

**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

March 25, 2016

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Moulton, Iowa.

The City's receipts totaled \$2,658,774 for the year ended June 30, 2015, a 12.7% increase over the prior year. The receipts included \$78,645 in property tax, \$571,445 from charges for service, \$151,094 from operating grants, contributions and restricted interest, \$575,295 from capital grants, contributions and restricted interest, \$55,328 from local option sales tax, \$815 from unrestricted interest on investments, \$1,190,341 of note proceeds and \$35,811 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$2,855,795, a 47.9% increase over the prior year, and included \$169,087 for public works, \$103,485 for public safety and \$58,001 for culture and recreation. Also, disbursements for business type activities totaled \$2,465,131.

The significant increase in receipts is due to grant funds received for the wastewater treatment facility. The significant increase in disbursements is due to the repayment of project anticipation notes.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1522-0020-B00F.pdf>.

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**CITY OF MOULTON**

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

**JUNE 30, 2015**

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**City of Moulton**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Snider	Mayor	Jan 2016
Ben Hansen	Mayor Pro Tem	Jan 2018
Eddie Guinn	Council Member	(Resigned Jun 2015)
Terry Pangburn (Appointed July 2015)	Council Member	Nov 2015
John Replogle	Council Member	Jan 2016
Randy Welch	Council Member	Jan 2016
Jason Ogden	Council Member	Jan 2018
Vicki Withrow	City Clerk	Indefinite
Debra George	Attorney	Indefinite

**City of Moulton**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Moulton, Iowa, as of and for the year ended June 30, 2015, and the related Notes to 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 described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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, each major fund and the aggregate remaining fund information of the City of Moulton as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

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

### Emphasis of a Matter

As discussed in Note 4, the City of Moulton adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Moulton's basic financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.


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

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 22 through 28, 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 Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2016 on our consideration of the City of Moulton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Moulton's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 24, 2016



## **Basic Financial Statements**

City of Moulton

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 103,485	7,178	54,258	51,400
Public works	169,087	-	64,109	-
Culture and recreation	58,001	637	31,672	-
General government	51,448	3,776	1,055	-
Debt service	8,643	-	-	-
Total governmental activities	390,664	11,591	151,094	51,400
Business type activities:				
Water	136,464	139,780	-	-
Sewer	2,078,837	182,217	-	523,895
Gas	205,848	193,432	-	-
Garbage	43,982	44,425	-	-
Total business type activities	2,465,131	559,854	-	523,895
Total	\$ 2,855,795	571,445	151,094	575,295
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Local option sales tax				
Streets				
Employee benefits				
Debt service				
Capital improvements				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
9,351	-	9,351
(104,978)	-	(104,978)
(25,692)	-	(25,692)
(46,617)	-	(46,617)
(8,643)	-	(8,643)
(176,579)	-	(176,579)
-	3,316	3,316
-	(1,372,725)	(1,372,725)
-	(12,416)	(12,416)
-	443	443
-	(1,381,382)	(1,381,382)
(176,579)	(1,381,382)	(1,557,961)
74,398	-	74,398
4,247	-	4,247
55,328	-	55,328
609	206	815
15,000	1,175,341	1,190,341
2,894	32,917	35,811
152,476	1,208,464	1,360,940
(24,103)	(172,918)	(197,021)
252,477	499,648	752,125
\$ 228,374	326,730	555,104
\$ 119,746	-	119,746
10,413	-	10,413
14,293	-	14,293
4,164	81,205	85,369
-	19,660	19,660
8,746	-	8,746
71,012	225,865	296,877
\$ 228,374	326,730	555,104

