MAPLETON MUNICIPAL ELECTRIC

MAPLETON, IOWA

INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENT
REQUIRED SUPPLEMENTARY INFORMATION AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005 and 2004

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MAPLETON MUNICIPAL ELECTRIC

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INDEPENDENT AUDITORS' REPORT

To the Members of the Mapleton
Municipal Electric Utility Board

We have audited the accompanying financial statements of MAPLETON MUNICIPAL ELECTRIC, an enterprise of the City of Mapleton, Iowa as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Utility Board. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards; Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mapleton Municipal Electric, an enterprise of the City of Mapleton, Iowa as of June 30, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1, the financial statements present only Mapleton Municipal Electric and are not intended to present fairly the financial position of the City of Mapleton, Iowa, and the results of its operations and cash flows of its proprietary fund types in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 3, 2005 on our consideration of Mapleton Municipal Electric's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 2 through 4 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Williams & Company P.C.
Certified Public Accountants

Onawa, Iowa
August 3, 2005

MAPLETON MUNICIPAL ELECTRIC

MAPLETON MUNICIPAL ELECTRIC

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2005

Mapleton Municipal Electric provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Mapleton Municipal Electric's financial statements, which follow.

Financial Highlights

- Mapleton Municipal Electric's operating revenues decreased $33,867, from fiscal year 2004 to fiscal year 2005. Residential, commercial, and security light services, and WIMECA member refunds decreased and other revenues increased.

- Mapleton Municipal Electric's operating expenses were 6% or $52,308, more in fiscal 2005 than in fiscal 2004. The main increase in expenses was the cost of power.

- Mapleton Municipal Electric's net assets decreased .3% or $11,057 from June 30, 2004 to June 30, 2005.

Using This Annual Report

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of Mapleton Municipal Electric's financial activities.

The Statement of Net Assets presents information on Mapleton Municipal Electric's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Mapleton Municipal Electric is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on Mapleton Municipal Electric's operating revenues and expenses, non-operating revenues and expenses, and whether Mapleton Municipal Electric's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in Mapleton Municipal Electric's cash and cash equivalents during the year. This information can assist the user of the report in determining how Mapleton Municipal Electric financed its activities and how it met its cash requirements.

The Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis of Mapleton Municipal Electric

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of Mapleton Municipal Electric's financial position. Mapleton Municipal Electric's net assets for fiscal year 2005 totaled $3,373,200. This compares to $3,384,257 for fiscal year 2004. A summary of Mapleton Municipal Electric's net assets is presented below.

Net Assets

	June 30, 2005	June 30, 2004
Current Assets	$ 810,989	$ 577,366
Restricted Assets	11,237	9,652
Other Assets	1,603,420	1,841,341
Capital Assets at Cost, Less Accumulated Depreciation	1,037,584	1,034,593
Total Assets	3,463,230	3,462,952
Current Liabilities	78,793	69,043
Non-current Liabilities	11,237	9,652
Total Liabilities	90,030	78,695
Net Assets	$ 3,373,200	$ 3,384,257

The investment in capital assets (31%, e.g. land, buildings, and equipment) is resources allocated to capital assets. The other assets (54%) are investments in WIMECA, Mapleton Communications Management Agency and advances to other funds. The remaining net assets (15%) are the unrestricted net assets that can be used to meet Mapleton Municipal Electric's obligations as they come due.

Statement of Revenues, Expenses, and Changes in Net Assets

Operating revenues are received for electrical services from the residents and businesses of the City. Operating expenses are expenses paid to operate the electric utilities. Non-operating revenues and expenses are for interest income, equity in net income of WIMECA and Mapleton Communications Management Agency, and miscellaneous revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net assets for the years ended June 30, 2005 and 2004 is presented below.

