

City of Mt. Pleasant

**Independent Auditor's Reports
Financial Statements and Supplementary Information
Auditor's Report on Compliance
Comments and Recommendations**

June 30, 2004

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City of Mt. Pleasant

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Freeland	Mayor	January, 2006
Steve Brimhall	Council Member	January, 2008
Steve Engberg	Council Member	January, 2008
Matthew Crull	Council Member	January, 2008
Joe Beames	Council Member	January, 2006
Stan Curtis	Council Member	January, 2006
Bob Griffith	Council Member	January, 2006
Brent Schleisman	City Administrator	Not Elected
Florence Olomon	City Clerk/Treasurer	Not Elected
Tammy Detrick	Deputy Clerk	Not Elected
Terry Sammons	Chief of Police	Not Elected
Stewart Kinney	Fire Chief	Not Elected

James Walker, CPA
James Egerton, CPA
Kimberly Hunsaker, CPA
Melodee Walker, CPA
Stephanie Hoschek, CPA
William Hesse, LPA



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Independent Auditor's Report

To the Honorable Mayor and Members of City Council
City of Mt. Pleasant, Iowa

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 Mt. Pleasant, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Mt. Pleasant's management. 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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 Mt. Pleasant as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 13, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our reports dated September 15, 2004 on our consideration of the City of Mt. Pleasant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 9 and budgetary comparison information on pages 23-24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Mt. Pleasant's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which is presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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September 15, 2004

City of Mt. Pleasant Management's Discussion and Analysis

The City of Mt. Pleasant provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 15.0%, or approximately \$892,300, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$37,000.
- Disbursements increased 52.4%, or approximately \$3,698,300 in fiscal 2004 from fiscal 2003. Debt service disbursements increased approximately \$1,544,000. Capital projects increased \$2,046,600.
- The City's total cash basis net assets (governmental activities) decreased more than 19%, or approximately \$1,138,800, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government wide statement by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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.

Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sewer and solid waste system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains the Enterprise Funds to provide information for the sewer, and solid waste funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$6.01 million to \$4.87 million. The analysis that follows focuses on the changes in cash balance for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	Year ended June 30,	
	2004	2003
Receipts and transfers:		
Property tax	\$ 2,665	\$ 2,234
Tax increment financing collections	365	328
Local option sales tax	629	473
Road use funds	729	712
Grants and reimbursements	379	621
Property tax replacement	-	100
Use of money and property	186	182
Charges for services	319	309
Other receipts	1,548	940
Bond proceeds	2,929	3,910
Transfers, net	<u>(138)</u>	<u>(97)</u>
Total receipts and transfers	<u>9,611</u>	<u>9,712</u>
Disbursements:		
Public safety	1,029	937
Public works	535	549
Health and social services	3	6
Culture and recreation	1,004	932
Community and economic development	178	226
General government	561	556
Debt service	3,109	1,565
Capital projects	<u>4,331</u>	<u>2,284</u>
Total disbursements	<u>10,750</u>	<u>7,055</u>
Increase (decrease) in cash basis net assets	(1,139)	2,657
Cash basis net assets beginning of year	<u>6,012</u>	<u>3,355</u>
Cash basis net assets end of year	<u>\$ 4,873</u>	<u>\$ 6,012</u>

The City's total receipts for governmental activities decreased by 1.0% , or \$101,000. The total cost of all programs and services increased by approximately \$3,698,300 or 52%, with no new programs added this year.

The cost of all governmental activities this year was \$10.75 million compared to \$7.05 million last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was only \$9.90 million because some of the cost was paid by those directly benefited from the programs (\$455,800) or by other governments and organizations that subsidized certain programs with grants and contributions (\$379,400). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$9,909,300 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	Year Ended June 30,	
	<u>2004</u>	<u>2003</u>
Program receipts		
Solid waste charges	\$ 296	\$ 300
Sewer charges	1,392	1,416
Miscellaneous	23	74
Bond proceeds	101	5
Transfers	<u>138</u>	<u>97</u>
Total receipts	<u>1,950</u>	<u>1,892</u>
Disbursements and transfers:		
Solid waste	266	277
Sewer	<u>1,488</u>	<u>1,524</u>
Total disbursements and transfers	<u>1,754</u>	<u>1,801</u>
Increase in cash balance	196	91
Cash basis net assets beginning of year	<u>1,633</u>	<u>1,542</u>
Cash basis net assets end of year	<u>\$ 1,829</u>	<u>\$ 1,633</u>

Total business type activities receipts for the fiscal year were \$1.95 million compared to \$1.89 million last year. This increase was due primarily to the receipt of bond proceeds. The cash balance increased by approximately \$195,900 from the prior year because most of the bond proceeds received will not be spent until future years.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

Governmental Funds

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$792,600, an increase of \$309,800 from the prior year. The increase is largely due to the reduction in personnel and a conscious effort on the part of the City council and staff to decrease expenditures. Planned increases in intergovernmental fees, licenses and permits and charges for services to off-set mandated reductions in State revenues contributed to the increased General Fund balance.

- The Road Use Tax Fund cash balance increased by \$47,000 to \$756,000 during the fiscal year. This was largely because of City Council's decisions not to fill two full time positions that became vacant in the Public Works Department.
- The Local Option Sales Tax - \$235,000 was used to pay the bond payment for the Aquatic Center. \$124,278 was used in the debt service fund and the remaining \$271,300 was used in the General Fund for capital equipment purchases and to keep the City's levy rate from increasing.

Proprietary Funds

The cash balance of the Enterprise Funds increased by approximately \$196,000 to \$1,828,800.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on May 20, 2004 and resulted in an increase in operating disbursements. The City achieved it's goal of attaining a General Fund balance of a minimum of 25% of General Fund expenditures.