**Exhibit B**

## City of Moulton

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue				Total
	General	Road Use Tax	Local Option Sales Tax	Nonmajor	
Receipts:					
Property tax	\$ 65,776	-	-	12,869	78,645
Other city tax	-	-	55,328	-	55,328
Licenses and permits	1,635	-	-	-	1,635
Use of money and property	1,809	-	-	-	1,809
Intergovernmental	96,525	62,909	-	-	159,434
Charges for service	5,811	-	-	-	5,811
Miscellaneous	6,961	2,890	-	39,048	48,899
Total receipts	178,517	65,799	55,328	51,917	351,561
Disbursements:					
Operating:					
Public safety	95,934	-	-	7,551	103,485
Public works	-	166,855	-	2,232	169,087
Culture and recreation	27,008	-	-	30,993	58,001
General government	38,349	-	-	13,099	51,448
Debt service	-	-	-	8,643	8,643
Total disbursements	161,291	166,855	-	62,518	390,664
Excess (deficiency) of receipts over (under) disbursements	17,226	(101,056)	55,328	(10,601)	(39,103)
Other financing sources (uses):					
Note proceeds	15,000	-	-	-	15,000
Transfers in	-	126,713	-	-	126,713
Transfers out	-	-	(126,713)	-	(126,713)
Total other financing sources (uses)	15,000	126,713	(126,713)	-	15,000
Change in cash balances	32,226	25,657	(71,385)	(10,601)	(24,103)
Cash balances beginning of year	38,786	(15,244)	191,131	37,804	252,477
Cash balances end of year	\$ 71,012	10,413	119,746	27,203	228,374
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Local option sales tax purposes	\$ -	-	119,746	-	119,746
Streets	-	10,413	-	-	10,413
Employee benefits	-	-	-	14,293	14,293
Debt service	-	-	-	4,164	4,164
Other purposes	-	-	-	8,746	8,746
Unassigned	71,012	-	-	-	71,012
Total cash basis fund balances	\$ 71,012	10,413	119,746	27,203	228,374

See notes to financial statements.

City of Moulton

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise				Total
	Water	Sewer	Gas	Nonmajor Garbage	
Operating receipts:					
Charges for service	\$ 139,780	182,217	193,432	44,425	559,854
Operating disbursements:					
Business type activities	136,464	80,858	205,848	43,982	467,152
Excess (deficiency) of operating receipts over (under) operating disbursements	3,316	101,359	(12,416)	443	92,702
Non-operating receipts (disbursements):					
USDA grant	-	310,483	-	-	310,483
Community Development Block grant	-	213,412	-	-	213,412
Note proceeds	-	1,175,341	-	-	1,175,341
Interest on investments	13	180	13	-	206
Miscellaneous	12,706	17,178	1,420	1,613	32,917
Debt service	-	(1,439,676)	-	-	(1,439,676)
Capital projects	-	(558,303)	-	-	(558,303)
Net non-operating receipts (disbursements)	12,719	(281,385)	1,433	1,613	(265,620)
Change in cash balances	16,035	(180,026)	(10,983)	2,056	(172,918)
Cash balances beginning of year	(6,746)	315,798	177,356	13,240	499,648
Cash balances end of year	\$ 9,289	135,772	166,373	15,296	326,730
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Debt service	\$ -	81,205	-	-	81,205
Capital improvements	-	19,660	-	-	19,660
Unrestricted	9,289	34,907	166,373	15,296	225,865
Total cash basis fund balances	\$ 9,289	135,772	166,373	15,296	326,730

See notes to financial statements.

City of Moulton

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

The City of Moulton is a political subdivision of the State of Iowa located in Appanoose County. It was first incorporated in 1869 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, sewer, gas and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Moulton 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. These financial statements present the City of Moulton (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

Moulton EMS, Inc. was organized under Chapter 504 of the Code of Iowa as a non-profit corporation. Moulton EMS, Inc. is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Moulton EMS, Inc. is reported as a Special Revenue Fund.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or 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: Appanoose County Assessor's Conference Board, Appanoose County Emergency Management Commission, Rathbun Area Solid Waste Commission and Appanoose County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - 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 service.

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

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

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

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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

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 not paid from other funds.

Special Revenue:

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 collection and use of local option sales tax.

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

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements 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. 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 are both restricted and unrestricted cash basis net positions 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.

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 to less-restrictive classifications – committed, assigned 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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.