Changes in Net Assets

	Year Ended June 30, 2005	Year Ended June 30, 2004
Operating Revenue:		
Charges for Services	$ 829,818	$ 814,514
WIMECA Member Refund	14,605	63,776
Total Operating Revenue	844,423	878,290
Operating Expenses:		
Production	478,923	435,852
Distribution	109,681	124,791
Customer Accounts	117,093	112,801
Administrative and General	135,621	117,663
Depreciation	82,167	80,070
Total Operating Expenses	923,485	871,177
Operating Income (Loss)	(79,062)	7,113
Nonoperating Revenues	136,105	122,618
Net Income Before Operating Transfers	57,043	129,731
Other Financing Sources (Uses)		
Operating Transfers from Other Funds	-	-
Operating Transfers (to) Other Funds	(68,100)	(5,000)
Total Other Financing Sources (Uses)	$ (68,100)	$(5,000)

	Year Ended June 30, 2005	Year Ended June 30, 2004
Increase in Net Assets	$(11,057)	$ 124,731
Net Assets Beginning of Year	3,384,257	3,259,526
Net Assets End of Year	$ 3,373,200	$ 3,384,257

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal year 2005, operating revenues decreased by $33,867 primarily a result of decrease in residential services and WIMECA Member refund. Operating expenses increased by $52,308 or 6%. The increase was primarily a result of an increase in production costs of $43,071.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital, and related financing and investing activities. Cash provided by operating activities includes charges for services reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase of capital assets. Cash provided by investing activities includes proceeds from maturities of certificates of deposits reduced by the purchase of certificates of deposit, cash received from WIMECA and Mapleton Communications Management Agency and interest income.

Capital Assets

At June 30, 2005, Mapleton Municipal Electric had $2,299,829 invested in capital assets, net of accumulated depreciation of $1,262,244. Depreciation charges totaled $82,167 for fiscal year 2005. More detailed information about Mapleton Municipal Electric's capital assets is presented in Note 4 to the financial statements.

Economic Factors

Mapleton Municipal Electric continues to improve its financial position during the current fiscal year. However, the current condition of the economy in the state of Iowa continues to be a concern for Mapleton Municipal Electric's officials. Some of the realities that may potentially become challenges for Mapleton Municipal Electric to meet are:

- Facilities require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated, presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.

Mapleton Municipal Electric anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain Mapleton Municipal Electric's ability to react to unknown issues.

Contacting Mapleton Municipal Electric's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Mapleton Municipal Electric's finances and to show Mapleton Municipal Electric's accountability for the money it receives. If you have questions about this report, or need additional information, contact the Mapleton Municipal Electric, 513 Main Street, Mapleton, Iowa 51034.

Mapleton Municipal Electric
Statements of Net Assets
June 30, 2005 and 2004

	2005	2004
ASSETS		
Current Assets:		
Cash	$ 288,540	$ 370,899
Temporary Cash Investments	367,631	72,699
Receivables:		
Accounts-Net of Allowance for Doubtful Accounts	81,590	76,333
Accrued Interest	1,297	96
Inventories	54,666	44,217
Prepaid Assets	17,265	13,122
Total Current Assets	810,989	577,366
Noncurrent Assets:		
Restricted Assets:		
Customer Deposits	11,237	9,652
Advances to Other Funds	111,321	23,516
Other Investments:		
Investment in WIMECA (Note 5)	669,561	900,627
Investment in Mapleton Communications Management Agency (Note 6)	822,538	917,198
Capital Assets		
Net of Accumulated Depreciation (Note 4)	1,037,584	1,034,593
Total Noncurrent Assets	2,652,241	2,885,586
Total Assets	3,463,230	3,462,952
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	61,951	52,166
Accrued Wages and Compensated Absences Payable	9,922	9,676
Other Accrued Expenses Payable	6,920	7,201
Total Current Liabilities	78,793	69,043
Noncurrent Liabilities:		
Payables from Restricted Assets:		
Customer Deposits	11,237	9,652
Total Liabilities	90,030	78,695
Net Assets:		
Invested in Net Assets - Net of Related Debt	1,037,584	1,034,593
Unrestricted	2,335,616	2,349,664
Total Net Assets	$ 3,373,200	$ 3,384,257

See Accompanying Notes to Financial Statements

Mapleton Municipal Electric
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2005 and 2004