The City began a six million dollar construction project with voter support to convert the vacant high school building that is on the National Register of historical places into a library and community center. The project is a cooperative effort with construction funds coming from local donations, general obligation and TIF bonds, and a Vision Iowa grant.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$23,102,500 in bonds and other long-term debt, compared to approximately \$24,607,900 last year, as shown below.

Outstanding debt at year-end (in thousands) (Expressed in Thousands)	June 30,	
	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 9,595	\$ 9,265
Revenue bonds	11,790	12,086
Capital loan notes	42	17
Urban renewal tax increment financing	<u>1,675</u>	<u>3,240</u>
Total	<u>\$ 23,102</u>	<u>\$ 24,608</u>

Debt decreased as a result of issuing general obligation bonds to refund TIF bonds having higher interest rates. In addition, the City issued urban renewal tax increment financing revenue bonds for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City approved by voters.

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding combined general obligation debt and urban renewal tax increment financing revenue bonds of \$11.31 million is below its constitutional debt limit of \$16.07 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the County now stands at 5.6 percent. This compares with the State's unemployment rate of 4.7 percent and the national rate of 5.4 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. The discussions that a change could be made in the formula that the State uses to allocate the Road Use Tax funds was also considered. Amounts available for appropriations in the operating budget are conservative as usual. The City will use any increases in receipts to finance programs we currently offer and to defray the costs (unknown at budget time) of operating the new 70,000 square foot library and community center that will be operational mid-year. Budgeted disbursements are expected to remain similar for one more year while finishing construction of the \$6.2 million library and community center project.

If these estimates are realized, the City's budgeted cash balance is expected to remain constant. Several local industries are just completing or will begin expansions shortly. If additional requests for assistance with infrastructure are received, the City's cash balance could be impacted.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the City Clerk, City of Mt. Pleasant, 220 W. Monroe St, Mt. Pleasant, Iowa 52641.

Respectfully submitted,

Brent Schleisman
City Administrator

City of Mt. Pleasant
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2004

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 1,028,699	\$ 66,769	\$ 53,090	\$ -	\$ (908,840)	\$ -	\$ (908,840)
Public works	535,225	-	-	-	(535,225)	-	(535,225)
Health and social services	3,000	-	-	-	(3,000)	-	(3,000)
Culture and recreation	1,003,641	310,254	35,222	270,338	(387,827)	-	(387,827)
Community and economic development	178,258	-	-	20,733	(157,525)	-	(157,525)
General government	561,336	78,770	-	-	(482,566)	-	(482,566)
Debt service	3,109,457	-	-	-	(3,109,457)	-	(3,109,457)
Capital projects	4,330,866	-	-	-	(4,330,866)	-	(4,330,866)
Total government activities	<u>10,750,482</u>	<u>455,793</u>	<u>88,312</u>	<u>291,071</u>	<u>(9,909,306)</u>	<u>-</u>	<u>(9,909,306)</u>
Business type activities							
Sewer	1,486,580	1,392,196	-	-	-	(94,384)	94,384
Solid waste	266,311	295,630	-	-	-	29,319	(29,319)
Total business type activities	<u>1,752,891</u>	<u>1,687,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,065)</u>	<u>65,065</u>
Total	<u>\$ 12,503,373</u>	<u>\$ 2,143,619</u>	<u>\$ 88,312</u>	<u>\$ 291,071</u>	<u>(9,909,306)</u>	<u>(65,065)</u>	<u>(9,974,371)</u>
General Receipts:							
Property tax levied for:							
General purposes					1,671,643	-	1,671,643
Tax increment financing					365,003	-	365,003
Debt service					993,234	-	993,234
Local option sales tax					628,866	-	628,866
Other city taxes					208,384	-	208,384
Road use tax					728,849	-	728,849
Unrestricted investment earnings					98,622	6,428	105,050
Bond proceeds					2,928,920	-	2,928,920
Transfers					(137,539)	137,539	-
Miscellaneous					1,284,499	116,999	1,401,498
Total general receipts and transfers					<u>8,770,481</u>	<u>260,966</u>	<u>9,031,447</u>
Change in cash basis net assets					(1,138,825)	195,901	(942,924)
Cash basis net assets beginning of year					<u>6,012,097</u>	<u>1,632,854</u>	<u>7,644,951</u>
Cash basis net assets end of year					<u>\$ 4,873,272</u>	<u>\$ 1,828,755</u>	<u>\$ 6,702,027</u>
Cash Basis Net Assets							
Restricted:							
Streets					\$ 755,929	\$ -	\$ 755,929
Sales Tax					291,439	-	291,439
Other purposes					152,336	-	152,336
Unrestricted					<u>3,673,568</u>	<u>1,828,755</u>	<u>5,502,323</u>
Total cash basis net assets					<u>\$ 4,873,272</u>	<u>\$ 1,828,755</u>	<u>\$ 6,702,027</u>

See notes to financial statements.

City of Mt. Pleasant
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2004

	Special Revenue						Other Nonmajor Governmental	Total
	General	Road Use	Sales Tax	TIF	Debt Service	Capital Projects		
Receipts:								
Property tax	\$ 1,671,643	\$ -	\$ -	\$ -	\$ 993,234	\$ -	\$ -	\$ 2,664,877
Tax increment financing collections	-	-	-	365,003	-	-	-	365,003
Other taxes	208,384	-	628,866	-	-	-	-	837,250
Use of money and property	111,223	-	1,822	17,237	-	55,840	-	186,122
License and permits	73,681	-	-	-	-	-	-	73,681
Intergovernmental	58,422	728,849	-	-	-	533,419	62,230	1,382,920
Charges for services	312,184	-	-	-	-	-	6,882	319,066
Special assessments	18,156	-	-	-	-	-	-	18,156
Miscellaneous	153,569	-	-	-	-	756,944	62,688	973,201
Total receipts	<u>2,607,262</u>	<u>728,849</u>	<u>630,688</u>	<u>382,240</u>	<u>993,234</u>	<u>1,346,203</u>	<u>131,800</u>	<u>6,820,276</u>
Disbursements:								
Operating:								
Public safety	1,028,699	-	-	-	-	-	-	1,028,699
Public works	15,941	519,284	-	-	-	-	-	535,225
Health and social services	3,000	-	-	-	-	-	-	3,000
Culture and recreation	685,184	-	-	-	-	-	318,457	1,003,641
Community and economic development	76,440	-	-	43,716	-	-	58,102	178,258
General government	399,034	162,302	-	-	-	-	-	561,336
Debt service	-	-	-	-	3,109,457	-	-	3,109,457
Capital projects	-	-	-	-	-	4,330,866	-	4,330,866
Total disbursements	<u>2,208,298</u>	<u>681,586</u>	<u>-</u>	<u>43,716</u>	<u>3,109,457</u>	<u>4,330,866</u>	<u>376,559</u>	<u>10,750,482</u>
Excess of receipts over disbursements	398,964	47,263	630,688	338,524	(2,116,223)	(2,984,663)	(244,759)	(3,930,206)
Other financing sources (uses):								
Bond proceeds	1,287,420	-	-	1,641,500	-	-	-	2,928,920
Operating transfers in (out)	<u>(1,376,580)</u>	<u>-</u>	<u>(360,845)</u>	<u>(799,460)</u>	<u>2,084,528</u>	<u>107,265</u>	<u>207,553</u>	<u>(137,539)</u>
Net change in cash balances	309,804	47,263	269,843	1,180,564	(31,695)	(2,877,398)	(37,206)	(1,138,825)
Cash balances beginning of year	<u>482,757</u>	<u>708,666</u>	<u>21,596</u>	<u>50,667</u>	<u>200,432</u>	<u>4,293,705</u>	<u>254,274</u>	<u>6,012,097</u>
Cash balances end of year	<u>\$ 792,561</u>	<u>\$ 755,929</u>	<u>\$ 291,439</u>	<u>\$ 1,231,231</u>	<u>\$ 168,737</u>	<u>\$ 1,416,307</u>	<u>\$ 217,068</u>	<u>\$ 4,873,272</u>
Cash Basis Fund Balances								
Reserved:								
Debt service	\$ -	\$ -	\$ -	\$ 1,231,231	\$ 168,737	\$ -	\$ -	\$ 1,399,968
Unreserved:								
General fund	792,561	-	-	-	-	-	-	792,561
Special revenue fund	-	755,929	291,439	-	-	-	217,068	1,264,436
Capital projects fund	-	-	-	-	-	1,416,307	-	1,416,307
Total cash basis fund balances	<u>\$ 792,561</u>	<u>\$ 755,929</u>	<u>\$ 291,439</u>	<u>\$ 1,231,231</u>	<u>\$ 168,737</u>	<u>\$ 1,416,307</u>	<u>\$ 217,068</u>	<u>\$ 4,873,272</u>

See notes to financial statements.

City of Mt. Pleasant
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2004

	Enterprise Funds				
	<u>Sewer Revenue</u>	<u>Sewer Plant Improvement</u>	<u>Sewer Capital Projects</u>	<u>Solid Waste</u>	<u>Total</u>
Receipts:					
Use of money and property:					
Charges for services	\$ 1,392,196	\$ -	\$ -	\$ 295,630	\$ 1,687,826
Interest	6,038	-	-	390	6,428
Intergovernmental:					
MHI share of 1988 project	10,000	-	-	-	10,000
Miscellaneous	<u>5,848</u>	<u>-</u>	<u>-</u>	<u>576</u>	<u>6,424</u>
Total receipts	<u>1,414,082</u>	<u>-</u>	<u>-</u>	<u>296,596</u>	<u>1,710,678</u>
Disbursements:					
Public works	26,354	-	-	14,571	40,925
General government	150,532	-	-	56,448	206,980
Debt service	-	-	861,588	-	861,588
Capital projects	-	37,890	-	-	37,890
Business type activities	<u>410,216</u>	<u>-</u>	<u>-</u>	<u>195,292</u>	<u>605,508</u>
Total disbursements	<u>587,102</u>	<u>37,890</u>	<u>861,588</u>	<u>266,311</u>	<u>1,752,891</u>
Excess (deficiency) of receipts over disbursements	<u>826,980</u>	<u>(37,890)</u>	<u>(861,588)</u>	<u>30,285</u>	<u>(42,213)</u>
Other financing sources (uses):					
Bond proceeds	-	100,575	-	-	100,575
Operating transfers in	578,098	143,336	956,968	-	1,678,402
Operating transfers out	<u>(1,414,052)</u>	<u>(85,951)</u>	<u>(40,860)</u>	<u>-</u>	<u>(1,540,863)</u>
Net transfers	<u>(835,954)</u>	<u>57,385</u>	<u>916,108</u>	<u>-</u>	<u>137,539</u>
Total other financing sources (uses)	<u>(835,954)</u>	<u>157,960</u>	<u>916,108</u>	<u>-</u>	<u>238,114</u>
Net change in cash balances	(8,974)	120,070	54,520	30,285	195,901
Cash balances, beginning of year	<u>9,057</u>	<u>490,653</u>	<u>1,020,099</u>	<u>113,045</u>	<u>1,632,854</u>
Cash balances, end of year	<u>\$ 83</u>	<u>\$ 610,723</u>	<u>\$ 1,074,619</u>	<u>\$ 143,330</u>	<u>\$ 1,828,755</u>
Cash Basis Fund Balances					
Reserved for equipment replacement	\$ -	\$ 610,723	\$ 962,659	\$ -	\$ 1,573,382
Unreserved	<u>83</u>	<u>-</u>	<u>111,960</u>	<u>143,330</u>	<u>255,373</u>
Total cash basis fund balances	<u>\$ 83</u>	<u>\$ 610,723</u>	<u>\$ 1,074,619</u>	<u>\$ 143,330</u>	<u>\$ 1,828,755</u>

See notes to financial statements.

City of Mt. Pleasant
Notes to Financial Statements
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies

The City of Mt. Pleasant is a political subdivision of the State of Iowa located in Henry County. It was first incorporated in 1851 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, recreation, community and economic development and general government services. The City also provides solid waste and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Mt. Pleasant 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.

Component Unit

Mt. Pleasant Municipal Utilities is a component unit of the City of Mt. Pleasant. The City Council appoints the Board of Trustees of the Mt. Pleasant Utilities. However, since Mt. Pleasant Municipal Utilities operates under the accrual method of accounting and the City of Mt. Pleasant operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements.

The financial statements of the Municipal Utilities are available at the utilities office, 509 N. Adams Street, Mt. Pleasant, Iowa.

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: Mt. Pleasant Area Development Commission, Henry County Conference Board, Henry County 911 Board, Southeast Iowa Regional Planning Commission, Henry County Emergency Management Commission, Henry County Street & Road Classification Board.

City of Mt. Pleasant
Notes to Financial Statements
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets 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 Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets 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 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 Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

City of Mt. Pleasant
Notes to Financial Statements
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

Special Revenue (continued):

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste collection system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Measurement Focus and Basis of Accounting

The City of Mt. Pleasant 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.

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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, no disbursements exceeded the amounts budgeted in the general government and business type activities functions.

The budget adopted includes the City and the Mt. Pleasant Municipal Utilities (component unit). However, for purposes of these financial statements, only the portion applicable to the City is included.

City of Mt. Pleasant
Notes to Financial Statements
Year Ended June 30, 2004

Note 2. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$97,800, \$95,900, and \$95,800, respectively, equal to the required contributions for each year.

International City Management Association

The Iowa Public Employees Retirement System regulations allows City Administrators to exempt themselves from participating in the state retirement system. Therefore, the City has made a retirement contribution to the ICMA retirement system for the City Administrator which allows a contribution up to 25% of salary with a maximum of \$12,000. For the years ended June 30, 2004, 2003, and 2002, these contributions totaled \$3,657, \$3,527, and \$3,333, respectively.

Note 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, general obligation capital loan notes, urban renewal tax increment financial bonds, tax increment capital loan notes, and sewer revenue bond anticipation notes are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Urban Renewal Tax Increment Financing Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,340,000	\$ 342,398	\$ -	\$ 67,095
2006	1,040,000	313,692	-	67,095
2007	845,000	281,641	-	67,095
2008	995,000	252,643	-	67,095
2009	1,005,000	215,259	-	67,095
2010	970,000	176,906	-	67,095
2011-2014	1,335,000	471,875	400,000	246,783
2015-2019	1,225,000	313,820	645,000	220,360
2020-2025	<u>840,000</u>	<u>90,398</u>	<u>630,000</u>	<u>68,140</u>
	<u>\$9,595,000</u>	<u>\$2,458,632</u>	<u>\$1,675,000</u>	<u>\$ 937,853</u>

City of Mt. Pleasant
Notes to Financial Statements
Year Ended June 30, 2004

Note 3. Bonds and Notes Payable (continued)

Year Ending June 30,	Other Debt		Sewer Revenue Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 19,468	\$ 935	\$ 309,000	\$ 553,068	\$ 1,668,468	\$ 963,496
2006	11,000	667	322,000	539,996	1,373,000	921,450
2007	12,000	360	336,000	526,375	1,193,000	875,471
2008	-	-	350,000	512,162	1,345,000	831,900
2009	-	-	365,000	497,358	1,370,000	779,712
2010-2014	-	-	2,066,000	2,241,998	4,771,000	3,204,657
2015-2019	-	-	2,542,000	1,766,462	4,412,000	2,300,642
2020-2024	-	-	2,590,000	1,179,240	4,060,000	1,337,778
2025-2029	-	-	2,910,000	433,100	2,910,000	433,100
	<u>\$ 42,468</u>	<u>\$ 1,962</u>	<u>\$ 11,790,000</u>	<u>\$ 8,249,759</u>	<u>\$ 23,102,468</u>	<u>\$ 11,648,206</u>

The urban renewal tax increment capital loan notes and revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The notes and bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment capital loan notes and revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes and bonds are not general obligations of the City, however the debt is subject to the constitutional debt limitation of the City.

The City issued urban renewal tax increment revenue bonds for a total amount of \$1,675,000. Among the requirements of these issues is the City maintain a reserve fund equal to the lesser of the maximum annual amount of the principal and interest coming due on the bonds or 10 percent of the stated principal amount of the bonds. On June 30, 2004, the City had a balance of \$167,500 in the reserve fund.

The resolutions providing for the issuance of the sewer revenue bond include the following provisions:

- (a) The bonds will only be redeemed from the 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 separate sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- (c) Sufficient monthly transfers shall be made to separate sewer revenue bond sinking accounts for the purpose of making the note principal and interest payments when due.
- (d) Additional monthly transfers of \$5,000 to sewer improvement accounts shall be made until a minimum balance of \$250,000 has been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

The amount required to be set aside as of June 30, 2004, would be approximately \$1,087,250. The account has a balance at June 30, 2004 of approximately \$962,700.

City of Mt. Pleasant
Notes to Financial Statements
Year Ended June 30, 2004

Note 3. Bonds and Notes Payable (continued)

The City has entered into an irrevocable trust agreement with an escrow agent to provide for all future debt service payments on certain bonds. The trust will purchase U.S. Obligations to be used to provide for the debt service payments. As a result, the bonds are considered defeased and the liability has been removed from the statement of indebtedness. On June 30, 2004, \$885,000 of bonds outstanding are considered defeased.

Note 4. Cash and Investments

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

The 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's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1 which means that the investments are insured or registered or the securities are held by the City or it's agent in the City's name.

The City's investments at June 30, 2004 are as follows:

	<u>Fair Value</u>
U.S. Government Securities	\$5,175

In addition, the City has investments in the Iowa Public Agency Investment Trust with a carrying and market value of \$820,000 at June 30, 2004 that are not subject to risk categorization.

Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2004, primarily relating to the General Fund, is \$123,200.

City employees accumulate sick leave up to a maximum of 90 days. If not used, this sick leave is otherwise lost except upon retirement when an employee may convert up to 30 days of unused sick leave to separation pay. The maximum liability to the City at June 30, 2004 was \$382,900.

Police Department employees accumulate holiday time. The maximum liability for accumulated holiday time at June 30, 2004 was \$2,200.

The above liabilities have been computed based on rates of pay as of June 30, 2004.

City of Mt. Pleasant
Notes to Financial Statements
Year Ended June 30, 2004

Note 6. Risk Management

The City of Mt. Pleasant is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 475 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool, fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administration expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City of Mt. Pleasant's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Mt. Pleasant's annual contribution to the Pool for the year ended June 30, 2004 was approximately \$108,700.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability for risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

City of Mt. Pleasant
Notes to Financial Statements
Year Ended June 30, 2004

Note 6. Risk Management (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Mt. Pleasant also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation and various types of liability insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7. Related Party Transactions

No transactions were noted during the course of the audit between the City and City officials. The Mt. Pleasant Municipal Utility Company pays the City on an annual basis for use of the facilities. This amounted to \$87,500 for the year ended June 30, 2004 and is included as revenue in the general fund.

Note 8. Commitments

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City at June 30, 2004 are as follows:

Library	\$ 3,051,000
Recreation trail	413,300
Street construction	598,400
Airport apron	71,700
Sewer improvements	<u>28,000</u>
	<u>\$ 4,162,400</u>

Note 9. Joint Venture

The City is a participant in the Des Moines County Regional Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the fifteen-member board. Financial statements of the Waste Commission are available at the Commission office, 1818 West Burlington Avenue, Burlington, Iowa.

City of Mt. Pleasant
Notes to Financial Statements
Year Ended June 30, 2004

Note 10. Conduit Debt Obligations

The City has, in the past, assisted in several issues of industrial revenue bonds, issued for the purposes of constructing privately owned manufacturing and other related facilities within the City. The bonds are not direct or contingent liabilities of the City, as the revenue from lease agreements and properly purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can only look to these sources for repayment. The following are the outstanding issues in which the City assisted:

<u>Company</u>	<u>Type</u>	<u>Year Issued</u>	<u>Amount Issued</u>
Vega Industries	Revenue	1976	\$ 900,000
Medical Clinic Rev Notes	Revenue	1977	175,000
SAI Corp.	Revenue	1977	1,000,000
Vega Industries	Revenue	1978	700,000
Vega Industries	Revenue	1979	1,000,000
Twin City Corp/Mackay Envelope	Revenue	1979	356,000
Metromail, Series A	Revenue	1980	500,000
Metromail, Series B	Revenue	1980	4,000,000
Vega Industries	Revenue	1981	2,865,000
Vega Industries	Revenue	1981	5,000,000
Twin City Corp/Makay Envelope	Revenue	1982	300,000
Twin City Corp/Makay Envelope	Revenue	1982	200,000
Heatilator	Revenue	1982	3,700,000
Pioneer	Revenue	1983	1,000,000
City Carton	Revenue	1984	350,000
Wal-Mart	Revenue	1984	10,000,000
Lomont Molding, Inc.	Revenue	1985	1,400,000

The City has issued \$2,000,000 of Private College Taxable Refunding Bonds and \$2,200,000 of Private College Non-taxable Refunding Bonds pursuant to the provisions of Chapter 419 of the Code of Iowa. Bonds and interest thereon are payable solely out of revenues derived from the financing of the Iowa Wesleyan College project and shall never constitute an indebtedness to the City.

Note 11. Donated Electricity and Water

The City is not billed for electricity and water usage or service and materials provided by the Mt. Pleasant Municipal Utilities during the year. The meters of the City are read monthly and the resulting amount computed at normal rates is considered to be a donation from the Municipal Utilities. During the year ended June 30, 2004, services donated by the utilities to the City totaled approximately \$171,000 and \$7,000 for the electric and water funds, respectively.

Note 12. Public Safety Agreement

The City has an agreement with Henry County where the County provides dispatching services for the City of Mt. Pleasant. The City pays \$69,600 per year and the contract is cancelable by either party.

City of Mt. Pleasant
Notes to Financial Statements
Year Ended June 30, 2004

Note 13. Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Note 14. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to:	
Library operations	\$ 230,493
Sewer funds	137,539
Capital projects	107,265
Debt service	<u>2,084,528</u>
	\$ <u>2,559,825</u>
Transfer from:	
General fund	\$ 1,376,580
Special revenue funds	22,940
Local option	360,845
TIF funds	<u>799,460</u>
	\$ <u>2,559,825</u>

City of Mt. Pleasant
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Actual to Budget
Year Ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Net</u>	Budgeted <u>Original</u>	Amounts <u>Final</u>	Final to Net <u>Variance</u>
Receipts:							
Property tax	\$ 2,664,877	\$ -	\$ -	\$ 2,664,877	\$ 2,535,987	\$ 2,653,471	\$ 11,406
Tax increment financing collections	365,003	-	-	365,003	337,868	446,298	(81,295)
Other city taxes	837,250	-	-	837,250	625,058	744,000	93,250
Use of money and property	186,122	6,428	-	192,550	87,860	77,174	115,376
Licenses and permits	73,681	-	-	73,681	28,550	76,017	(2,336)
Intergovernmental	1,382,920	10,000	-	1,382,920	1,165,688	1,213,338	169,582
Charges for service	319,066	1,687,826	-	2,006,892	1,105,445	998,787	1,008,105
Special assessments	18,156	-	-	18,156	5,000	18,000	156
Miscellaneous	973,201	6,424	48,197	931,428	4,380,920	1,432,401	(500,973)
Total receipts	<u>6,820,276</u>	<u>1,710,678</u>	<u>48,197</u>	<u>8,472,757</u>	<u>10,272,376</u>	<u>7,659,486</u>	<u>813,271</u>
Disbursements:							
Public safety	1,028,699	-	-	1,028,699	1,086,076	1,086,076	57,377
Public works	535,225	40,925	-	535,225	507,865	620,444	85,219
Health and social services	3,000	-	-	3,000	6,000	3,000	-
Culture and recreation	1,003,641	-	54,731	948,910	675,619	1,059,404	110,494
Community and economic development	178,258	-	-	178,258	197,010	284,966	106,708
General government	561,336	206,980	-	561,336	667,013	667,013	105,677
Debt service	3,109,457	861,588	-	3,109,457	1,790,028	3,110,233	776
Capital projects	4,330,866	37,890	-	4,330,866	4,354,324	5,434,324	1,103,458
Business type activities	-	605,508	-	605,508	1,686,054	1,916,546	1,311,038
Total disbursements	<u>10,750,482</u>	<u>1,752,891</u>	<u>54,731</u>	<u>11,301,259</u>	<u>10,969,989</u>	<u>14,182,006</u>	<u>2,880,747</u>
Excess (deficiency) of receipts over disbursements	(3,930,206)	(42,213)	(6,534)	(2,828,502)	(697,613)	(6,522,520)	
Other financing sources	<u>2,791,381</u>	<u>238,114</u>	<u>-</u>	<u>3,029,495</u>	<u>969,573</u>	<u>3,608,993</u>	
Net change in cash balances	(1,138,825)	195,901	(6,534)	200,993	271,960	(2,913,527)	
Balances beginning of year	<u>6,012,097</u>	<u>1,632,854</u>	<u>69,835</u>	<u>7,575,116</u>	<u>5,704,964</u>	<u>8,890,451</u>	
Balances end of year	<u>\$ 4,873,272</u>	<u>\$ 1,828,755</u>	<u>\$ 63,301</u>	<u>\$ 7,776,109</u>	<u>\$ 5,976,924</u>	<u>\$ 5,976,924</u>	

See accompanying independent auditor's report.

City of Mt. Pleasant
Notes to Required Supplementary Information - Budgetary Reporting
June 30, 2004

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 blended component units, Internal Service, non-expendable trust, and agency funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. 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 budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$3,212,017. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

City of Mt. Pleasant
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

	<u>Library Operations</u>	<u>HUD Special Purpose Grant</u>	<u>Library Bequests</u>	<u>Old Forest Cemetery</u>	<u>Other Programs</u>	<u>Total</u>
Receipts:						
Charges for services	\$ 6,882	\$ -	\$ -	\$ -	\$ -	\$ 6,882
Miscellaneous	6,041	8,450	6,225	3,670	38,302	62,688
Intergovernmental:						
County allocation	15,844	-	-	-	-	15,844
Grants	<u>5,659</u>	<u>40,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,386</u>
	<u>21,503</u>	<u>40,727</u>	<u>6,225</u>	<u>3,670</u>	<u>38,302</u>	<u>62,230</u>
Total receipts	<u>34,426</u>	<u>49,177</u>	<u>6,225</u>	<u>3,670</u>	<u>38,302</u>	<u>131,800</u>
Disbursements:						
Culture and recreation	263,726	-	20,471	-	34,260	318,457
Community and economic development	<u>-</u>	<u>58,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,102</u>
Total disbursements	<u>263,726</u>	<u>58,102</u>	<u>20,471</u>	<u>-</u>	<u>34,260</u>	<u>376,559</u>
Excess (deficiency) of receipts over disbursements	(229,300)	(8,925)	(14,246)	3,670	4,042	(244,759)
Other financing sources (uses):						
Operating transfers in	230,493	-	-	-	-	230,493
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,940)</u>	<u>(22,940)</u>
	<u>230,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,940)</u>	<u>207,553</u>
Net change in cash balances	1,193	(8,925)	(14,246)	3,670	(18,898)	(37,206)
Cash balances, beginning of year	<u>1,062</u>	<u>71,402</u>	<u>57,326</u>	<u>98,090</u>	<u>26,394</u>	<u>254,274</u>
Cash balances, end of year	<u>\$ 2,255</u>	<u>\$ 62,477</u>	<u>\$ 43,080</u>	<u>\$ 101,760</u>	<u>\$ 7,496</u>	<u>\$ 217,068</u>

See accompanying independent auditor's report.

**City of Mt. Pleasant
Statement of Indebtedness
Year Ended June 30, 2004**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General obligation bonds:								
General purpose	06/09/99	3.69-4.45%	\$ 3,535,000	\$ 2,140,000	\$ -	\$ 640,000	\$ 1,500,000	\$ 84,745
General purpose, Series 2002A	03/01/02	4.00-4.125%	2,000,000	2,000,000	-	-	2,000,000	81,875
General purpose, Series 2002B	03/01/02	3.00-3.50%	1,555,000	1,200,000	-	300,000	900,000	38,400
General purpose, Series 2003A	06/02/03	3.50-4.30%	3,000,000	3,000,000	-	95,000	2,905,000	113,150
General purpose, Series 2003B	06/02/03	3.70-5.00%	925,000	925,000	-	-	925,000	40,860
General purpose refunding, Series 2004A	05/12/04	1.25-4.25%	1,265,000	-	1,265,000	-	1,265,000	-
General purpose, Series 2004B	05/12/04	1.65%	100,000	-	100,000	-	100,000	-
				9,265,000	1,365,000	1,035,000	9,595,000	359,030
Revenue bonds:								
Sewer	11/24/98	5.00%	2,500,000	2,500,000	-	-	2,500,000	125,000
Sewer, Series 2002C	03/01/02	5.40%	3,000,000	3,000,000	-	-	3,000,000	162,000
				5,500,000	-	-	5,500,000	287,000
Urban renewal TIF revenue bonds:								
Beavers/land project, Series 2003-A COBO	07/01/97	4.50-5.00%	1,000,000	725,000	-	725,000	-	35,300
Sewer, Series 2003C	06/01/03	3.60-4.50%	1,675,000	1,675,000	-	-	1,675,000	67,095
West interceptor	11/24/98	3.75-5.00%	1,000,000	840,000	-	840,000	-	38,340
				3,240,000	-	1,565,000	1,675,000	140,735
Other debt and capital loans:								
Housing assistance fund loan	08/15/94	0%	84,675	16,936	-	8,468	8,468	-
Capital loan note-Police computers	11/03/03	2.75-3.00%	34,000	-	34,000	-	34,000	-
				16,936	34,000	8,468	42,468	-
Iowa State Revolving Fund Loans:								
Sewer	04/01/98	4.23%	7,135,830	6,138,000	-	276,000	5,862,000	259,638
Sewer	04/01/98	4.23%	521,170	448,000	-	20,000	428,000	18,950
				6,586,000	-	296,000	6,290,000	278,588
Total				\$ 24,607,936	\$ 1,399,000	\$ 2,904,468	\$ 23,102,468	\$ 1,065,353

See accompanying independent auditor's report.

**City of Mt. Pleasant
Bond Maturities
June 30, 2004**

Year Ending June 30,	General Obligation Bond Series 2002A Issued March 1, 2002		General Obligation Bonds Series 2002B Issued March 1, 2002		General Obligation Bonds Series 2003A Issued June 2, 2003		General Obligation Bonds Series 2003B Issued June 2, 2003		General Obligation Bonds Refunding Series 2004A Issued May 12, 2004		General Obligation Bonds Series 2004B Issued May 12, 2004	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2005	4.000%	\$ 100,000	3.00%	\$ 300,000	3.50%	\$ 100,000	4.42%	\$ -	1.25%	\$ 140,000	1.65%	\$ 100,000
2006	4.000%	100,000	3.30%	300,000	3.50%	100,000	4.42%	-	1.75%	140,000	--	-
2007	4.000%	200,000	3.50%	300,000	3.50%	105,000	4.42%	-	2.00%	140,000	--	-
2008	4.125%	550,000	--	-	3.50%	110,000	3.70%	95,000	2.40%	140,000	--	-
2009	4.125%	550,000	--	-	3.50%	115,000	3.70%	100,000	2.80%	140,000	--	-
2010	4.100%	500,000	--	-	3.50%	125,000	4.00%	105,000	3.00%	140,000	--	-
2011	--	-	--	-	3.50%	130,000	4.25%	110,000	3.30%	45,000	--	-
2012	--	-	--	-	3.50%	135,000	4.50%	120,000	3.60%	50,000	--	-
2013	--	-	--	-	3.50%	140,000	4.80%	125,000	3.70%	50,000	--	-
2014	--	-	--	-	3.50%	150,000	4.90%	130,000	3.85%	50,000	--	-
2015	--	-	--	-	3.60%	155,000	5.00%	140,000	4.00%	55,000	--	-
2016	--	-	--	-	3.70%	165,000	--	-	4.05%	55,000	--	-
2017	--	-	--	-	3.80%	170,000	--	-	4.15%	60,000	--	-
2018	--	-	--	-	3.90%	180,000	--	-	4.25%	60,000	--	-
2019	--	-	--	-	4.00%	185,000	--	-	--	-	--	-
2020	--	-	--	-	4.00%	195,000	--	-	--	-	--	-
2021	--	-	--	-	4.10%	205,000	--	-	--	-	--	-
2022	--	-	--	-	4.20%	215,000	--	-	--	-	--	-
2023	--	-	--	-	4.30%	225,000	--	-	--	-	--	-
		<u>\$ 2,000,000</u>		<u>\$ 900,000</u>		<u>\$ 2,905,000</u>		<u>\$ 925,000</u>		<u>\$ 1,265,000</u>		<u>\$ 100,000</u>
Year Ending June 30,	General Obligation Bonds General Purpose Issued June 9, 2000		General Obligation Bonds Totals		Housing Assistance Fund Non-interest Bearing Iowa Finance Authority		Capital Loan Note Police Computers Issued November 3, 2003		Total Other Debt and Capital Loan Notes			
Interest Rate	Amount	Totals	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount		
2005	4.05-4.15%	\$ 600,000	\$ 1,340,000	--	\$ 8,468	2.75%	\$ 11,000			\$ 19,468		
2006	4.15-4.20%	400,000	1,040,000	--	-	2.90%	11,000			11,000		
2007	4.20%	100,000	845,000	--	-	3.00%	12,000			12,000		
2008	4.25%	100,000	995,000	--	-	--	-			-		
2009	4.30%	100,000	1,005,000	--	-	--	-			-		
2010	4.35%	100,000	970,000	--	-	--	-			-		
2011	4.45%	100,000	385,000	--	-	--	-			-		
2012	--	-	305,000	--	-	--	-			-		
2013	--	-	315,000	--	-	--	-			-		
2014	--	-	330,000	--	-	--	-			-		
2015	--	-	350,000	--	-	--	-			-		
2016	--	-	220,000	--	-	--	-			-		
2017	--	-	230,000	--	-	--	-			-		
2018	--	-	240,000	--	-	--	-			-		
2019	--	-	185,000	--	-	--	-			-		
2020	--	-	195,000	--	-	--	-			-		
2021	--	-	205,000	--	-	--	-			-		
2022	--	-	215,000	--	-	--	-			-		
2023	--	-	225,000	--	-	--	-			-		
		<u>\$ 1,500,000</u>	<u>\$ 9,595,000</u>		<u>\$ 8,468</u>		<u>\$ 34,000</u>			<u>\$ 42,468</u>		

See accompanying independent auditor's report.