E. Budgets 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 culture and recreation and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$118,698 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Year Ending June 30,	General Obligation Capital Loan Notes		Sewer Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ 4,949	3,694	19,028	22,980	23,977
2017	5,160	3,484	19,409	22,599	24,569	26,083
2018	5,378	3,265	19,797	22,211	25,175	25,476
2019	5,606	3,037	20,193	21,815	25,799	24,852
2020	5,845	2,799	20,597	21,411	26,442	24,210
2021-2025	33,159	10,056	109,328	100,711	142,487	110,767
2026-2030	26,921	2,967	120,708	89,332	147,629	92,299
2031-2035	-	-	133,271	76,769	133,271	76,769
2036-2040	-	-	147,142	62,898	147,142	62,898
2041-2045	-	-	162,457	47,583	162,457	47,583
2046-2050	-	-	179,365	30,674	179,365	30,674
2051-2055	-	-	197,705	12,006	197,705	12,006
Total	\$ 87,018	29,302	1,149,000	530,989	1,236,018	560,291

**(3) Notes Payable**

Annual debt service requirements to maturity for general obligation capital loan notes and sewer revenue capital loan notes are as follows:

Sewer Revenue Capital Loan Notes

On September 2, 2014, the City entered into an agreement with the U.S. Department of Agriculture – Rural Development for the issuance of \$1,149,000 of taxable sewer revenue capital loan notes with interest at 2.00% per annum. The notes were issued to redeem the project anticipation note previously issued to pay the costs of improvements to the municipal sanitary sewer system. The notes are payable solely from sewer customer net receipts. Principal and interest are payable in 40 equal annual installments of \$42,008 each, beginning on August 6, 2016.

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

- (a) The notes will only be redeemed from future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account for the purpose of making principal and interest payments when due.
- (c) A reserve account of \$42,008 shall be established and maintained. Monthly transfers equal to \$351 shall be made until the required balance has been accumulated. This account is restricted for paying the principal and interest on the notes if the sinking account balance is insufficient.

#### Bank Loan

On July 3, 2014, the City entered into a bank loan for \$15,000 to purchase an ambulance. The loan bears interest at 7.750% per annum and is to be repaid in five annual installments of \$3,375, including interest. The first installment is due July 3, 2015.

#### **(4) Pension Plan**

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 the 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.)

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefits includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

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

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

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

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

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.76% of covered payroll and the City contributed 10.14% for a total rate of 16.90%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$12,224.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$75,167. 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.001895%, which was a decrease of 0.000020% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled \$5,640, \$4,139 and \$28,790, 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% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment

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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.95
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 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' 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 City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 142,274	\$ 75,167	\$ 18,521

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(5) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Special Revenue: Road Use Tax	Special Revenue: Local Option Sales Tax	<u>\$ 126,713</u>

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

**(6) Risk Management**

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

**(7) Special Investigation**

The Office of the Auditor of State is currently performing a special investigation of Moulton EMS, Inc. as a result of concerns identified by the EMS Board. The Auditor of State's special investigation report will be released upon completion.

**City Of Moulton**

## **Other Information**

City of Moulton  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 78,645	-	-
Other city tax	55,328	-	-
Licenses and permits	1,635	-	-
Use of money and property	1,809	206	-
Intergovernmental	159,434	523,895	-
Charges for service	5,811	559,854	-
Miscellaneous	48,899	32,917	9,133
Total receipts	351,561	1,116,872	9,133
<b>Disbursements:</b>			
Public safety	103,485	-	7,460
Public works	169,087	-	-
Culture and recreation	58,001	-	-
Community and economic development	-	-	-
General government	51,448	-	-
Debt service	8,643	-	-
Capital projects	-	-	-
Business type activities	-	2,465,131	-
Total disbursements	390,664	2,465,131	7,460
Excess (deficiency) of receipts over (under) disbursements	(39,103)	(1,348,259)	1,673
Other financing sources, net	15,000	1,175,341	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(24,103)	(172,918)	1,673
Balances beginning of year	252,477	499,648	1,870
Balances end of year	\$ 228,374	326,730	3,543

See accompanying independent auditor's report.



Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
78,645	74,898	74,898	3,747
55,328	58,173	58,173	(2,845)
1,635	2,090	2,090	(455)
2,015	1,700	1,700	315
683,329	121,218	3,100,636	(2,417,307)
565,665	620,145	620,145	(54,480)
72,683	25,100	25,100	47,583
1,459,300	903,324	3,882,742	(2,423,442)
96,025	60,750	153,250	57,225
169,087	61,300	188,013	18,926
58,001	37,725	36,125	(21,876)
-	2,500	2,500	2,500
51,448	49,149	55,149	3,701
8,643	8,643	8,643	-
-	-	2,450,000	2,450,000
2,465,131	642,651	609,041	(1,856,090)
2,848,335	862,718	3,502,721	654,386
(1,389,035)	40,606	380,021	(1,769,056)
1,190,341	-	-	1,190,341
(198,694)	40,606	380,021	(578,715)
750,255	371,347	371,347	378,908
551,561	411,953	751,368	(199,807)

City of Moulton

Notes to Other Information – Budgetary Reporting

June 30, 2015

The 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 except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These 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, the Special Revenue Funds, the Debt Service Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,640,003. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public works and business type activities functions prior to the May 2015 budget amendment. At June 30, 2015, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions.

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City of Moulton

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.001895%
City's proportionate share of the net pension liability	\$ 75
City's covered-employee payroll	\$ 125
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.00%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

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City of Moulton

Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last Two Fiscal Years  
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 12	11
Contributions in relation to the statutorily required contribution	<u>(12)</u>	<u>(11)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
County's covered-employee payroll	\$ 137	125
Contributions as a percentage of covered-employee payroll	8.76%	8.80%

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

See accompanying independent auditor's report.

City of Moulton

Notes to Other Information – Pension Liability

Year Ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

**City of Moulton**

**Supplementary Information**



## City of Moulton

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue					Total
	Employee Benefits	Moulton EMS Inc.	Garrett		Debt Service	
			Memorial Library			
Receipts:						
Property tax	\$ 8,622	-	-	-	4,247	12,869
Miscellaneous	-	9,133	29,915	-	-	39,048
Total receipts	8,622	9,133	29,915	4,247	-	51,917
Disbursements:						
Operating:						
Public safety	91	7,460	-	-	-	7,551
Public works	2,232	-	-	-	-	2,232
Culture and recreation	-	-	30,993	-	-	30,993
General government	13,099	-	-	-	-	13,099
Debt service	-	-	-	-	8,643	8,643
Total disbursements	15,422	7,460	30,993	8,643	-	62,518
Change in cash balances	(6,800)	1,673	(1,078)	(4,396)	-	(10,601)
Cash balances beginning of year	21,093	1,870	6,281	8,560	-	37,804
Cash balances end of year	\$ 14,293	3,543	5,203	4,164	-	27,203
<b>Cash Basis Fund Balances</b>						
Restricted for:						
Employee benefits	\$ 14,293	-	-	-	-	14,293
Debt service	-	-	-	-	4,164	4,164
Other purposes	-	3,543	5,203	-	-	8,746
Total cash basis fund balances	\$ 14,293	3,543	5,203	4,164	-	27,203

See accompanying independent auditor's report.

City of Moulton  
Schedule of Indebtedness  
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rate	Amount Originally Issued
General obligation capital loan notes:			
Fire station note 1	Oct 18, 2006	4.125%	\$ 30,000
Fire station note 2	Oct 18, 2006	4.375	25,000
Fire truck acquisition	Dec 21, 2009	4.250	56,000
Total			
Bank loans:			
City truck	Aug 7, 2009	4.710%	\$ 21,375
Ambulance	Jul 3, 2014	7.750	15,000
Total			
Revenue capital loan notes:			
Sewer Series 1998	May 28, 1998	1.750%	\$ 400,000
Sewer Series 2008	Dec 17, 2008	3.000	102,000
Sewer Series 2014	Sep 2, 2014	2.000	1,149,000
Total			
Project anticipation notes:			
Sewer revenue loan and disbursement agreement	Sep 21, 2012	0.000%	\$ 82,225
Sewer revenue loan agreement	Sep 10, 2013	2.950	1,149,000
Total			

See accompanying independent auditor's report.

Balance Beginning Of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
23,721	-	1,416	22,305	978
19,858	-	1,167	18,691	869
48,187	-	2,165	46,022	2,048
<u>\$ 91,766</u>	<u>-</u>	<u>4,748</u>	<u>87,018</u>	<u>3,895</u>
339	-	339	-	-
-	15,000	-	15,000	-
<u>\$ 339</u>	<u>15,000</u>	<u>339</u>	<u>15,000</u>	<u>-</u>
109,000	-	109,000	-	954
78,000	-	78,000	-	1,170
-	1,149,000	-	1,149,000	-
<u>\$ 187,000</u>	<u>1,149,000</u>	<u>187,000</u>	<u>1,149,000</u>	<u>2,124</u>
81,912	-	81,912	-	-
1,122,659	26,341	1,149,000	-	19,640
<u>\$ 1,204,571</u>	<u>26,341</u>	<u>1,230,912</u>	<u>-</u>	<u>19,640</u>

City of Moulton

Note Maturities

June 30, 2015

Year Ending June 30,	General Obligation Capital Loan Notes							Total
	Fire Station, Note 1		Fire Station, Note 2		Fire Truck Acquisition			
	Issued Oct 18, 2006		Issued Oct 18, 2006		Issued Dec 21, 2009			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2016	4.125%	\$ 1,474	4.375%	\$ 1,218	4.25%	\$ 2,257	4,949	
2017	4.125	1,535	4.375	1,272	4.25	2,353	5,160	
2018	4.125	1,598	4.375	1,327	4.25	2,453	5,378	
2019	4.125	1,664	4.375	1,385	4.25	2,557	5,606	
2020	4.125	1,733	4.375	1,446	4.25	2,666	5,845	
2021	4.125	1,804	4.375	1,509	4.25	2,779	6,092	
2022	4.125	1,878	4.375	1,575	4.25	2,897	6,350	
2023	4.125	1,956	4.375	1,644	4.25	3,020	6,620	
2024	4.125	2,037	4.375	1,716	4.25	3,149	6,902	
2025	4.125	2,121	4.375	1,791	4.25	3,283	7,195	
2026	4.125	2,208	4.375	1,869	4.25	3,422	7,499	
2027	4.125	2,297	4.375	1,939	4.25	3,568	7,804	
2028		-		-	4.25	3,719	3,719	
2029		-		-	4.25	3,877	3,877	
2030		-		-	4.25	4,022	4,022	
2031		-		-		-	-	
2032		-		-		-	-	
2033		-		-		-	-	
2034		-		-		-	-	
2035		-		-		-	-	
2036		-		-		-	-	
2037		-		-		-	-	
2038		-		-		-	-	
2039		-		-		-	-	
2040		-		-		-	-	
2041		-		-		-	-	
2042		-		-		-	-	
2043		-		-		-	-	
2044		-		-		-	-	
2045		-		-		-	-	
2046		-		-		-	-	
2047		-		-		-	-	
2048		-		-		-	-	
2049		-		-		-	-	
2050		-		-		-	-	
2051		-		-		-	-	
5052		-		-		-	-	
2053		-		-		-	-	
5054		-		-		-	-	
2055		-		-		-	-	
Total		<u>\$ 22,305</u>		<u>\$ 18,691</u>		<u>\$ 46,022</u>	<u>87,018</u>	

See accompanying independent auditor's report.

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Sewer Revenue Capital Loan Notes		
Series 2014		
Issued Sep 2, 2014		
Interest		
Rates		Amount
2.00%	\$	19,028
2.00		19,409
2.00		19,797
2.00		20,193
2.00		20,597
2.00		21,008
2.00		21,429
2.00		21,857
2.00		22,294
2.00		22,740
2.00		23,195
2.00		23,659
2.00		24,132
2.00		24,615
2.00		25,107
2.00		25,609
2.00		26,121
2.00		26,644
2.00		27,177
2.00		27,720
2.00		28,275
2.00		28,840
2.00		29,417
2.00		30,005
2.00		30,605
2.00		31,217
2.00		31,842
2.00		32,479
2.00		33,128
2.00		33,791
2.00		34,467
2.00		35,156
2.00		35,859
2.00		36,576
2.00		37,307
2.00		38,054
2.00		38,815
2.00		39,591
2.00		40,383
2.00		40,862
	\$	<u>1,149,000</u>

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**Schedule 4**

## City of Moulton

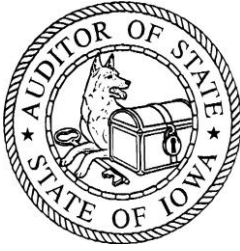
## Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Water and Waste Disposal Systems for Rural Communities	10.760		\$ 766,182
Community Facilities Loans and Grants	10.766		8,443
Total direct			<u>774,625</u>
Indirect:			
U.S. Department of Housing and Urban Development: Iowa Economic Development Authority: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	12-WS-019	82,727
Total			<u>\$ 857,352</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Moulton and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Moulton, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 24, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Moulton's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Moulton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Moulton'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 or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Moulton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 through II-C-15 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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-15 through II-G-15 to be significant deficiencies.

## Compliance and Other Matters

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

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 interpretations of those statutes.

## The City of Moulton's Responses to the Findings


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

## Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Moulton 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.

  
MARY MOSIMAN, CPA  
Auditor of State

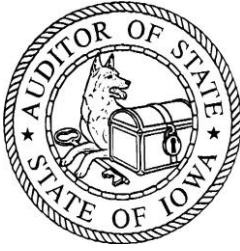
  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 24, 2016



**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**City of Moulton**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

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**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

To the Honorable Mayor and  
Members of the City Council:

**Report on Compliance for Each Major Federal Program**

We have audited the City of Moulton, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Moulton's major federal program for the year ended June 30, 2015. The City of Moulton's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Moulton's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Moulton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Moulton's compliance.

**Opinion on the Major Federal Program**

In our opinion, the City of Moulton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

The management of the City of Moulton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Moulton's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Moulton's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

The City of Moulton's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City of Moulton's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 24, 2016

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part I: Summary of the Independent Auditor's 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) Significant deficiencies and 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.
- (d) Material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Moulton did not qualify as a low-risk auditee.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions, including journal entries and having custody of City assets.
- (2) Cash – handling, reconciling and recording.
- (3) Long-term debt – recording and reconciling.
- (4) Receipts – collecting, depositing, posting and reconciling.
- (5) Utility receipts – billing, collecting, depositing and posting.
- (6) Disbursements – purchasing, check writing, check signing, recording, reconciling and mailing.
- (7) Payroll – recordkeeping, preparing, entering pay rates and distributing.
- (8) Journal entries – preparing and journalizing.
- (9) Computer system – performing all general accounting functions and controlling all data input and output.

For the Moulton EMS Inc. and the Garrett Memorial Library, one person has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.
- (3) Cash and investments – handling and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. 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. Evidence of various reviews should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

City – The City will work to segregate duties to the extent possible.

Moulton EMS, Inc. – Checks require two signatures. Elected officials will review and initial all disbursements made each month at the scheduled monthly meeting. A report will be given to the City monthly to show account balances. Payments will not be made until support is turned in and approved at the monthly meeting. The President, Assistant Director and Treasurer will do deposits into the accounts.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Garrett Memorial Library – The Library Board reviews and initials all disbursements before payment by the Treasurer. All receipts are received by the library Director. Deposits are made by the Director. Monthly reconciling is done by the Treasurer verifying cash and bank accounts. All accounting reports are furnished monthly to the Library Board and the City Council. The Library Board Treasurer reviews and initials all monthly time cards before payment is made.

Conclusions –

City – Response accepted.

Moulton EMS, Inc. – Response accepted.

Garrett Memorial Library – Response acknowledged. Evidence of reviews should be documented by the signature or initials of the reviewer and the date of review.

- II-B-15 Bank Reconciliations – Although monthly bank reconciliations were prepared using the accounting system, the reconciliations included only the checking accounts and did not include other reconciling items necessary to reconcile with the monthly financial reports.

Recommendation – To provide better control over financial transactions and overall accountability, monthly bank reconciliations which include all checking accounts, petty cash and reconciling items should be prepared. The reconciliations should agree with the fund and account balances on the Clerk/Treasurer's monthly financial report.

Response – The bank cash report now includes all accounts. The Mayor or Mayor Pro-Tem reviews the bank statements and reports and initials and dates them.

Conclusion – Response accepted.

- II-C-15 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or a City Council designated person should review the reconciliations and monitor delinquencies. The review should be documented by the signature or initials of the reviewer and the date of review.

Response – Utility billings, collections and delinquent accounts are now reconciled at the end of each month. The Mayor or Mayor Pro-Tem reviews, initials and dates the reconciliations.

Conclusion – Response accepted.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-D-15 Computer System – During our review of internal control, the existing control activities in the City’s computer system were evaluated. The City does not have a policy requiring users to change passwords periodically.

Also, while the City has a written disaster recovery plan, the plan does not contain the following elements:

- Steps for recovery of the system.
- Identification of temporary business locations.
- Requirements for supplies and copies of policies and procedures to be kept offsite.
- Inventory of hardware and software.

In addition, there is no evidence the plan is tested or distributed to all City employees.

Recommendation – The City should develop a written policy requiring users to change passwords periodically. The City should also modify the disaster recovery plan to include the items listed above and, once complete, the plan should be distributed to City officials and employees and tested periodically.

Response – The City will put together a policy for continuing effectiveness of the office and financial security in the event of a disaster. Also a policy requiring passwords to be changed every 60 to 90 days will be adopted.

Conclusion – Response accepted.

II-E-15 Payroll – Vacation and sick leave balances are not periodically reviewed by an independent person. Furthermore, there is no policy regarding payout of unused vacation or sick leave. Additionally, certain vacation balances exceed policy limits.

Recommendation – Vacation and sick leave balances should be reviewed periodically by an independent person. Evidence of review should be documented by the signature or initials of the reviewer and the date of the review. Furthermore, the City should develop a policy regarding the payout of unused vacation or sick leave. Also, the City should ensure vacation balances in excess of policy limits are approved, as permitted by the policy.

Response – The City is currently revising the vacation and sick leave policy. The City Council will be reviewing vacation and sick leave quarterly.

Conclusion – Response accepted.



City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-F-15 Credit Cards – The City adopted a formal policy to regulate the use of credit cards, effective June 23, 2015. However, the City has not established procedures for the proper accounting for credit card charges.

Recommendation – The City should develop procedures to properly account for and review credit card charges.

Response – Currently, the Mayor or Mayor Pro-Tem reviews all credit card statements and supporting invoices monthly. They will initial and date the statements to document their review.

Conclusion – Response accepted.

II-G-15 Accounting Procedures Manual – The City does not have an accounting policies and procedures manual, or formalized policies and procedures, for all major operations of the city.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Response – The City will develop an accounting policies and procedures manual as well as policies and procedures for other major operations of the City.

Conclusion – Response accepted.

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 10.760: Water and Waste Disposal Systems for Rural Communities  
Federal Award Year: 2014  
U.S. Department of Agriculture**

III-A-15 (2015-001) Segregation of Duties – The City did not properly segregate custody, record-keeping and reconciling functions for receipts and disbursements, including those related to federal programs. See item II-A-15.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety and business type activities functions prior to the budget amendment. At June 30, 2015, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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 City will watch this closer.

Conclusion – Response accepted.

IV-B-15 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

IV-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>
Roger Houser, Utility Superintendent, Owner of Houser Ref & AC	Water heater vent blower	\$ 213

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with the Utility Superintendent does not appear to represent a conflict of interest since the total transactions with the individual were less than \$1,500 during the year.

IV-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 the coverage is adequate for current operations.

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

IV-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-H-15 Revenue Notes – No instances of non-compliance with the revenue note resolution were noted.

IV-I-15 Separately Maintained Records – The Garrett Memorial Library maintains a bank account separate from the City Clerk’s accounting records. The transactions and resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget or monthly financial reports. However, the transactions and the resulting balances are included in these financial statements. In addition, although it was evident claims were approved by the Board, a listing of detailed claims was not prepared for review.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and annual budget and should be reported to the City Council on a monthly basis.

Response – The City has started to receive copies of bank statements, checks, paid invoices, income and minutes from the library.

Conclusion – Response acknowledged. For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and annual budget and should be reported to the City Council on a monthly basis.

IV-J-15 Loan Agreement – During the year, the City entered into a bank loan for \$15,000. The City did not comply with the provisions of Chapters 384.24A and 384.25 of the Code of Iowa which require certain authorization procedures to be followed, including publication of a notice of intended action and the time and place of the meeting to approve the intended action.

Recommendation – The City should comply with Chapters 384.24A and 384.25 of the Code of Iowa when entering into loan agreements.

Response – The City will contact the City Attorney before borrowing money in the future.

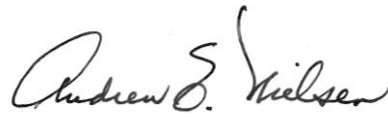
Conclusion – Response acknowledged. The City should comply with Chapters 384.24A and 384.25 of the Code of Iowa when entering into loan agreements.

City of Moulton

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Laura M. Wernimont, Senior Auditor  
Alex M. Kawamura, Assistant Auditor  
Anthony J. T. Mallie, CPA, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State