	2005	2004
Operating Revenues:		
Charges for Services:		
Residential	$ 418,467	$ 431,287
Commercial	102,844	108,131
Industrial	250,353	218,042
Municipal	55,688	54,435
Security Light	2,466	2,619
WIMECA Member Refund	14,605	63,776
	844,423	878,290
Operating Expenses:		
Production:		
Operation:		
Purchased Electricity	455,459	417,958
Maintenance:		
Supervision and Labor	7,198	7,387
Maintenance and Supplies	16,266	10,507
	23,464	17,894
Total Production	478,923	435,852
Distribution:		
Operation:		
Supervision and Labor	92,047	93,542
System Maintenance	13,522	25,216
Truck Expense	4,112	6,033
Total Distribution	109,681	124,791
Customer Accounts:		
Operation:		
Accounting and Collection Labor	75,369	75,090
Office Supplies and Postage	2,075	1,562
Bad Debts	2,965	4,870
Computer Expense	10,335	5,948
Payment in Lieu of Taxes	26,349	25,331
Total Customer Accounts	$ 117,093	$ 112,801

(Continued)

Mapleton Municipal Electric
Statements of Revenues, Expenses and Changes in Net Assets (Continued)
For the Years Ended June 30, 2005 and 2004

	2005	2004
Operating Expenses: (Cont.)		
Administrative and General		
Operation:		
Supervision and Labor	$ 6,360	$ 6,360
Employee Benefits	53,914	58,249
Insurance	8,792	12,344
Meetings and Dues	7,420	7,332
Professional Fees	16,344	19,799
Telephone	1,876	1,589
Miscellaneous	40,915	11,990
Total Administrative and General	135,621	117,663
Depreciation	82,167	80,070
Total Operating Expenses	923,485	871,177
Operating Income (Loss)	(79,062)	7,113
Nonoperating Revenues:		
Interest Income	5,707	1,013
Penalties	1,839	1,745
Miscellaneous	330	1,145
Equity in Net Income of WIMECA	66,826	38,222
Equity in Net Income of Mapleton Communications Management Agency	30,340	49,389
Reimbursements	31,063	31,104
Total Nonoperating Revenues	136,105	122,618
Net Income Before Operating Transfers	57,043	129,731
Other Financing (Uses):		
Operating Transfers (to) Other Funds	(68,100)	(5,000)
Total Other Financing (Uses)	(68,100)	(5,000)
Net Income (Loss)	(11,057)	124,731
Net Assets at Beginning of Year	3,384,257	3,259,526
Net Assets at End of Year	$ 3,373,200	$ 3,384,257

See Accompanying Notes to Financial Statements

Mapleton Municipal Electric
Statements of Cash Flows
For the Years Ended June 30, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 836,201	$ 867,714
Cash Payments to Suppliers for Goods and Services	(662,467)	(598,293)
Cash Payments to Employees for Services	(180,728)	(180,606)
Other Nonoperating Income	33,232	33,994
Net Cash Provided by Operating Activities	26,238	122,809
Cash Flows from Noncapital Financing Activities:		
Operating Transfers (to) Other Funds	(68,100)	(5,000)
Repayments Received on Advances to Other Funds	12,195	598
Transfers (to) Other Funds	(100,000)	
Net Cash (Used) by Noncapital Financing Activities	(155,905)	(4,402)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(85,158)	(52,433)
Cash Flows from Investing Activities:		
Interest Received	4,506	958
Proceeds from Sales and Maturities of Temporary Cash Investments	290,170	80,000
Purchase of Temporary Cash Investments	(585,102)	(108,476)
Proceeds from Mapleton Communications Management Agency	125,000	125,000
Patronage Dividends Received From WIMECA	297,892	6,913
Net Cash Provided by Investing Activities	132,466	104,395
Net Increase (Decrease) in Cash and Cash Equivalents	(82,359)	170,369
Cash and Cash Equivalents at Beginning of Year	370,899	200,530
Cash and Cash Equivalents at End of Year	288,540	370,899
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	(79,062)	7,113
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	82,167	80,070
Bad Debt Expense	2,965	4,870
Other Nonoperating Income	33,232	33,994
(Increase) in Accounts Receivable	(8,222)	(10,576)
(Increase) in Inventory	(10,449)	(1,603)
(Increase) in Prepaid Expenses	(4,143)	(1,092)
Increase in Accounts Payable	9,785	6,693
Increase in Accrued Wages and Compensated Absences Payable	246	1,773
Increase (Decrease) in Other Accrued Expenses Payable	(281)	1,567
Total Adjustments	105,300	115,696
Net Cash Provided by Operating Activities	$ 26,238	$ 122,809

See Accompanying Notes to Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mapleton Municipal Electric is engaged in distribution of electricity from NIPCO transmission lines to the residents and businesses in the City of Mapleton.