**City of Mt. Pleasant
Bond Maturities
June 30, 2004**

Year Ending June 30,	<u>Sewer Revenue Bonds</u> <u>Series 1998B</u> <u>Issued November 24, 1998</u>		<u>Sewer Revenue Bond</u> <u>Series 2002C</u> <u>Issued March 1, 2002</u>		<u>Sewer Revenue Bond</u> <u>State Revolving Funds</u> <u>Entered Into April 1, 1998</u>		<u>Total Sewer</u>	<u>Urban Renewal Tax Increment</u> <u>Sewer Revenue, Series 2003C</u> <u>Issued June 1, 2003</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>		<u>Interest Rate</u>	<u>Amount</u>
2005	5.00%	\$ -	--	\$ -	4.23%	\$ 309,000	\$ 309,000	3.50%	\$ -
2006	5.00%	-	--	-	4.23%	322,000	322,000	3.50%	-
2007	5.00%	-	--	-	4.23%	336,000	336,000	3.50%	-
2008	5.00%	-	--	-	4.23%	350,000	350,000	3.50%	-
2009	5.00%	-	--	-	4.23%	365,000	365,000	3.50%	-
2010	5.00%	-	--	-	4.23%	380,000	380,000	3.50%	-
2011	5.00%	-	--	-	4.23%	396,000	396,000	3.50%	100,000
2012	5.00%	-	--	-	4.23%	412,000	412,000	3.50%	100,000
2013	5.00%	-	--	-	4.23%	430,000	430,000	3.50%	100,000
2014	5.00%	-	--	-	4.23%	448,000	448,000	3.50%	100,000
2015	5.00%	-	--	-	4.23%	467,000	467,000	3.60%	100,000
2016	5.00%	-	--	-	4.23%	487,000	487,000	3.70%	100,000
2017	5.00%	-	--	-	4.23%	508,000	508,000	3.80%	140,000
2018	5.00%	-	--	-	4.23%	529,000	529,000	3.90%	150,000
2019	5.00%	-	--	-	4.23%	551,000	551,000	4.00%	155,000
2020	5.00%	220,000	5.40%	240,000	--	-	460,000	4.00%	160,000
2021	5.00%	235,000	5.40%	260,000	--	-	495,000	4.10%	170,000
2022	5.00%	250,000	5.40%	270,000	--	-	520,000	4.20%	150,000
2023	5.00%	260,000	5.40%	285,000	--	-	545,000	4.30%	150,000
2024	5.00%	275,000	5.40%	295,000	--	-	570,000	--	-
2025	5.00%	290,000	5.40%	310,000	--	-	600,000	--	-
2026	5.00%	305,000	5.40%	325,000	--	-	630,000	--	-
2027	5.00%	325,000	5.40%	335,000	--	-	660,000	--	-
2028	5.00%	340,000	5.40%	340,000	--	-	680,000	--	-
2029		-	5.40%	340,000	--	-	340,000	--	-
		<u>\$ 2,500,000</u>		<u>\$ 3,000,000</u>		<u>\$ 6,290,000</u>	<u>\$ 11,790,000</u>	--	<u>\$ 1,675,000</u>

See accompanying independent auditor's report.

City of Mt. Pleasant
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

	<u>Years Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Receipts:		
Property tax	\$ 2,664,877	\$ 2,233,835
Tax increment financing collections	365,003	327,854
Other city taxes	837,250	699,009
Use of money and property	186,122	182,448
Licenses and permits	73,681	34,144
Intergovernmental	1,382,920	1,891,849
Charges for services	319,066	309,353
Special assessments	18,156	13,901
Miscellaneous	<u>973,201</u>	<u>235,571</u>
Total	<u>\$ 6,820,276</u>	<u>\$ 5,927,964</u>
 Disbursements:		
Operating:		
Public safety	\$ 1,028,699	\$ 936,670
Public works	535,225	548,659
Health and social services	3,000	6,000
Culture and recreation	1,003,641	932,266
Community and economic development	178,258	225,513
General government	561,336	556,393
Debt service	3,109,457	1,565,410
Capital projects	<u>4,330,866</u>	<u>2,284,249</u>
Total	<u>\$10,750,482</u>	<u>\$ 7,055,160</u>

See accompanying independent auditor's report.

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Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Mt. Pleasant, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 15, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Mt. Pleasant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 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. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. None of the reportable conditions described above is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Mt. Pleasant and other parties to whom the City of Mt. Pleasant may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Can't Show WehPc4.bmp

September 15, 2004

**City of Mt. Pleasant
Schedule of Findings
Year Ended June 30, 2004**

Part I: Findings Related to the Financial Statements

REPORTABLE CONDITIONS

I-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part II: Other Findings Related to Statutory Reporting

II-A-04 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted in any program. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

The City published a notice of public hearing on the budget including a summary of the proposed budget as required by Chapter 384.16 of the Code of Iowa.

II-C-04 Questionable Disbursements - We noted no disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transactions - We noted no evidence of business transactions between the City and City officials or employees which we believed to be in violation of statutory provisions.

**City of Mt. Pleasant
Schedule of Findings
Year Ended June 30, 2004**

- II-F-04 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 insure that the coverage is adequate for current operations.
- II-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-04 Bonds and Revenue Notes - The City has no revenue notes at June 30, 2004.
- II-I-04 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION