ --
Changes of assumptions	43,900	--	8,000	--	51,900	---
Net difference between projected and actual earnings on pension plan investments	--	379,000	--	70,000	--	449,000
Changes in proportion and differences between Utilities contributions and proportionate share of contributions	(45,700)	--	(8,300)	--	(54,000)	--
Utilities contributions subsequent to the measurement date	137,000	--	31,300	--	168,300	--
	$ 146,000	$ 379,000	$ 33,000	$ 70,000	$ 179,000	$ 449,000

NOTE L - PENSION PLAN - Continued

The $168,300, reported as deferred outflows of resources related to pensions resulting from the Utilities contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Electric	Water	Total All Utilities
2016	$(92,647)	$(17,103)	$(109,750)
2017	(92,647)	(17,103)	(109,750)
2018	(92,647)	(17,103)	(109,750)
2019	(92,647)	(17,103)	(109,750)
2020	588	112	700
	$(370,000)	$(68,300)	$(438,300)

There were no non-employer contribution entities at IPERS.

Actuarial Assumptions - The total pension liability in the December 31, 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%
Salary increases (effective June 30, 2014)	4.00%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the December 31, 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.

NOTE L - 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. 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 Utilities 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 Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Utilities' 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%) or 1-percentage- point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Electric	$ 1,876,000	$ 994,000	$ 248,000
Water	344,000	182,000	45,000
Utilities' proportionate share of the net pension liability	$ 2,220,000	$ 1,176,000	$ 293,000

NOTE L - 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.

Payables to the Pension Plan - At December 31, 2015, the Utilities reported payables to the defined benefit pension plan of $19,302 for legally required employer contributions and $8,742 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE M - DEFERRED COMPENSATION PLAN

The Utilities sponsor a deferred compensation plan which is administered by two trustees (the General Manager and Comptroller of the Utilities) and independent contractors under Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The Utilities are responsible for:

a. The accounting, reconciliations and recordkeeping associated with employees' enrollment.
b. Withholding employee contributions through payroll deductions.
c. Timely transfer of withheld funds to the contractor designated by the participant, for investment.
d. Payout of the deferred compensation to qualified participants after receiving proceeds from the administrators.
e. Withholding payroll taxes from plan payouts.
f. Preparation of 1099's resulting from plan payouts.

The Utilities' fiduciary responsibilities include due care in selecting administrators, and indemnification of the trustees.

The plan is designed so that each participant retains investment control of his/her individual account. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The contractors are required to submit monthly reports on participants' accounts to the Utilities. The Utilities are liable to a participant only for mishandled employee contributions or payouts, and the related loss of income to the participants. The market values of the exclusive benefit plan assets at December 31, 2015 were approximately $614,484.

NOTE N - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description. AMU operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 30 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

Retirees under age 65 pay the Cobra rate for premiums on the same medical benefit plan as active employees, which results in an implicit subsidy. The explicit and implicit subsidy results in an OPEB liability.

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

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

The following table shows the components of the AMU's annual OPEB cost for the year ended December 31, 2015 and 2014, the amount actually contributed to the plan and changes in AMU's net OPEB obligation:

	Electric	Water	Total
Annual required contribution	$ 51,423	$ 7,778	$ 59,201
Interest on net OPEB obligation	2,314	350	2,664
Adjustment to annual required contribution	--	--	--
Annual OPEB cost	53,737	8,128	61,865
Net OPEB obligation beginning of year	107,474	16,256	123,730
Net OPEB obligation end of year	$ 161,211	$ 24,384	$ 185,595

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

For the years ended December 31, 2015 and 2014, AMU has not designated specific funds for the OPEB liability.

NOTE N - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

AMU's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the previous two years are as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	$ 61,865	0%	$ 185,595
December 31, 2014	$ 61,865	0%	$ 123,730

Funded Status and Funding Process. As of December 31, 2013, the most recent actuarial valuation date for the periods from January 1, 2015 through December 31, 2015, and January 1, 2014 through December 31, 2014, the actuarial accrued liability was $534,025, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $534,025. The covered payroll (annual payroll of active employees covered by the plan) was approximately $1.91 and $1.96 million and the ratio of the UAAL to covered payroll was 28.0% and 27.2% for 2015 and 2014, respectively. As of December 31, 2015 and 2014, there were no trust fund assets.

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

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

As of September 1, 2013, the actuarial measurement date, the Alternative Measurement Method was used. The actuarial assumptions include a 4.5% discount rate based on AMU's funding policy. The projected annual health care cost trend rate is 10%. The ultimate health care cost trend rate is 6%. The health care cost trend rate is reduced 1.0% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the 2009 United States Life Tables. Annual retirement and termination probabilities were developed based on historical averages for the covered.

Projected claim costs of the medical plan are $10,966 for retirees ($11,217 for spouses) less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE O - COMMITMENTS AND CONTINGENCIES

Power Supply

The Electric Utility participates with several other utility companies in the operation of the Walter Scott Energy Center No. 3 (WS #3) to supply power. The project represents an ongoing commitment to provide operating and construction funds as they are needed to maintain and update the facility. The share applicable to Atlantic is approximately 2.5% of the total costs. Periodically WS #3 shuts down production for several weeks for major maintenance and repairs. WS #3 was shut down for a 10 week maintenance outage during the 4th quarter of 2015. The last shutdown occurred during 2009 and the next is currently scheduled for 2019. During the alternate years when no shutdown occurs, the Electric Utility accrues an estimate of the pro rata additional O&M expense it will incur related to a shutdown. At the end of 2015, there was still $80,600 accrued for additional O&M expense related to the 2015 outage. During the shutdown, the Electric Utility purchases replacement electricity on the open market.

Of the Electric Department's construction in progress, approximately $1,820,000 represents the Utility's share of ongoing construction projects at WS #3. These projects have an estimated capital cost to complete of $125,000. The Utility financed the costs of these projects through funds generated internally and through bond proceeds. The bond proceeds have an unspent committed amount of approximately $726,000, which includes $416,000 for future capital improvements at WS #3, $280,000 for a digger derrick truck and $30,000 for a local generation project.

Approximately $86,000 of the Electric Department construction in progress at December 31, 2015 consists of several ongoing local projects. The largest of these is the converting overhead transmission lines to underground on Linn Street ($60,000). Estimated costs to complete the projects are approximately $18,600. The projects will be financed through internally generated funds.

Iowa Municipal Utilities Shared Projects

Transmission Lines - The Electric Utility has joined with other Municipal Utilities in Iowa to form the Iowa Public Power Agency (IPPA). IPPA is a 28E Agreement organization which was formed to enable small Municipal Utilities in Iowa to own a share of electric transmission lines. The Electric Utility provided a part of the original operating and equity funding (currently accounted for as a part of other assets) for an IPPA $3.5 million share of a transmission line project, in partnership with MidAmerican Energy. The transmission line was put into service in early 2010. During 2015, the Electric Utility provided $60,813 of operating funding to the project. That amount was returned to the Utility.

Wind Farm - The Electric Utility has joined with other Iowa Municipal Utilities to form the Iowa Agency for Municipal Wind (IAMWind). IAMWind is a 28E Agreement organization originally formed to enable small Municipal Utilities to develop a wind energy project for the benefit of members. Currently the project has been suspended, prior to the construction phase, as members assess the market for electricity and wind generation projects. The Electric Utility has invested $64,573 in the project which is reported as a part of Electric project investments for 2015.

Risk Management

The Utilities are exposed to common business risks of loss. These risks are covered to the extent practical by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE O - COMMITMENTS AND CONTINGENCIES - Continued

Environmental Regulations
The Utilities are subject to various federal and state environmental regulations. These regulations are continuously revised and updated, resulting in ongoing compliance requirements. Management has determined that the facility is currently in compliance with the applicable regulations. The Utilities anticipate that any future cost incurred relating to environmental regulations will be recovered through rates charged to customers.

Subsequent Events
The Utilities has evaluated all subsequent events through March 4, 2016, the date the financial statements were available to be issued.

NOTE P - ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Electric	Water	Combined Net Position
Net position December 31, 2014, as previously reported	$ 24,066,643	$ 4,493,640	$ 28,560,283
Net pension liability at December 31, 2014	(1,446,000)	(265,000)	(1,711,000)
Deferred outflows of resources related to contributions made after the December 31, 2014 measurement date	146,000	27,000	173,000
Net position January 1, 2015, as restated	$ 22,766,643	$ 4,255,640	$ 27,022,283

* * *

REQUIRED SUPPLEMENTARY INFORMATION

ATLANTIC MUNICIPAL UTILITIES
Budgetary Comparison Schedule
Year Ended December 31, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for debt payments, capital grants received, and net assets differently for financial statement and budget purposes.

	Per Financial Statements		Budget	Combined
	Electric	Water	Adjustments	Utilities
Revenues	$ 9,717,354	$ 1,362,044	$ 1,650	$ 11,081,048
Expenses	9,569,515	1,211,382	548,000	11,328,897
Net	147,839	150,662	(546,350)	(247,849)
Balance beginning of year, as restated	22,766,643	4,255,640	(22,325,328)	4,696,955
Contributions	--	1,650	(1,650)	--
Balance end of year	$ 22,914,482	$ 4,407,952	$(22,873,328)	$ 4,449,106

	Budget Basis	Budget	Variance Favorable (Unfavorable)
Revenues	$ 11,081,048	$ 11,903,620	$(822,572)
Expenses	11,328,897	12,073,615	744,718
Net	(247,849)	(169,995)	(77,854)
Balance beginning of year, as restated	4,696,955	6,264,044	(1,567,089)
Balance end of year	$ 4,449,106	$ 6,094,049	$(1,644,943)

See accompanying independent auditor's report.

ATLANTIC MUNICIPAL UTILITIES

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended Dec. 31,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2015	Sept. 1, 2013	--	$ 534	$ 534	0.0%	$ 1,909	28.0%
2014	Sept. 1, 2013	--	534	534	0.0%	1,964	27.2%
2013	Sept. 1, 2013	--	534	534	0.0%	1,875	28.5%

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

See accompanying independent auditor's report.

ATLANTIC MUNICIPAL UTILITIES
Schedule of the Utilities' Proportionate Share of the Net IPERS Pension Liability
December 31, 2015

	Required Information
Utilities' proportion of the net pension liability	0.29037%
Utilities' proportionate share of the net pension liability	$ 1,176,000
Utilities' covered-employee payroll	$ 1,937,000
Utilities' proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.71%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

Note - GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utilities will present information for those years for which information is available. The amounts presented are from the previous IPERS June 30 fiscal year. Amounts reported are rounded.

See accompanying independent auditor's report.

ATLANTIC MUNICIPAL UTILITIES
Schedule of Utilities IPERS Pension Contributions
Year Ended December 31,

	2015	2014
Statutorily required contribution	$ 168,000	$ 173,000
Contributions in relation to the statutorily required contribution	(168,000)	(173,000)
Contribution deficiency (excess)	$ --	$ --
Utilities' covered-employee payroll	$ 1,887,000	$ 1,937,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utilities will present information for those years for which information is available. The amounts presented are from the previous IPERS December 31 fiscal year.

Note: Amounts are rounded.

See accompanying independent auditor's report.

2013	2012	2011
$ 173,000	$ 162,000	$ 139,000
(173,000)	(162,000)	(139,000)
$ --	$ --	$ --
$ 1,964,000	$ 1,931,000	$ 1,850,000
8.80%	8.40%	7.51%

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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

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

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

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% 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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

(continued next page)

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% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

* * *

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

ATLANTIC MUNICIPAL UTILITIES
ELECTRIC DEPARTMENT
Revenue Bonds/Notes
December 31,

Due Date	Optional Call Date	Interest Rate	2015	2014
2015 Series				
April 1, 2016	--	2.00%	$ 645,000	$ --
April 1, 2017	--	2.00	665,000	--
April 1, 2018	--	2.00	680,000	--
April 1, 2019	--	2.00	690,000	--
April 1, 2020	--	2.00	705,000	--
April 1, 2021	--	2.00	720,000	--
April 1, 2022	--	2.00	720,000	--
April 1, 2023	April 1, 2022	2.05	610,000	--
April 1, 2024	April 1, 2022	2.50	620,000	--
April 1, 2025	April 1, 2022	2.75	640,000	--
April 1, 2026	April 1, 2022	3.00	655,000	--
			$ 7,350,000	$ --
2007 Series				
April 1, 2015	--	3.85%	$ --	$ 570,000
April 1, 2016	--	3.90	--	590,000
April 1, 2017	April 1, 2016	3.95	--	615,000
April 1, 2018	April 1, 2016	4.05	--	640,000
April 1, 2019	April 1, 2016	4.15	--	670,000
April 1, 2020	April 1, 2016	4.20	--	700,000
April 1, 2021	April 1, 2016	4.25	--	730,000
April 1, 2022	April 1, 2016	4.30	--	760,000
			$ --	$ 5,275,000

See accompanying independent auditor's report.

ATLANTIC MUNICIPAL UTILITIES
Operating Revenue
Year ended December 31,

	2015	2014 (Not Restated)
ELECTRIC DEPARTMENT		
Retail Electricity Sales:		
Residential	$ 2,416,716	$ 2,480,824
Commercial	3,792,977	3,794,448
Rural resident and rural commercial	1,392,760	1,449,149
Interdepartmental sales	46,242	49,742
	7,648,695	7,774,163
Sales to Other Utilities	620,463	1,227,498
Total current use charges	$ 8,269,158	$ 9,001,661
Other Operating Revenue:		
Customer late payment charges	$ 13,827	$ 11,534
Service charges	16,476	16,785
Rent from electric properties	10,540	10,580
Net contract work	54,861	33,271
Transmission service	883,754	1,009,473
Scrap sales	7,717	11,912
Bad debts recovered	6,110	5,727
Miscellaneous	4,098	1,478
Posting charges	20,700	18,800
	$ 1,018,083	$ 1,119,560
WATER DEPARTMENT		
Water Sales:		
Residential	$ 739,643	$ 746,390
Commercial	430,084	463,496
	$ 1,169,727	$ 1,209,886
Other Operating Revenue:		
Customer late payment charges	$ 7,691	$ 6,781
Service charges	7,458	7,690
Net contract work	35,271	46,307
Scrap sales	222	303
Bad debts recovered	1,295	1,984
Miscellaneous	231	2,376
Posting charges	440	360
	$ 52,608	$ 65,801

See accompanying independent auditor's report.

ATLANTIC MUNICIPAL UTILITIES
ELECTRIC DEPARTMENT
Operating Expenses
Year ended December 31,

	2015	2014 (Not Restated)
Electric Production:		
WS #3 Production:		
Operating supervision and labor	$ 144,018	$ 119,613
Fuel	1,333,567	1,848,690
Operating supplies and expense	224,719	213,473
Maintenance of production plant	754,680	481,147
Total WS #3 production	2,456,984	2,662,923
Atlantic Production:		
Operating supervision and labor	19,288	19,622
Fuel	14,221	8,236
Operating supplies and expense	5,006	1,315
Maintenance of production plant	165,992	142,584
Total Atlantic production	204,507	171,757
Total electric production	2,661,491	2,834,680
Purchased Power	1,565,911	1,527,854
Transmission Expense:		
Maintenance of transmission line and other	1,025,266	1,070,827
Distribution Expense:		
City:		
Operating supervision and labor	152,542	196,784
Line and station supplies and expense	73,680	78,514
Meter expense	23,054	24,142
Miscellaneous distribution expense	134,317	132,216
Maintenance of structures and equipment	94,770	89,197
Maintenance of lines	122,610	113,530
Maintenance of line transformers	36,193	8,371
Maintenance of street lighting and signal systems	16,667	20,699
Maintenance of meters	45,157	61,409
Total city distribution expense	698,990	724,862
Rural:		
Operating supervision and labor	88,600	109,794
Line and station supplies and expense	1,580	924
Miscellaneous distribution expense	49,800	16,266
Maintenance of structures and equipment	12,640	9,288
Maintenance of lines	77,808	79,746

(continued next page)

ATLANTIC MUNICIPAL UTILITIES
ELECTRIC DEPARTMENT
Operating Expenses - Continued
Year ended December 31,

	2015	2014 (Not Restated)
Distribution Expense (Continued):		
Rural (Continued):		
Maintenance of line transformers	$ 9,127	$ 3,012
Maintenance of meters	47,525	51,764
Total rural distribution expense	287,080	270,794
Total distribution expense	986,070	995,656
Administrative and Accounting Expense:		
Customer accounting:		
Meter reading labor	17,010	21,189
Accounting and collecting costs	121,936	115,726
Supplies and expense	66,492	60,240
Uncollectible accounts	9,256	14,855
Total customer accounting	214,694	212,010
Administrative and general:		
Administrative and general salaries	28,760	17,483
Disability	10,857	10,973
Office supplies and expense	43,138	47,746
Outside service employed	11,392	13,625
Property insurance	64,948	62,851
Liability insurance and safety program costs	90,143	92,965
Employees' pension and benefits	470,435	536,195
Payment in lieu of tax	407,186	411,671
Regulatory commission expense	17,489	14,730
IT and networking expense	39,306	50,997
Energy efficiency grant/rebate program	28,078	38,349
Miscellaneous general expense	52,026	54,003
Maintenance of general plant	17,786	10,959
Property taxes	120,318	119,180
Total administrative and general	1,401,862	1,481,727
Administrative adjustments	31,493	23,696
Less administrative expense transferred	(117,930)	(76,209)
Net administrative and general	1,315,425	1,429,214
Total administrative and accounting expense	1,530,119	1,641,224
Provision for Depreciation	1,408,407	1,402,072
Total operating expenses	$ 9,177,264	$ 9,472,313

See accompanying independent auditor's report.

ATLANTIC MUNICIPAL UTILITIES
WATER DEPARTMENT
Operating Expenses
Year ended December 31,

	2015	2014 (Not Restated)
Source of Supply Expense:		
Operating supplies and expense	$ 15,686	$ 17,668
Maintenance of water source	28,357	31,572
Total source of supply expense	44,043	49,240
Pumping Expense:		
Operating labor	31,270	26,375
Fuel and power pumping	26,590	29,064
Maintenance of pumping station	9,386	5,338
Total pumping expense	67,246	60,777
Water Treatment Expense:		
Operating labor	39,979	36,520
Chemicals	31,415	32,191
Operating supplies and expense	20,108	20,798
Maintenance of water treatment plant	22,119	17,417
Total water treatment expense	113,621	106,926
Distribution Expense:		
Operating labor	141,312	138,571
Operating supplies and expense	7,507	8,491
Maintenance of distribution reservoirs and standpipes	93,922	96,136
Maintenance of mains	65,433	77,751
Maintenance of services	752	712
Maintenance of meters	800	1,511
Maintenance of hydrants	7,390	3,898
Total distribution expense	317,116	327,070
Administrative and Accounting Expense:		
Customer Accounting:		
Meter reading labor	29,737	30,153
Accounting and collecting labor	52,810	51,960
Supplies and expense	32,021	26,634
Uncollectible accounts	2,384	4,205
Total customer accounting	116,952	112,952

(continued next page)

ATLANTIC MUNICIPAL UTILITIES
WATER DEPARTMENT
Operating Expenses - Continued
Year ended December 31,

	2015	2014 (Not Restated)
Administrative and Accounting Expense (Continued):		
Administrative and General:		
Administrative and general salaries	$ 42,199	$ 40,322
Office supplies and other expense	20,600	26,101
Outside service employed	5,741	8,616
Property insurance	20,707	20,225
Liability insurance costs	24,990	30,445
Employees' pensions and benefits	100,305	116,461
Payment in lieu of tax	125,403	133,309
Regulatory Commission expense	943	945
Miscellaneous general expense	23,881	24,333
Maintenance of general plant	8,723	6,546
Total administrative and general	373,492	407,303
Administrative adjustments	(9,527)	618
Less administrative expense transferred	(4,268)	(829)
Net administrative and general	359,697	407,092
Total administrative and accounting expense	476,649	520,044
Provision for Depreciation	186,916	188,767
Total operating expenses	$ 1,205,591	$ 1,252,824

See accompanying independent auditor's report.

ATLANTIC MUNICIPAL UTILITIES
ELECTRIC DEPARTMENT
Comparative Statements of Income
Year ended December 31,

	2015	2014 (Not Restated)
Operating Revenue:		
Sale of electricity	$ 8,676,343	$ 9,413,332
Other operating revenue	1,018,083	1,119,560
Total operating revenue	9,694,426	10,532,892
Operating Expenses (Not Including Depreciation)	7,768,857	8,070,241
Operating Income Before Depreciation	1,925,569	2,462,651
Provision for Depreciation	1,408,407	1,402,072
Income (Loss) From Operations	517,162	1,060,579
Other Income and (Deductions), Net	(369,323)	(166,979)
Net Income (Loss)	$ 147,839	$ 893,600
Net Income (Loss) as a Percent of Total Operating Revenue	1.52%	8.48%

See accompanying independent auditor's report.

2013 (Not Restated)	2012 (Not Restated)	2011 (Not Restated)
$ 8,757,000	$ 8,152,939	$ 7,663,316
1,235,961	739,046	363,792
9,992,961	8,891,985	8,027,108
7,750,154	7,261,218	6,761,216
2,242,807	1,630,767	1,265,892
1,341,737	1,327,711	1,325,352
901,070	303,056	(59,460)
158,203	(25,639)	(230,627)
$ 1,059,273	$ 277,417	$(290,087)
10.60%	3.12%	(3.61%)

ATLANTIC MUNICIPAL UTILITIES
ELECTRIC DEPARTMENT
Comparative Summaries of Electricity Distributed and Billed
Year ended December 31,

	2015	2014 (Not Restated)
Sale of Electricity:		
Sales to consumers	$ 8,055,880	$ 8,185,834
Sales to other utilities	620,463	1,227,498
Total Electricity Sales	$ 8,676,343	$ 9,413,332
Kilowatt Hours:		
Generated	87,032,329	120,618,631
Purchased	51,496,500	39,205,000
Energy available	138,528,829	159,823,631
Station power/transmission loss	706,998	1,704,510
Available for sale	137,821,831	158,119,121
Sales and transfers to other utilities	24,843,449	44,434,711
Output to the system	112,978,382	113,684,410
Billed to consumers	108,127,827	110,692,745
Distribution loss	4,850,555	2,991,665
Distribution loss percent	4.3%	2.6%
Revenue Billed Per KWH to Consumers	7.45¢	7.40¢
Peak Hour Demand in KW	23,800	23,600
Services Provided to the City:		
Street Lighting:		
Energy	$ 84,260	$ 83,803
Operation and maintenance	18,807	23,384
Depreciation	38,452	36,699
	141,519	143,886
Energy for public buildings, parks and other uses	265,666	267,785
	$ 407,185	$ 411,671
Consumer Classifications		
Residential	3,238	3,241
Small Commercial	596	596
Large Commercial	29	30
Rural Residential	559	561
Rural Commercial	111	109
Area Lighting	314	310
City and Water Department	84	86
Total number of consumers	4,931	4,933

See accompanying independent auditor's report.

2013 (Not Restated)	2012 (Not Restated)	2011 (Not Restated)
$ 7,691,606	$ 7,214,963	$ 6,451,509
1,065,394	937,976	1,211,807
$ 8,757,000	$ 8,152,939	$ 7,663,316
121,818,170	126,461,463	131,848,627
35,566,000	38,331,000	44,504,000
157,384,170	164,792,463	176,352,627
1,706,352	1,329,989	1,938,501
155,677,818	163,462,474	174,414,126
42,314,730	51,306,253	60,866,627
113,363,088	112,156,221	113,547,499
108,074,896	106,708,722	108,943,490
5,288,192	5,447,499	4,604,009
4.7%	4.9%	4.1%
7.11¢	6.82¢	5.92¢
24,000	26,300	25,500
$ 80,414	$ 73,802	$ 67,396
26,788	31,259	32,333
37,001	37,544	36,323
144,203	142,605	136,052
235,789	226,435	186,283
$ 379,992	$ 369,040	$ 322,335
3,247	3,273	3,264
594	598	598
32	34	34
565	567	567
97	96	97
301	298	293
86	84	89
4,922	4,950	4,942

ATLANTIC MUNICIPAL UTILITIES
WATER DEPARTMENT
Comparative Statements of Income
Year ended December 31,

	2015	2014 (Not Restated)
Operating Revenue:		
Sale of water	$ 1,295,130	$ 1,343,195
Other operating revenue	52,608	65,801
Total operating revenue	1,347,738	1,408,996
Operating Expenses (Not Including Depreciation)	1,018,675	1,064,057
Operating Income Before Depreciation	329,063	344,939
Provision for Depreciation	186,916	188,767
Income From Operations	142,147	156,172
Other Income (Deductions), Net	8,515	(6,727)
Net Income	$ 150,662	$ 149,445
Net Income as a Percent of Total Operating Revenue	11.18%	10.61%

See accompanying independent auditor's report.

2013 (Not Restated)	2012 (Not Restated)	2011 (Not Restated)
$ 1,308,701	$ 1,289,602	$ 1,145,074
82,254	26,363	19,912
1,390,955	1,315,965	1,164,986
1,117,772	1,004,411	806,396
273,183	311,554	358,590
170,172	199,492	191,762
103,011	112,062	166,828
6,881	(6,805)	(26,570)
$ 109,892	$ 105,257	$ 140,258
7.90%	8.00%	12.04%

ATLANTIC MUNICIPAL UTILITIES
WATER DEPARTMENT
Comparative Summaries of Water Pumped and Billed
Year ended December 31,

	2015	2014 (Not Restated)
Total Revenue Billed	$ 1,295,130	$ 1,343,195
Gallonage:		
Pumped	274,997,000	304,517,000
Billed	240,310,402	258,983,853
Total system maintenance and loss	34,686,598	45,533,147
Accounted for losses*	14,243,281	21,503,088
Unaccounted for losses	20,443,317	24,030,059
Percent unaccounted for	7.43%	7.89%
Revenue Billed Per 100 Gallons	53.9¢	51.9¢
Number of Consumers	3,345	3,343
Peak Day - Gallons Pumped	1,654,000	1,579,000
Services Provided to the City:		
Water for parks, disposal plant and public buildings	$ 14,311	$ 14,314
Operation and maintenance	71,347	77,670
Depreciation	39,745	41,325
	$ 125,403	$ 133,309

* Includes water used in flushing mains, washing streets, fire department drills, fighting fires, and estimate of known main and customer service line breaks.

See accompanying independent auditor's report.

2013 (Not Restated)	2012 (Not Restated)	2011 (Not Restated)
$ 1,308,702	$ 1,289,602	$ 1,145,074
307,177,000	337,668,000	301,690,000
267,238,154	281,627,100	246,890,600
39,938,846	56,040,900	54,799,400
18,045,267	19,435,197	13,791,159
21,893,579	36,605,703	41,008,241
7.13%	10.84%	13.59%
49.0¢	45.8¢	46.4¢
3,354	3,367	3,341
1,574,000	1,641,000	1,675,000
$ 15,261	$ 36,308	$ 14,879
85,973	75,880	35,253
43,221	58,162	41,827
$ 144,455	$ 170,350	$ 91,959

ATLANTIC MUNICIPAL UTILITIES
Net Income Available For Debt Service
Year ended December 31,

	2015	2014 (Not Restated)
ELECTRIC DEPARTMENT		
Net Income Per Financial Statements	$ 147,839	$ 893,600
Add:		
Depreciation	1,408,407	1,402,072
Interest on revenue bonds	188,770	221,255
Loss on disposal of equipment	52,611	35,354
Amortization	2,508	8,400
Capital and restricted grants	--	(76,288)
Available For Debt Service	$ 1,800,135	$ 2,484,393
Maximum Debt Service in Any Year	$ 808,755	$ 778,405
Actual Coverage	223%	319%
Minimum Coverage Required	125%	125%

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.
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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
Atlantic Municipal Utilities
Atlantic, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Atlantic Municipal Utilities, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Atlantic Municipal Utilities' basic financial statements and have issued our report thereon dated March 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Atlantic Municipal Utilities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Atlantic Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Atlantic Municipal Utilities' 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 15-I-A.

To the Board of Trustees
Atlantic Municipal Utilities

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Atlantic Municipal Utilities' financial statements are free from 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 *Government Auditing Standards*. However, we noted a certain immaterial instance of non-compliance or other matter which is described in Part II of the accompanying schedule of findings and responses.

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

Responses to Findings

Atlantic Municipal Utilities' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Atlantic Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Grimwood, Bell, Kyhnn & Co. P.C.

Atlantic, Iowa
March 4, 2016

ATLANTIC MUNICIPAL UTILITIES
Schedule of Findings and Responses
Year ended December 31, 2015

PART I - INTERNAL CONTROL DEFICIENCIES

15-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Utilities. However, this situation is common in small municipal utilities.

Recommendation: We recognize that it may not be economically feasible for the Utilities to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Utilities to employ additional personnel for this reason. We have initiated a policy of board member approval for all investment transactions. We have also segregated cash receipts, posting, and deposit functions to the extent practicable in our size of entity.

Conclusion: Response accepted.

* * *

PART II - REQUIRED STATUTORY REPORTING

15-II-A Certified Budget: Disbursements during the year ended December 31, 2015 did not exceed amounts budgeted.

15-II-B Questionable Expenditures: During the audit, we noted no expenditures of the Utilities' funds without proper documentation of public purpose.

15-II-C Travel Expense: No expenditures of Utilities' money for travel expenses of spouses of Utilities' officials and/or employees were noted.

15-II-D Business Transactions: No business transactions between the Utilities and Utilities' officials and/or employees were noted.

15-II-E Bond Coverage: Surety bond coverage of the Utilities' officials and employees appears to be in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

15-II-F Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

PART II - REQUIRED STATUTORY REPORTING (Continued)

15-II-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Utilities' investment policy.

15-II-H Revenue Bonds and Notes: No violations of revenue bond or revenue note resolution requirements were noted.

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