Mapleton Municipal Electric's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A) Reporting Entity – For financial reporting purposes, Mapleton Municipal Electric has included all funds, organizations, agencies, boards, commissions and authorities. Mapleton Municipal Electric has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with Mapleton Municipal Electric are such that exclusion would cause Mapleton Municipal Electric's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of Mapleton Municipal Electric to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on Mapleton Municipal Electric. Mapleton Municipal Electric has no component units which meet the Governmental Accounting Standards Board Criteria. The Mapleton Municipal Electric Utility Board is a component unit of the City of Mapleton. The Mapleton Municipal Electric has included the Electric fund of the City of Mapleton and all of the related activity that is overseen by the Board. The Mapleton Municipal Electric has excluded any other activity of the City of Mapleton. The Board manages the other activities which have their own finances.

B) Basis of Presentation - The accounts of Mapleton Municipal Electric are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C) Measurement Focus and Basis of Accounting – The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Mapleton Municipal Electric applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Mapleton Municipal Electric distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Mapleton Municipal Electric's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Investments – The following accounting policies are followed in preparing the Statement of Net Assets:

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Cash, Investments and Cash Equivalents – Mapleton Municipal Electric considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2005 and 2004 included certificates of deposit totaling $367,631 and $72,699, respectively.

Restricted Investments – Funds set aside for payment of customer deposits are classified as restricted.

Inventories – Materials and supplies inventory are valued at cost on the first-in, first-out basis.

Other Investments – The investment in WIMECA and Mapleton Communications Management Agency are accounted for by the equity method of accounting.

Receivables and Credit Policies – Accounts receivable are uncollateralized customer obligations due under normal terms requiring payment by the third of the month following the billing. Unpaid accounts receivable over 30 days old are considered delinquent and bear interest at 1.5% per month. Payments of accounts receivable are allocated to the specific bills identified by the customer or, if unspecified, are applied to the earliest unpaid bill.

Accounts receivable are stated at the amount billed to customer plus any accrued and unpaid interest. The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews all accounts receivable balances that are delinquent and estimates the portion, if any, of the balance that will not be collected. Additionally, management applies historical averages to the remaining accounts receivable to estimate a general allowance covering those amounts.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by Mapleton Municipal Electric as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and Improvements	$ 5,000
Equipment and Vehicles	1,000

Capital assets of Mapleton Municipal Electric are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	33 1/3
Plant and Distribution System	30-40
Equipment and Vehicles	5-15

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2005 and 2004.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Compensated Absences – Mapleton Municipal Electric employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Mapleton Municipal Electric's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2005 and 2004.

Note 2 - CASH AND INVESTMENTS

Mapleton Municipal Electric's deposits in banks at June 30, 2005 and 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The carrying amount of the Mapleton Municipal Electric's deposits was $667,407 and $453,250 and the bank balance was $670,730 and $453,348, at June 30, 2005 and 2004, respectively.

Mapleton Municipal Electric is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by Mapleton Municipal Electric; 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.

Mapleton Municipal Electric had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No.40.

Note 3 - PENSION AND RETIREMENT BENEFITS

The Mapleton Municipal Electric contributes to the Iowa Public Employees Retirement Systems (IPERS), which is a cost-sharing multiple-employer, defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Mapleton Municipal Electric is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by State statute. The Mapleton Municipal Electric's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were $10,023, $9,692, and $9,257 respectively, equal to the required contributions for each year.

MAPLETON MUNICIPAL ELECTRIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

Note 4 – CAPITAL ASSETS

A summary of capital assets at June 30, 2005 and 2004 is as follows:

2005 Capital Assets

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets Not Being Depreciated:				
Land and Improvements	$ 14,000			$ 14,000
Capital Assets Being Depreciated:				
Plant and Building	109,942			109,942
Substation	278,691			278,691
Leasehold Improvements	84,057			84,057
Distribution	1,330,898			1,330,898
Equipment and Vehicles	397,082	$ 85,159		482,241
Total Assets Being Depreciated	2,200,670	85,159		2,285,829
Less Accumulated Depreciation for:				
Plant and Building	58,371	3,041		61,412
Substation	166,336	6,145		172,481
Leasehold Improvements	11,342	5,244		16,586
Distribution	633,603	34,855		668,458
Equipment and Vehicles	310,425	32,882		343,307
Total Accumulated Depreciation	1,180,077	82,167		1,262,244
Total Capital Assets Being Depreciated, Net	1,020,593	2,992	-	1,023,585
Total Capital Assets, Net	$ 1,034,593	$ 2,992	-	$ 1,037,585

2004 Capital Assets

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets Not Being Depreciated:				
Land and Improvements	$ 14,000			$ 14,000
Capital Assets Being Depreciated:				
Plant and Building	109,942			109,942
Substation	278,691			278,691
Leasehold Improvements	84,057			84,057
Distribution	1,300,955	$ 29, 943		1,330,898
Equipment and Vehicles	399,042	22,490	$ 24,450	397,082
Total Assets Being Depreciated	2,172,687	52,433	24,450	2,200,670
Less Accumulated Depreciation for:				
Plant and Building	55,330	3,041		58,371
Substation	159,154	7,182		166,336
Leasehold Improvements	6,097	5,245		11,342
Distribution	598,671	34,932		633,603
Equipment and Vehicles	305,204	29,671	24,450	310,425
Total Accumulated Depreciation	1,124,456	80,071	$ 24,450	1,180,077
Total Capital Assets Being Depreciated, Net	1,048,231	(27,638)	-	1,020,593
Total Capital Assets, Net	$ 1,062,231	$ (27,638)	-	$ 1,034,593

Note 5 - INVESTMENT IN WIMECA

Western Iowa Municipal Electric Cooperative Association (WIMECA) was incorporated on December 4, 1973, under the laws of Iowa. The Association operates as a cooperative for six municipalities. The primary activity of the Association is the acquisition of electric power and energy which is sold to its member municipalities.

It is the intent of the Association to operate as a Cooperative Association and, accordingly, earnings are distributed in accordance with the provisions of Chapter 499 of the Code of Iowa. In order to comply with such provisions, earnings must first be allocated to meet certain reserve and surplus requirements with remaining earnings allocated to the account of each member municipality based on the proportion of business which each municipality has done with the Association during the year. The Mapleton Municipal Electric proportion of business for the year ended December 31, 2004 represented 14.30% of the total member business.

The last available information for WIMECA is from its December 31, 2004 audit report. These financial statements are available at the city office.

Summarized financial information for WIMECA is as follows:

	Dec. 31, 2004
Total Assets	$ 4,555,470
Total Liabilities	373,902
Total Equity	4,181,568
Total Liabilities and Equity	4,555,470
Total Revenue	3,315,565
Total Expense	2,848,252
Net Earnings	$ 467,313

At December 31, 2004 the Mapleton Municipal Electric had a 14.30% investment in WIMECA which is as follows:

	Dec. 31, 2004
Beginning Balance	$ 900,627
Add Net Earnings	66,826
Less Patronage Dividends Paid	(297,892)
Ending Balance	$ 669,561

These funds will be distributed when funds become available, as bonds are paid and subject to any reserve requirements.

Note 6 - INVESTMENT IN MAPLETON COMMUNICATIONS MANAGEMENT AGENCY

Mapleton Communications Management Agency (The Agency) is a partnership between Long Lines, Ltd. and Mapleton Communications Utility established to provide for the management and operation of a communications system in the City of Mapleton, Iowa and the surrounding area. The communications system includes cable television, internet and local and long distance telephone services. The Agency commenced operations on October 15, 2002.

Note 6 - INVESTMENT IN MAPLETON COMMUNICATIONS MANAGEMENT AGENCY (Cont.)

Summarized financial information for the Agency is as follows:

	June 30, 2005	June 30, 2004
Total Assets	$ 1,707,328	$ 1,846,326
Total Liabilities	101,161	50,840
Total Equity	1,606,167	1,795,486
Total Liabilities and Equity	1,707328	1,846,326
Total Revenue	767,931	789,238
Total Expenses	707,250	690,461
Net Income	$ 60,681	$ 98,777

At June 30, 2005 and 2004, the Mapleton Municipal Electric owned a 50% interest in The Agency. A summary of the investment is as follows:

	June 30, 2005	June 30, 2004
Beginning Balance	$ 917,198	$ 992,809
Add Net Earnings	30,341	49,389
Less Capital Distributions	(125,000)	(125,000)
Ending Balance	$ 822,539	$ 917,198

The net income for the period ended June 30, 2005 and 2004 was obtained from the audited financial statements for The Agency. These financial statements are available at the city office.

Note 7 - RISK MANAGEMENT

The City maintains insurance coverage with an independent insurance company to pay for any potential losses that may occur to the electric operation. These losses include but are not limited to wind, hail, theft and fire. There were no significant losses or changes to policy coverage paid by the insurance company during the last three years.

MAPLETON MUNICIPAL ELECTRIC

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To Members of the Mapleton Municipal
Electric Utility Board:

We have audited the financial statements of MAPLETON MUNICIPAL ELECTRIC, an enterprise of the City of Mapleton, Iowa as of and for the year ended June 30, 2005 and have issued our report thereon dated August 3, 2005. We conducted our audit in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the Mapleton Municipal Electric's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Mapleton Municipal Electric. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mapleton Municipal Electric's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Mapleton Municipal Electric's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Material weaknesses are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

This report is intended solely for the information and use of Mapleton Municipal Electric, an enterprise of the City of Mapleton, the Electric Utility Board, and other parties to whom the utility may report, and is not intended to be and should not be used by anyone other than these specific parties.

Williams & Company P.C.
Certified Public Accountants

Onawa, Iowa
August 3, 2005

MAPLETON MUNICIPAL ELECTRIC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditors' Results:

A. An unqualified opinion was issued on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles.

B. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.

C. The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

A. Purchasing and Receiving Function

Comments - In any accounting system, in order to maintain sound internal control the purchasing function should be centralized. We noted that the Utility does not currently use centralized purchasing nor do they use purchasing and receiving reports on a consistent basis.

Recommendation - We recommend that all purchasing be centralized and that purchase requisitions as well as purchase orders be utilized. In conjunction with this, a receiving report should also be used to indicate receipt of goods.

Response - Personnel of the Utility office have looked at this recommendation; however, because of the cost involved and the method they are now using, whereas, department heads who are knowledgeable in buying for their department are doing the purchasing, it does not seem feasible to change at this time.

Conclusion - If the Utility continues the present system of purchasing it will require close monitoring to assure that purchasing of supplies do not get excessive and that competitive purchasing is enforced.

MATERIAL WEAKNESS:

A. Segregation of Accounting Functions

Comments - An important aspect of internal control is the segregation of accounting functions among employees. Several incompatible accounting functions regarding cash receipts are handled by the same employee.

Recommendations - We recommend that one employee be designated to open the mail and make a prelist of receipts, one employee post the receipts and the employee who opens the mail make the bank deposit.

Part II: Findings Related to the General Purpose Financial Statements: (Cont.)

MATERIAL WEAKNESS: (Cont.)

Response - Due to the limited number of personnel in the office, it is not feasible at this time to break down the segregation of duties any further.

Conclusion - We realize that there are a limited number of personnel available and we agree with the Utility's response. Our purpose in making this observation is to remind management of the careful attention and scrutiny of the records that is necessary when a limited number of personnel are available which makes ideal controls impossible.

Part III: Other Findings Related to Statutory Reporting:

05-III-A. Official Depositories - A resolution naming official depositories is on file with the State Treasurer. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

05-III-B. Certified Budget - The Mapleton Municipal Electric, an enterprise of the City of Mapleton, budget is included in the Business Type Activities of the City of Mapleton's budget. The budget expenditures relating to the Mapleton Municipal Electric Utility were not exceeded during the year ended June 30, 2005.

05-III-C. Entertainment Expense - We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

04-III-D. Travel Expense - No expenditures of Utility money for travel expense of Utility officials and/or spouses and/or employees were noted.

05-III-E. Business Transactions Between Mapleton Municipal Electric and Board Members or Employees –

Name, Title and Business Connection	Transaction Description	Amount
Tim Hupke – Board Member Manager of Hoffman Agency	Insurance Premiums	$ 12,230

05-III-F. Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions, but we suggest that the Utility review its coverage annually with the board and insurance agent.

04-III-G. Board Minutes - The minutes recorded were examined and appeared to give a condensed, accurate account of business transacted by the board. The Utility has represented to us that we were furnished a complete and official copy of all minutes of all meetings of the board.

04-III-H. Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy.