

CITY OF MAPLETON, IOWA  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2015

**CITY OF MAPLETON, IOWA**

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**CITY OF MAPLETON**

**OFFICIALS**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
Roger Krohn	Mayor	January, 2016
Phil McGarr	Council Member	January, 2018
Tom McNamara	Council Member	January, 2016
Tony Davis	Council Member	January, 2016
Dian Bleil	Council Member	January, 2018
Andy Halter	Council Member	January, 2016
Karla Uhl	City Clerk	Annual
Michael Schmiedt	Attorney	Annual



1009 Iowa Avenue  
P.O. Box 238  
Onawa, IA 51040  
Phone (712) 423-2616  
Fax (712) 423-2626

## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and  
Members of the City Council  
City of Mapleton, Iowa  
Mapleton, Iowa

We have audited the accompanying cash basis financial statements of the governmental activities, the business type activities, and each major fund of the City of Mapleton, Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the City of Mapleton, Iowa, as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the cash basis of accounting.

### **Basis of Accounting**

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

**Emphasis of a Matter**

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

**Other Matters***Supplementary and Other Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the cash basis financial statements that collectively comprise the City of Mapleton's basic financial statements. The other information which includes the budgetary comparison information on pages 18 through 20, the net pension liability information on pages 21 through 25, and the supplementary information included in Schedules 1 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other information on pages 18 through 25 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2016 on our consideration of the City of Mapleton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the City of Mapleton's internal control over financial reporting and compliance.

*Williams & Company P.C.*  
Certified Public Accountants

January 8, 2016  
Onawa, Iowa

BASIC FINANCIAL STATEMENTS

Exhibit A

<b>Net (Disbursements) Receipts and Changes in Cash Basis Net Position</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (171,056)		\$ (171,056)
104,344		104,344
(53,193)		(53,193)
(52,024)		(52,024)
<u>(151,159)</u>		<u>(151,159)</u>
<u>(323,088)</u>		<u>(323,088)</u>
	\$ (65,718)	(65,718)
	(40,665)	(40,665)
	(74,681)	(74,681)
	58,771	58,771
	<u>(122,293)</u>	<u>(122,293)</u>
<u>(323,088)</u>	<u>(122,293)</u>	<u>(445,381)</u>
302,972	-	302,972
2,461	-	2,461
104,974	-	104,974
8,965	1,982	10,947
52,896	179,187	232,083
4,000	(4,000)	-
<u>476,268</u>	<u>177,169</u>	<u>653,437</u>
153,180	54,876	208,056
246,429	1,478,838	1,725,267
<u>399,609</u>	<u>1,533,714</u>	<u>1,933,323</u>
36,905	193,003	229,908
338,657	-	338,657
593,195	-	593,195
64,358	-	64,358
(633,506)	1,340,711	707,205
<u>\$ 399,609</u>	<u>\$ 1,533,714</u>	<u>\$ 1,933,323</u>

**CITY OF MAPLETON, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

	General	Special Revenue	
		Tax Increment Financing	Road Use Tax
<b>Receipts:</b>			
Property Tax	\$ 302,972	\$ -	\$ -
Tax Increment Financing	-	2,461	-
Licenses and Permits	4,583	-	-
Use of Money and Property	67,403	-	-
Intergovernmental Revenue	174,948	-	127,275
Charges for Services	209,218	-	-
Fines and Forfeits	11,754	-	-
Refunds/Reimbursements	1,645	-	-
Miscellaneous	7,107	-	-
Total Receipts	<u>779,630</u>	<u>2,461</u>	<u>127,275</u>
<b>Disbursements:</b>			
Public Safety	197,686	-	-
Public Works	210,511	-	13,984
Culture and Recreation	232,368	-	-
Community and Economic Development	53,224	-	-
General Government	157,387	-	-
Total Disbursements	<u>851,176</u>	<u>-</u>	<u>13,984</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(71,546)</u>	<u>2,461</u>	<u>113,291</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	66,984	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>66,984</u>	<u>-</u>	<u>-</u>
Change in Cash Balances	(4,562)	2,461	113,291
Cash Balances (Deficits) at Beginning of Year	(628,944)	61,897	225,366
Cash Balances (Deficits) at End of Year	<u>\$ (633,506)</u>	<u>\$ 64,358</u>	<u>\$ 338,657</u>
<b>Cash Basis Net Position:</b>			
Restricted For:			
Debt Service	\$ -	\$ -	\$ -
Streets	-	-	338,657
Local Option Sales Tax	-	-	-
Other Purposes	-	64,358	-
Unassigned	(633,506)	-	-
Total Cash Basis Net Position	<u>\$ (633,506)</u>	<u>\$ 64,358</u>	<u>\$ 338,657</u>

See Accompanying Notes to Financial Statements

Exhibit B

<u>Special Revenue</u>			<u>Total</u>
<u>Local</u>		<u>Debt</u>	<u>Governmental</u>
<u>Option</u>		<u>Service</u>	<u>Funds</u>
<u>Sales Tax</u>			
\$ -	\$ -	\$ 302,972	
-	-	2,461	
-	-	4,583	
-	-	67,403	
104,974	-	407,197	
-	-	209,218	
-	-	11,754	
-	-	1,645	
-	-	7,107	
<u>104,974</u>	<u>-</u>	<u>1,014,340</u>	
-	-	197,686	
-	-	224,495	
-	-	232,368	
-	-	53,224	
-	-	157,387	
<u>-</u>	<u>-</u>	<u>865,160</u>	
<u>104,974</u>	<u>-</u>	<u>149,180</u>	
-	-	66,984	
<u>(62,984)</u>	<u>-</u>	<u>(62,984)</u>	
<u>(62,984)</u>	<u>-</u>	<u>4,000</u>	
41,990	-	153,180	
551,205	36,905	246,429	
<u>\$ 593,195</u>	<u>\$ 36,905</u>	<u>\$ 399,609</u>	
\$ -	\$ 36,905	\$ 36,905	
-	-	338,657	
593,195	-	593,195	
-	-	64,358	
-	-	(633,506)	
<u>\$ 593,195</u>	<u>\$ 36,905</u>	<u>\$ 399,609</u>	

CITY OF MAPLETON, IOWA  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
 PROPRIETARY FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds				
	Electric System	Water System	Sewer System	Gas System	Total
<b>Operating Receipts:</b>					
Charges for Services	\$1,378,177	\$ 231,415	\$ 154,076	\$ 495,795	\$ 2,259,463
<b>Total Operating Receipts</b>	<u>1,378,177</u>	<u>231,415</u>	<u>154,076</u>	<u>495,795</u>	<u>2,259,463</u>
<b>Operating Disbursements:</b>					
Business-Type Activities	1,382,115	272,080	207,487	379,601	2,241,283
<b>Total Operating Disbursements</b>	<u>1,382,115</u>	<u>272,080</u>	<u>207,487</u>	<u>379,601</u>	<u>2,241,283</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>(3,938)</u>	<u>(40,665)</u>	<u>(53,411)</u>	<u>116,194</u>	<u>18,180</u>
<b>Non-Operating Receipts (Disbursements):</b>					
Interest Income	1,580	201	201	-	1,982
Sale of Merchandise	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-
WIMECA Member Charge Refund	71,507	-	-	-	71,507
Distribution - Mapleton Communications	25,000	-	-	-	25,000
Other Non-Operating Revenues	79,591	1,225	-	1,864	82,680
Revenue Capital Loan Note Proceeds	-	-	-	-	-
Principal Payments	(40,000)	-	(15,000)	(45,000)	(100,000)
Interest Expense	(21,780)	-	(6,270)	(12,423)	(40,473)
<b>Total Non-Operating Receipts (Disbursements):</b>	<u>115,898</u>	<u>1,426</u>	<u>(21,069)</u>	<u>(55,559)</u>	<u>40,696</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>111,960</u>	<u>(39,239)</u>	<u>(74,480)</u>	<u>60,635</u>	<u>58,876</u>
Operating Transfers (Out)	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>
Change in Cash Balances	107,960	(39,239)	(74,480)	60,635	54,876
Cash Balances at Beginning of Year	<u>950,196</u>	<u>106,875</u>	<u>259,756</u>	<u>162,011</u>	<u>1,478,838</u>
Cash Balances at End of Year	<u>\$1,058,156</u>	<u>\$ 67,636</u>	<u>\$ 185,276</u>	<u>\$ 222,646</u>	<u>\$ 1,533,714</u>
<b>Cash Basis Net Position:</b>					
Restricted for Debt Service	\$ 135,580	\$ -	\$ -	\$ 57,423	\$ 193,003
Unrestricted	922,576	67,636	185,276	165,223	1,340,711
<b>Total Cash Basis Net Position</b>	<u>\$1,058,156</u>	<u>\$ 67,636</u>	<u>\$ 185,276</u>	<u>\$ 222,646</u>	<u>\$ 1,533,714</u>

See Accompanying Notes to Financial Statements

**CITY OF MAPLETON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Mapleton is a political subdivision of the State of Iowa located in Monona County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, electric, gas and sewer utilities for its citizens.

**A. Reporting Entity**

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

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods and services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Monona County Assessor's Conference Board, Monona County Emergency Management Commission, Monona County Landfill Commission and Monona County Joint E911 Service Board.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

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

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

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

**CITY OF MAPLETON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Cont.)**

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the monies received from local option sales tax.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's electric system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

**C. Measurement Focus and Basis of Accounting**

The City of Mapleton maintains its financial records on the basis of cash receipts and disbursements which is an other comprehensive basis of accounting and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items as well as fixed assets. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

**CITY OF MAPLETON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Cont.)**

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then unassigned fund balances.

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

**D. Governmental Cash Basis Fund Balances:**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

**E. Budgeting and Budgetary Accounting:**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the Public Safety, Culture and Recreation, Community and Economic Development, General Government, and Business-Type Activities functions.

**Note 2 – CASH AND POOLED INVESTMENTS**

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

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; 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 City had no investments at June 30, 2015; however the City's time deposits were as follows:

	<u>Maturities</u>		
Certificates of Deposit	07/16/15 – 06/17/18	\$	871,134

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

**CITY OF MAPLETON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Note 3 – NOTES PAYABLE**

The following is a summary of note transactions of the City for the year ended June 30, 2015:

	Business-Type Activities
Primary Government	Notes Paid by Enterprise Funds
Notes Payable July 1, 2014	\$ 1,304,000
Add: Revenue Notes Issued	-
Less: Payments	(100,000)
Notes Payable June 30, 2015	1,204,000
Due Within One Year	\$ 105,000

Annual debt service requirements to maturity for the outstanding debt capital notes are as follows:

Year Ending June 30,	<u>Sewer</u>		<u>Gas</u>		<u>Electric</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 15,000	\$ 5,820	\$ 50,000	\$ 11,635	\$ 40,000	\$ 21,180	\$ 105,000	\$ 38,635
2017	16,000	5,370	50,000	10,360	45,000	21,580	111,000	36,310
2018	16,000	4,890	50,000	9,085	45,000	19,568	111,000	33,543
2019	16,000	4,410	50,000	7,810	45,000	18,555	111,000	30,775
2020	17,000	3,930	55,000	6,160	45,000	17,318	117,000	27,408
2021-2025	94,000	11,610	110,000	6,518	250,000	64,440	454,000	82,568
2026-2028	20,000	600	-	-	175,000	14,800	195,000	15,400
<b>Total</b>	<b>\$ 194,000</b>	<b>\$ 36,630</b>	<b>\$ 365,000</b>	<b>\$ 51,568</b>	<b>\$ 645,000</b>	<b>\$ 176,441</b>	<b>\$ 1,204,000</b>	<b>\$ 264,639</b>

**Revenue Notes**

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$312,000 of sewer revenue notes issued in November 11, 2006. Proceeds from the notes provided financing for the cost of the sewer project. The notes are payable solely from sewer customer net receipts and are payable through 2026.

The sewer revenue notes bear an interest rate of 3.00%. The total principal and interest remaining to be paid on the notes is \$230,630. For the current year, principal and interest paid were \$15,000 and \$6,270, respectively.

The City has pledged future gas customer receipts, net of specified operating disbursements, to repay \$500,000 gas revenue notes issued in February 29, 2012. Proceeds from the notes provided financing to purchase the gas system. The notes are payable solely from gas customer net receipts and are payable through 2022. The notes bear an interest rate of 1.75%. The total principal and interest remaining to be paid on the notes is \$416,568. For the current year, principal and interest paid were \$45,000 and \$12,442, respectively.

The resolution providing for the issuance of the gas revenue capital loan note includes the following provisions:

- (a) The note will only be redeemed from future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the gas revenue capital loan note sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

CITY OF MAPLETON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 3 – NOTES PAYABLE – (Cont.)**

- (c) The Reserve Fund shall be used to maintain the Reserve Fund Requirement per the resolution. In each month there shall be deposited in the Reserve Fund an amount equal to 25% of the amount required by this Resolution to be deposited in such month in the Sinking Fund.
- (d) All funds remaining in the gas account after the maintenance and operating expenses and required transfers are to be used to pay for extraordinary repairs or replacements to the System, or may be used to pay or redeem the Notes, any of them, or for any lawful purpose.

The above funds were established as required by the gas revenue capital note agreement.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$730,000 of electric revenue capital loan notes issued in August 15, 2013. Proceeds from the notes provided financing for the cost of the electric project. The notes are payable solely from electric customer net receipts and are payable through 2028. The electric revenue capital loan notes bear an average interest rate of 2.93%. The total principal and interest remaining to be paid on the notes is \$821,440. For the current year, principal and interest paid were \$40,000 and \$21,780, respectively.

The following are the Reserve requirements of the Electric Revenue Capital Loan Notes:

(a) Electric Revenue Fund (the "Revenue Fund"):

All income and revenues from the operation of the electric utility shall be deposited into the Revenue Fund and disbursed only as follows:

(b) Electric Revenue Operation and Maintenance Fund (the "Operation and Maintenance Fund"):

There shall be deposited monthly to this fund from the Revenue Fund, an amount equal to meet the current expenses of the electric utility plus an amount equal to the 1/12<sup>th</sup> of the expenses payable on an annual basis. From this account all normal, reasonable and current costs of operating and maintaining the electric utility shall be paid.

(c) Electric Revenue Note and Interest Sinking Fund (the "Sinking Fund"):

The Sinking Fund will remain for the life of this Note issue and will be used to make principal and interest payments on the Notes and any parity obligations. There shall be deposited to the Sinking Fund from the Revenue Fund an equal monthly amount that would be sufficient to pay the interest due on the next interest payment date plus an equal monthly amount that would be sufficient to pay the principal due on the next principal payment date. The first principal and interest payment date is June 1, 2014 with interest paid semiannually and principal annually after that.

(d) Electric Revenue Debt Service Reserve Fund (the "Reserve Fund"):

The Reserve Fund shall be funded with Note proceeds in the amount of \$65,580, which is the maximum annual amount of the principal and interest coming due on the Notes. This fund shall be used for the purpose of paying principal and interest on the Notes and any parity obligations in the event funds held in the Sinking Fund are insufficient for such payment. If the balance in the Reserve Fund should ever fall below \$65,580, funds from the Revenue Fund shall be deposited monthly in an amount equal to 25% of the deficiency until the balance has been restored to \$65,580.

(e) Surplus Revenues:

All money remaining in the Revenue Fund at the close of each month may be deposited in any of the above funds to pay for extraordinary repairs or replacements to the electric utility or for any other lawful purposes.

The above funds were established as required by the electric revenue capital loan note agreement.

**CITY OF MAPLETON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Note 4 – FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) COMMUNITY DISASTER LOAN**

On January 27, 2012, the City entered into a promissory note agreement with FEMA for a community disaster loan they received as a result of the April 9, 2011 tornado. The loan proceeds of \$295,571 were for operating and replacement for loss of revenue. Principal of \$295,571 and accrued interest was forgiven on June 30, 2015.

**Note 5 – PENSION PLAN – IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEMS (IPERS)**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City 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](http://www.ipers.org).

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

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

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

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

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

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

**CITY OF MAPLETON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 5 – PENSION PLAN – IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEMS (IPERS) (Cont.)**

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

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's contributions to IPERS for the year ended June 30, 2015 was \$45,215.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflow of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$270,184. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0068127 percent, which was a decrease of 0.0001208 percent from its proportion measured at June 30, 2013.

For the year ended June 30, 2015, the City collective pension expense, collective deferred outflows and collective deferred inflows totals \$22,391, \$1,573, and \$120,811, respectively.

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates 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:

**CITY OF MAPLETON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Note 5 – PENSION PLAN – IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEMS (IPERS) (Cont.)**

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the contractually required rate and that contributions from the Commission 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 City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1 % Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability:	\$ 548,851	\$ 270,184	\$ 34,999

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](http://www.ipers.org).

**Note 6 – RISK MANAGEMENT**

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

**CITY OF MAPLETON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Note 7 – INTERFUND TRANSFERS**

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Local Option Sales Tax	\$ 62,984
Library Fund	Electric Fund	4,000
		<u>\$ 66,984</u>

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

**Note 8 – DEFICIT BALANCES**

The deficit in the general fund of \$633,506 will be eliminated by the collection of property taxes.

OTHER INFORMATION

**CITY OF MAPLETON, IOWA  
OTHER INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>	<b>Total</b>
<b>Receipts:</b>			
Property Tax	\$ 302,972	\$ -	\$ 302,972
Tax Increment Financing	2,461	-	2,461
Licenses and Permits	4,583	-	4,583
Use of Money and Property	67,403	1,982	69,385
Intergovernmental Revenue	407,197	-	407,197
Charges for Services	209,218	2,259,463	2,468,681
Fines and Forfeits	11,754	-	11,754
Refunds/Reimbursements	1,645	-	1,645
Miscellaneous	7,107	179,187	186,294
Total Receipts	<u>1,014,340</u>	<u>2,440,632</u>	<u>3,454,972</u>
<b>Disbursements:</b>			
Public Safety	197,686	-	197,686
Public Works	224,495	-	224,495
Culture and Recreation	232,368	-	232,368
Community and Economic Development	53,224	-	53,224
General Government	157,387	-	157,387
Business-Type Activities	-	2,381,756	2,381,756
Total Disbursements	<u>865,160</u>	<u>2,381,756</u>	<u>3,246,916</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>149,180</u>	<u>58,876</u>	<u>208,056</u>
<b>Other Financing Sources (Uses):</b>			
Interfund Transfers In	66,984	-	66,984
Interfund Transfers (Out)	(62,984)	(4,000)	(66,984)
Total Other Financing Sources (Uses)	<u>4,000</u>	<u>(4,000)</u>	<u>-</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing (Uses)	153,180	54,876	208,056
Cash Balances at Beginning of Year	<u>246,429</u>	<u>1,478,838</u>	<u>1,725,267</u>
Cash Balances at End of Year	<u>\$ 399,609</u>	<u>\$ 1,533,714</u>	<u>\$ 1,933,323</u>

See Accompanying Independent Auditors' Report

<b>Budgeted Amounts</b>		<b>Final To Net Variance</b>
<b>Original</b>	<b>Final</b>	
\$ 294,372	\$ 294,372	\$ 8,600
50,000	50,000	(47,539)
3,000	3,000	1,583
148,216	148,216	(78,831)
179,700	179,700	227,497
2,520,700	2,520,700	(52,019)
-	-	11,754
-	-	1,645
40,350	40,350	145,944
<u>3,236,338</u>	<u>3,236,338</u>	<u>218,634</u>
173,064	173,064	(24,622)
323,028	323,028	98,533
192,995	192,995	(39,373)
20,000	20,000	(33,224)
105,999	105,999	(51,388)
2,336,185	2,336,185	(45,571)
<u>3,151,271</u>	<u>3,151,271</u>	<u>(95,645)</u>
85,067	85,067	122,989
115,800	115,800	48,816
<u>(115,800)</u>	<u>(115,800)</u>	<u>(48,816)</u>
-	-	-
85,067	85,067	122,989
<u>1,725,267</u>	<u>1,725,267</u>	<u>-</u>
<u>\$ 1,810,334</u>	<u>\$ 1,810,334</u>	<u>\$ 122,989</u>

**CITY OF MAPLETON, IOWA  
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015**

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This budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the adopted budget document presents function disbursements by fund, the legal level of control is at the aggregated functional level, not by fund.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the Public Safety, Culture and Recreation, Community and Economic Development, General Government, and Business-Type Activities functions.

**CITY OF MAPLETON, IOWA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR\*  
OTHER INFORMATION  
YEAR ENDED JUNE 30, 2015**

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	2015
City's proportion of the net pension liability (asset)	0.0068127%
City's proportionate share of the net pension liability	\$ 270,184
City's covered-employee payroll	\$ 506,327
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.36%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

**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 Commission will present information for those years for which information is available.

See Accompanying Independent Auditors' Report

**CITY OF MAPLETON, IOWA  
SCHEDULE OF THE CITY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN YEARS  
OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 45,215	\$ 47,139	\$ 43,910	\$ 48,086
Contributions in relation to the statutorily required contribution	<u>(45,215)</u>	<u>(47,139)</u>	<u>(43,910)</u>	<u>(48,086)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 506,327	\$ 527,872	\$ 506,459	\$ 595,861
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 40,264	\$ 39,917	\$ 34,804	\$ 33,610	\$ 33,353	\$ 32,492
<u>(40,264)</u>	<u>(39,917)</u>	<u>( 34,804)</u>	<u>(33,610)</u>	<u>(33,353)</u>	<u>(32,492)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 579,338	\$ 600,256	\$ 548,094	\$ 555,537	\$ 580,052	\$ 565,078
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

**CITY OF MAPLETON, IOWA  
NOTES TO OTHER INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

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

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

*Changes of assumptions:*

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

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

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

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

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.

**CITY OF MAPLETON, IOWA  
NOTES TO OTHER INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

See Accompanying Independent Auditors' Report

SUPPLEMENTARY INFORMATION

**CITY OF MAPLETON, IOWA  
SCHEDULE OF INDEBTEDNESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Obligation</b>	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Amount Originally Issued</b>	<b>Balance Beginning of Year</b>	<b>Issued During Year</b>
Northland Securities Electric Revenue Capital Loan Note	August 15, 2013	1.20%	\$ 730,000	\$ 685,000	\$ -
Federal Emergency Management Agency Community Disaster Loan	January 27, 2012	0.75%	295,571	295,571	-
Taxable Gas Revenue Capital Loan Note	February 29, 2012	1.75%	500,000	410,000	-
Iowa Finance Authority Sewer Revenue Note	November 21, 2006	3.00%	312,000	209,000	-
Total			<u>\$ 1,837,571</u>	<u>\$ 1,599,571</u>	<u>\$ -</u>

See Accompanying Independent Auditors' Report

<u>Loans Forgiven</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ -	\$ 40,000	\$ 645,000	\$ 21,780	\$ -
295,571	-	-	-	-
-	45,000	365,000	12,423	-
-	15,000	194,000	6,270	-
<u>\$ 295,571</u>	<u>\$ 100,000</u>	<u>\$ 1,204,000</u>	<u>\$ 40,473</u>	<u>\$ -</u>

INDEPENDENT AUDITORS' 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



1009 Iowa Avenue  
P.O. Box 238  
Onawa, IA 51040  
Phone (712) 423-2616  
Fax (712) 423-2626

**INDEPENDENT AUDITORS' 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 Honorable Mayor and  
Members of the City Council  
City of Mapleton, Iowa  
Mapleton, Iowa

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities and each major fund of the City of Mapleton, Iowa as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 8, 2016. The financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as items 2015-001 and 2015-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as items 2015-003 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Mapleton's 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 certain immaterial instances of noncompliance or other matters that are described in Part III of the accompanying Schedule of Findings.

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

### **City of Mapleton, Iowa's Response to Findings**

City of Mapleton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

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

*Willson & Company P.C.*  
Certified Public Accountants

Onawa, Iowa  
January 8, 2016

CITY OF MAPLETON, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

**Part I: Summary of the Independent Auditors' Results**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**MATERIAL WEAKNESSES:**

**2015-001 Financial Accounting - Segregation of Duties**

Criteria – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – The City is unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation functions from receipt and disbursement functions.

Effect – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendations – We realize with a limited number of personnel, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The City feels that additional personnel would not be cost effective. However, management will review procedures and investigate available alternatives.

Conclusion – Response accepted.

**2015-002 Financial Reporting**

Criteria – The City is responsible for the accuracy of the financial statements.

Condition – During the audit, we identified transactions that needed to be recorded in the City's financial statements. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Effect – As a result of these misstatements, the financial statements were materially misstated.

**CITY OF MAPLETON, IOWA  
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FOR THE YEAR ENDED JUNE 30, 2015**

**Part II: Findings Related to the Financial Statements – (Cont.)**

Recommendations – The City should implement procedures to ensure that all postings are properly recorded in the City’s financial statements.

Response – We will double check this in the future to avoid posting errors.

Conclusion – Response accepted.

**SIGNIFICANT DEFICIENCIES:**

**2015-003 Countersignature of Checks**

Observation – During the audit, we identified a check with only one authorized signature. The City requires nonrecurring checks over \$200 to be signed by two authorized individuals.

Recommendations – Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response – We will follow procedures for two signatures on all checks.

Conclusion – Response accepted.

**Part III: Other Findings Related to Required Statutory Reporting**

**III-A-15 Certified Budget** – Disbursements during the fiscal year ended June 30, 2015 exceeded the amount budgeted in the Public Safety, Culture and Recreation, Community and Economic Development, General Government, and Business-Type Activities functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

**III-B-15 Questionable Disbursement** – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General’s Opinion dated April 25, 1979.

**III-C-15 Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**III-D-15 Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tom McNamara, Council Member Owner of Mac’s Chevrolet	Repairs and Services to city owned vehicles	\$ 9,283

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

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**Part III: Other Findings Related to Required Statutory Reporting – (Cont.)**

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

**III-F-15**      **Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

**III-G-15**      **Deposits and Investments** – No instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policies were noted.

**III-H-15**      **Annual Financial Report** – The Annual Financial Report was not completed and filed by December 1, 2014. The report was filed in January 2015.

**Recommendation** – The City should file the Annual Financial Report timely.

**Response** – In the future we will file the Annual Financial Report timely.

**Conclusion** – Response accepted.