

City of Mount Pleasant

**Independent Auditor's Report
Management's Discussion and Analysis
Financial Statements and Supplementary Information
Independent Auditor's Report on Internal Control and Compliance
Schedule of Findings and Questioned Costs**

June 30, 2007

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City of Mount Pleasant

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Freeland	Mayor	January, 2008
Steve Brimhall	Council Member	January, 2008
Steve Engberg	Council Member	January, 2008
Matthew Crull	Council Member	January, 2008
Joe Beames	Council Member	January, 2010
Stan Curtis	Council Member	January, 2010
Bob Griffith	Council Member	January, 2010
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



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Independent Auditor's Report

Honorable Mayor and Members of City Council
City of Mount Pleasant, Iowa
Mount 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 Mount Pleasant, Iowa, as of and for the year ended June 30, 2007, 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 Mount 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 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.

The financial statements referred to above include only the primary government of the City of Mount Pleasant, Iowa, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Mount Pleasant, Iowa, as of June 30, 2007, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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 Mount Pleasant as of June 30, 2007, 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.

In accordance with Government Auditing Standards, we have also issued our reports dated December 20, 2007 on our consideration of the City of Mount 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 and 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 Mount 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 four years ended June 30, 2006 (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.

CPA Associates PC

December 20, 2007

City of Mount Pleasant Management's Discussion and Analysis

The City of Mount 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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 101.4%, or approximately \$6,755,000, from fiscal 2006 to fiscal 2007. This year's revenues include grants and general obligation bond proceeds for street, park and public safety improvements.
- Disbursements increased 1.64%, or approximately \$112,000 in fiscal 2007 from fiscal 2006. The City made final payments on street projects which began in prior fiscal years and spent the Homeland Security grant on public safety equipment.
- The City's total cash basis net assets (governmental activities) increased 203.81%, or approximately \$6,571,500, from June 30, 2006 to June 30, 2007. The increase includes bond proceeds of \$5,341,888.

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.

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.

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 increased from a year ago, increasing from \$3.23 million to \$9.79 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,	
	<u>2007</u>	<u>2006</u>
Receipts and transfers:		
Property tax	\$ 2,598	\$ 2,743
Tax increment financing collections	358	211
Local option sales tax	680	696
Road use funds	729	733
Grants and reimbursements	2,305	1,188
Use of money and property	411	266
Charges for services	182	214
Other receipts	854	632
Bond proceeds	5,342	-
Transfers, net	<u>36</u>	<u>57</u>
Total receipts and transfers	<u>13,495</u>	<u>6,740</u>
Disbursements:		
Public safety	1,684	1,149
Public works	454	676
Culture and recreation	1,088	1,015
Community and economic development	493	199
General government	602	583
Debt service	1,206	1,433
Capital projects	<u>1,397</u>	<u>1,757</u>
Total disbursements	<u>6,924</u>	<u>6,812</u>
Increase (decrease) in cash basis net assets	6,571	(72)
Cash basis net assets beginning of year	<u>3,225</u>	<u>3,297</u>
Cash basis net assets end of year	<u>\$ 9,796</u>	<u>\$ 3,225</u>

The City's total receipts for governmental activities, including transfers and bond proceeds, increased by 101.4%, or \$6,755,000. The total cost of all programs and services increased by approximately \$112,000 or 1.64%, with no new programs added this year.

The cost of all governmental activities this year was \$6.92 million compared to \$6.81 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 \$4.32 million because some of the cost was paid by those directly benefited from the programs (\$295,800) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,304,900). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4,323,700 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>2007</u>	<u>2006</u>
Program receipts		
Solid waste charges	\$ 316	\$ 314
Sewer charges	2,400	1,746
Miscellaneous	61	50
Bond proceeds	-	5,110
Transfers	<u>(36)</u>	<u>(57)</u>
Total receipts	<u>2,741</u>	<u>7,163</u>
Disbursements and transfers:		
Solid waste	284	299
Sewer	<u>1,516</u>	<u>7,557</u>
Total disbursements and transfers	<u>1,800</u>	<u>7,856</u>
Increase (decrease) in cash balance	941	(693)
Cash basis net assets beginning of year	<u>1,163</u>	<u>1,856</u>
Cash basis net assets end of year	<u>\$ 2,104</u>	<u>\$ 1,163</u>

Total business type activities receipts for the fiscal year were \$2.74 million compared to \$7.16 million last year. This decrease was due primarily to the receipt of bond proceeds in last year. The cash balance increased by approximately \$941,200 from the prior year primarily because of the increase of sewer receipts.

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 \$1,217,900, an increase of \$203,000 from the prior year. The increase is largely due to the increase in interest received from checking account and investments. 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 as did incurring less expenses than were budgeted.

- The Road Use Tax Fund cash balance increased by \$160,900 to \$863,100 during the fiscal year. No major street improvement projects were paid for with Road Use Tax fund this fiscal year.
- The Local Option Sales Tax increased by \$305,000 to \$588,200 at year end. Revenues were high enough that the transfers from sales tax to general fund to maintain our current tax rate did not have to be made.
- The Capital Projects cash balance increased by \$5,872,000 to \$6,685,400 at year end, due primarily to the receipt of \$4,991,150 in general obligation bond proceeds and \$1,000,000 from the Iowa Department of Transportation for the public road jurisdiction agreement.

Proprietary Funds

The cash balance of the Enterprise Funds increased by approximately \$941,200 to \$2,104,100. Most of this increase is due to the implementation by the City of an industrial sewer overstrength surcharge and fines charged to industries who were exceeding the overstrength surcharge usage amounts.

BUDGETARY HIGHLIGHTS

The City was successful in securing a variety of grants. A grant from Homeland Security made it possible for the City to purchase two fire trucks, an aerial truck and a pumper. A \$400,000 TEA-21 grant combined with local option sales tax and TIF District funds allowed the City to repair and extend North Cherry Street, opening up lots for commercial development. Hangar and fuel farm improvements at the Mount Pleasant Municipal Airport were funded with grants from State and Federal agencies.

DEBT ADMINISTRATION

At June 30, 2007, the City had approximately \$23,693,000 in bonds and other long-term debt, compared to approximately \$19,566,000 last year, as shown below.

	June 30,	
	<u>2007</u>	<u>2006</u>
Outstanding Debt at Year End (Expressed in Thousands)		
General obligation bonds	\$ 11,720	\$ 7,215
Revenue bonds	10,298	10,664
Capital loan notes	-	12
Urban renewal tax increment financing	<u>1,675</u>	<u>1,675</u>
Total	<u>\$ 23,693</u>	<u>\$ 19,566</u>

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 \$11.72 million is below its constitutional debt limit of approximately \$17 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 2008 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 4.2 percent. This compares with the State's unemployment rate of 3.4 percent and the national rate of 3.9 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 2007 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 2007.

These indicators were taken into account when adopting the budget for fiscal year 2008. The City's cash balance is in good shape. The City has seen two existing companies announce expansion; Alaniz has named Mount Pleasant as corporate headquarters and plans to add 50 employees; Metrogroup announced consolidation of their operations bringing an additional 150 employees to Mount Pleasant. The City was also able to recruit two new industries, Midwest Pre-Cast Concrete adding 77 employees and Flouro-Seal who purchased the second industrial spec building we built and added 15 employees.

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 Mount Pleasant, 220 W. Monroe St, Mount Pleasant, Iowa 52641.

FINANCIAL STATEMENTS

City of Mount Pleasant
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2007

	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	\$ 1,684,159	\$ 38,513	\$ 54,503	\$ 249,375	\$ (1,341,768)	\$ -	\$ (1,341,768)
Public works	454,133	-	-	1,032,120	577,987	-	577,987
Culture and recreation	1,088,018	179,563	-	74,697	(833,758)	-	(833,758)
Community and economic development	493,463	-	-	-	(493,463)	-	(493,463)
General government	602,292	77,762	-	-	(524,530)	-	(524,530)
Debt service	1,205,693	-	-	-	(1,205,693)	-	(1,205,693)
Capital projects	<u>1,396,665</u>	<u>-</u>	<u>467,800</u>	<u>426,360</u>	<u>(502,505)</u>	<u>-</u>	<u>(502,505)</u>
Total government activities	6,924,423	295,838	522,303	1,782,552	(4,323,730)	-	(4,323,730)
Business type activities							
Sewer	1,516,257	2,399,603	-	-	-	883,346	883,346
Solid waste	<u>284,183</u>	<u>316,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,230</u>	<u>32,230</u>
Total business type activities	<u>1,800,440</u>	<u>2,716,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>915,576</u>	<u>915,576</u>
Total	<u>\$ 8,724,863</u>	<u>\$ 3,011,854</u>	<u>\$ 522,303</u>	<u>\$ 1,782,552</u>	<u>(4,323,730)</u>	<u>915,576</u>	<u>(3,408,154)</u>
General Receipts:							
Property tax levied for:							
General purposes					1,678,685	-	1,678,685
Tax increment financing					357,760	-	357,760
Debt service					919,615	-	919,615
Local option sales tax					680,150	-	680,150
Other city taxes					193,830	-	193,830
Road use tax					729,351	-	729,351
Unrestricted investment earnings					258,338	56,164	314,502
Bond proceeds					5,341,888	-	5,341,888
Transfers					35,527	(35,527)	-
Miscellaneous					<u>700,095</u>	<u>5,024</u>	<u>705,119</u>
Total general receipts and transfers					<u>10,895,239</u>	<u>25,661</u>	<u>10,920,900</u>
Change in cash basis net assets					6,571,509	941,237	7,512,746
Cash basis net assets beginning of year					<u>3,224,319</u>	<u>1,162,853</u>	<u>4,387,172</u>
Cash basis net assets end of year					<u>\$ 9,795,828</u>	<u>\$ 2,104,090</u>	<u>\$ 11,899,918</u>
Cash Basis Net Assets							
Restricted:							
Streets					\$ 863,123	\$ -	\$ 863,123
Sales tax					588,177	-	588,177
Debt service					180,965	-	180,965
Other purposes					244,640	1,777,882	2,022,522
Unrestricted					<u>7,918,923</u>	<u>326,208</u>	<u>8,245,131</u>
Total cash basis net assets					<u>\$ 9,795,828</u>	<u>\$ 2,104,090</u>	<u>\$ 11,899,918</u>

See notes to financial statements.

City of Mount Pleasant
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2007

	Special Revenue						Other Nonmajor Governmental	Total
	General	Road Use	Sales Tax	TIF	Debt Service	Capital Projects		
Receipts:								
Property tax	\$ 1,678,685	\$ -	\$ -	\$ -	\$ 919,615	\$ -	\$ -	\$ 2,598,300
Tax increment financing collections	-	-	-	357,760	-	-	-	357,760
Other taxes	193,830	-	680,150	-	-	-	-	873,980
Use of money and property	274,649	-	25,680	5,888	-	101,889	3,272	411,378
License and permits	69,816	-	-	-	-	-	-	69,816
Intergovernmental	311,832	729,351	-	-	-	894,160	200,044	2,135,387
Charges for services	174,065	-	-	-	-	-	8,297	182,362
Special assessments	5,937	-	-	-	-	-	-	5,937
Miscellaneous	354,460	-	-	-	-	1,059,920	69,217	1,483,597
Total receipts	<u>3,063,274</u>	<u>729,351</u>	<u>705,830</u>	<u>363,648</u>	<u>919,615</u>	<u>2,055,969</u>	<u>280,830</u>	<u>8,118,517</u>
Disbursements:								
Operating:								
Public safety	1,684,159	-	-	-	-	-	-	1,684,159
Public works	23,833	398,181	-	-	-	-	32,119	454,133
Culture and recreation	760,462	-	-	-	-	-	327,556	1,088,018
Community and economic development	282,414	-	-	84,640	-	-	126,409	493,463
General government	431,997	170,295	-	-	-	-	-	602,292
Debt service	-	-	-	-	1,205,693	-	-	1,205,693
Capital projects	-	-	-	-	-	1,396,665	-	1,396,665
Total disbursements	<u>3,182,865</u>	<u>568,476</u>	<u>-</u>	<u>84,640</u>	<u>1,205,693</u>	<u>1,396,665</u>	<u>486,084</u>	<u>6,924,423</u>
Excess (deficiency) of receipts over disbursements	(119,591)	160,875	705,830	279,008	(286,078)	659,304	(205,254)	1,194,094
Other financing sources (uses):								
Bond proceeds	350,738	-	-	-	-	4,991,150	-	5,341,888
Operating transfers in (out)	(28,063)	-	(400,863)	(278,763)	291,681	221,670	229,865	35,527
Total other financing sources (uses)	<u>322,675</u>	<u>-</u>	<u>(400,863)</u>	<u>(278,763)</u>	<u>291,681</u>	<u>5,212,820</u>	<u>229,865</u>	<u>5,377,415</u>
Net change in cash balances	203,084	160,875	304,967	245	5,603	5,872,124	24,611	6,571,509
Cash balances beginning of year	<u>1,014,821</u>	<u>702,248</u>	<u>283,210</u>	<u>7,597</u>	<u>167,520</u>	<u>813,290</u>	<u>235,633</u>	<u>3,224,319</u>
Cash balances end of year	<u>\$ 1,217,905</u>	<u>\$ 863,123</u>	<u>\$ 588,177</u>	<u>\$ 7,842</u>	<u>\$ 173,123</u>	<u>\$ 6,685,414</u>	<u>\$ 260,244</u>	<u>\$ 9,795,828</u>
Cash Basis Fund Balances								
Reserved:								
Debt service	\$ -	\$ -	\$ -	\$ 7,842	\$ 173,123	\$ -	\$ -	\$ 180,965
Unreserved:								
General fund	1,217,905	-	-	-	-	-	-	1,217,905
Special revenue fund	-	863,123	588,177	-	-	-	260,244	1,711,544
Capital projects fund	-	-	-	-	-	6,685,414	-	6,685,414
Total cash basis fund balances	<u>\$ 1,217,905</u>	<u>\$ 863,123</u>	<u>\$ 588,177</u>	<u>\$ 7,842</u>	<u>\$ 173,123</u>	<u>\$ 6,685,414</u>	<u>\$ 260,244</u>	<u>\$ 9,795,828</u>

See notes to financial statements.

City of Mount Pleasant
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2007

	Enterprise Funds				
	<u>Sewer Revenue</u>	<u>Sewer Plant Improvement</u>	<u>Sewer Capital Projects</u>	<u>Solid Waste</u>	<u>Total</u>
Receipts:					
Charges for services	\$ 2,399,603	\$ -	\$ -	\$ 316,413	\$ 2,716,016
Interest	53,984	-	-	2,180	56,164
Intergovernmental:	-	-	-	-	-
Miscellaneous	<u>4,485</u>	<u>-</u>	<u>-</u>	<u>539</u>	<u>5,024</u>
Total receipts	<u>2,458,072</u>	<u>-</u>	<u>-</u>	<u>319,132</u>	<u>2,777,204</u>
Disbursements:					
Public works	22,431	-	-	15,487	37,918
General government	180,028	-	-	60,773	240,801
Debt service	-	-	755,526	-	755,526
Capital projects	-	31,849	-	-	31,849
Business type activities	<u>526,423</u>	<u>-</u>	<u>-</u>	<u>207,923</u>	<u>734,346</u>
Total disbursements	<u>728,882</u>	<u>31,849</u>	<u>755,526</u>	<u>284,183</u>	<u>1,800,440</u>
Excess (deficiency) of receipts over disbursements	<u>1,729,190</u>	<u>(31,849)</u>	<u>(755,526)</u>	<u>34,949</u>	<u>976,764</u>
Other financing sources (uses):					
Bond proceeds	-	-	-	-	-
Operating transfers in (out)	<u>(1,706,976)</u>	<u>916,187</u>	<u>755,262</u>	<u>-</u>	<u>(35,527)</u>
Total other financing sources (uses)	<u>(1,706,976)</u>	<u>916,187</u>	<u>755,262</u>	<u>-</u>	<u>(35,527)</u>
Net change in cash balances	22,214	884,338	(264)	34,949	941,237
Cash balances beginning of year	<u>16,793</u>	<u>893,544</u>	<u>62,961</u>	<u>189,555</u>	<u>1,162,853</u>
Cash balances end of year	<u>\$ 39,007</u>	<u>\$ 1,777,882</u>	<u>\$ 62,697</u>	<u>\$ 224,504</u>	<u>\$ 2,104,090</u>
Cash Basis Fund Balances					
Reserved for equipment replacement	\$ -	\$ 1,777,882	\$ -	\$ -	\$ 1,777,882
Unreserved	<u>39,007</u>	<u>-</u>	<u>62,697</u>	<u>224,504</u>	<u>326,208</u>
Total cash basis fund balances	<u>\$ 39,007</u>	<u>\$ 1,777,882</u>	<u>\$ 62,697</u>	<u>\$ 224,504</u>	<u>\$ 2,104,090</u>

See notes to financial statements.

City of Mount Pleasant
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Mount 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 Mount 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.

Excluded 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 Mount Pleasant
Notes to Financial Statements

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 Mount Pleasant
Notes to Financial Statements

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 Funds account 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 Mount 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, 2007, no disbursements exceeded the amounts budgeted.

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 Mount Pleasant
Notes to Financial Statements

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 covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$103,831, \$99,535, and \$101,900, 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, 2007, 2006, and 2005, these contributions totaled \$4,205, \$4,064, and \$3,946, 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 financing bonds, and sewer revenue bond anticipation notes are as follows:

Year Ending <u>June 30,</u>	<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>
2008	\$ 995,000	\$ 471,893	\$ -	\$ 67,095
2009	1,005,000	426,806	-	67,095
2010	5,990,000	388,456	-	67,095
2011	715,000	150,312	100,000	67,095
2012	305,000	122,162	100,000	63,496
2013-2016	1,215,000	365,461	400,000	217,886
2017-2021	1,055,000	220,670	775,000	166,708
2022-2026	<u>440,000</u>	<u>28,378</u>	<u>300,000</u>	<u>20,100</u>
	<u>\$ 11,720,000</u>	<u>\$ 2,174,138</u>	<u>\$ 1,675,000</u>	<u>\$ 736,570</u>

**City of Mount Pleasant
Notes to Financial Statements**

Note 3. Bonds and Notes Payable (continued)

Year Ending June 30,	<u>Sewer Revenue Bond</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 443,000	\$ 374,412	\$ 1,438,000	\$ 913,400
2009	457,000	356,818	1,462,000	850,719
2010	471,000	338,688	6,461,000	794,239
2011	485,000	319,814	1,300,000	537,221
2012	500,000	300,394	905,000	486,052
2013-2016	2,154,000	993,990	3,769,000	1,577,337
2017-2022	3,043,000	729,414	4,873,000	1,116,792
2022-2026	<u>2,745,000</u>	<u>208,920</u>	<u>3,485,000</u>	<u>257,398</u>
	<u>\$ 10,298,000</u>	<u>\$ 3,622,450</u>	<u>\$ 23,693,000</u>	<u>\$ 6,533,158</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, 2007, the City had a balance of \$167,500 in the reserve fund.

City of Mount Pleasant
Notes to Financial Statements

Note 4. Cash and Investments

The City's deposits in banks at June 30, 2007 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 its agent in the City's name.

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, 2007, primarily relating to the General Fund, is \$148,200.

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, 2007 was \$425,200.

Police Department employees accumulate holiday time. The maximum liability for accumulated holiday time at June 30, 2007 was none.

The above liabilities have been computed based on rates of pay as of June 30, 2007.

City of Mount Pleasant
Notes to Financial Statements

Note 6. Risk Management

The City of Mount 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 Mount 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 Mount Pleasant's annual contribution to the Pool for the year ended June 30, 2007 was approximately \$149,100.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 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 \$100,000 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, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

City of Mount Pleasant
Notes to Financial Statements

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 Mount 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 \$100,000 for the year ended June 30, 2007 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, 2007 are as follows:

Street construction	\$ 1,043,398
Airport hanger improvements	<u>223,926</u>
	<u>\$ 1,267,324</u>

Note 9. Joint Venture

The City is a participant in the Des Moines County Regional Solid 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 Mount Pleasant
Notes to Financial Statements

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 property 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 original outstanding issues in which the City assisted:

<u>Company</u>	<u>Type</u>	<u>Year Issued</u>	<u>Amount Issued</u>
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 assumes many of these issues have been repaid, but has been unable to determine actual amounts still remaining at June 30, 2007

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. Deficit Fund Balance

The HUD Special Purpose Grant Funds, nonmajor governmental fund, had a deficit balance of \$233 at June 30, 2007. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of annual HUD reimbursements.

City of Mount Pleasant
Notes to Financial Statements

Note 12. 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, 2007, services donated by the Utilities to the City totaled approximately \$184,000 and \$18,600 for the electric and water funds, respectively.

Note 13. 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 \$10,000 per year and the contract is cancelable by either party. The agreement amount shall be adjusted every three years thereafter by averaging the number of calls for the preceding three years and adjusting the hourly rate to the current hourly compensation rate of the Henry County communications dispatcher.

Note 14. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to:	
Library operations	\$ 232,181
Capital projects	221,670
Debt service	<u>291,681</u>
	<u>\$ 745,532</u>
Transfer from:	
General fund	\$ 30,379
Enterprise funds	35,527
Local option	400,863
TIF funds	<u>278,763</u>
	<u>\$ 745,532</u>

Note 15. Community Betterment Foundation

The City has established a non-endowed donor-advised fund through an agreement with The Greater Cedar Rapids Community Foundation to receive property for public charitable, scientific, literary and educational purposes. The donor retains the privilege of making recommendations to the Foundation's Board of Directors as to charitable distributions of principal from the fund in accordance with specific provisions. At June 30, 2007, this fund has a fair market value of \$43,108.

REQUIRED SUPPLEMENTARY INFORMATION

**City of Mount Pleasant
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2007**

	Governmental Funds <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Total</u>	Budgeted <u>Original</u>	Amounts <u>Final</u>	Final to Total <u>Variance</u>
Receipts:							
Property tax	\$ 2,598,300	\$ -	\$ -	\$ 2,598,300	\$ 2,602,515	\$ 2,602,515	\$ (4,215)
Tax increment financing collections	357,760	-	-	357,760	305,997	335,137	22,623
Other city taxes	873,980	-	-	873,980	744,096	715,026	158,954
Use of money and property	411,378	56,164	3,272	464,270	125,640	125,640	338,630
Licenses and permits	69,816	-	-	69,816	35,800	35,800	34,016
Intergovernmental	2,135,387	-	-	2,135,387	2,957,628	3,147,515	(1,012,128)
Charges for service	182,362	2,716,016	-	2,898,378	2,061,790	5,137,320	(2,238,942)
Special assessments	5,937	-	-	5,937	5,000	5,000	937
Miscellaneous	1,483,597	5,024	59,452	1,429,169	311,800	5,000	1,424,169
Total receipts	<u>8,118,517</u>	<u>2,777,204</u>	<u>62,724</u>	<u>10,832,997</u>	<u>9,150,266</u>	<u>12,108,953</u>	<u>(1,275,956)</u>
Disbursements:							
Public safety	1,684,159	-	-	1,684,159	1,767,410	1,767,410	83,251
Public works	454,133	-	-	454,133	728,911	853,250	399,117
Culture and recreation	1,088,018	-	24,784	1,063,234	1,041,025	1,160,443	97,209
Community and economic development	493,463	-	-	493,463	1,268,637	1,268,637	775,174
General government	602,292	-	-	602,292	677,838	677,838	75,546
Debt service	1,205,693	-	-	1,205,693	1,206,873	1,206,873	1,180
Capital projects	1,396,665	-	-	1,396,665	1,458,500	2,958,780	1,562,115
Business type activities	-	1,800,440	-	1,800,440	1,968,728	1,968,728	168,288
Total disbursements	<u>6,924,423</u>	<u>1,800,440</u>	<u>24,784</u>	<u>8,700,079</u>	<u>10,117,922</u>	<u>11,861,959</u>	<u>3,161,880</u>
Excess (deficiency) of receipts over disbursements	1,194,094	976,764	37,940	2,132,918	(967,656)	246,994	1,885,924
Other financing sources	<u>5,377,415</u>	<u>(35,527)</u>	<u>-</u>	<u>5,341,888</u>	<u>350,000</u>	<u>4,865,799</u>	<u>(476,089)</u>
Net change in cash balances	6,571,509	941,237	37,940	7,474,806	(617,656)	5,112,793	(2,362,013)
Balances beginning of year	<u>3,224,319</u>	<u>1,162,853</u>	<u>116,492</u>	<u>4,270,680</u>	<u>8,157,193</u>	<u>8,157,193</u>	<u>3,886,513</u>
Balances end of year	<u>\$ 9,795,828</u>	<u>\$ 2,104,090</u>	<u>\$ 154,432</u>	<u>\$ 11,745,486</u>	<u>\$ 7,539,537</u>	<u>\$ 13,269,986</u>	<u>\$ 1,524,500</u>

See accompanying independent auditor's report.

City of Mount Pleasant
Notes to Required Supplementary Information - Budgetary Reporting
June 30, 2007

The budgetary comparison is presented as Required Supplementary Information 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 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 \$1,744,037. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, no disbursements exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

City of Mount Pleasant
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2007

	<u>Library Operations</u>	<u>HUD Special Purpose Grant</u>	<u>HUD Rehab Grant</u>	<u>Ice Storm</u>	<u>Library Bequests</u>	<u>Old Forest Cemetery</u>	<u>Other Programs</u>	<u>Total</u>
Receipts:								
Use of money and property	\$ -	\$ -	\$ -	\$ -	\$ 3,079	\$ -	\$ 193	\$ 3,272
Charges for services	8,297	-	-	-	-	-	-	8,297
Miscellaneous	9,765	-	-	-	23,006	4,513	31,933	69,217
Intergovernmental:								
County allocation	40,000	-	-	-	-	-	-	40,000
Grants	<u>6,836</u>	<u>39,339</u>	<u>81,750</u>	<u>32,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,044</u>
Total intergovernmental	<u>46,836</u>	<u>39,339</u>	<u>81,750</u>	<u>32,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,044</u>
Total receipts	<u>64,898</u>	<u>39,339</u>	<u>81,750</u>	<u>32,119</u>	<u>26,085</u>	<u>4,513</u>	<u>32,126</u>	<u>280,830</u>
Disbursements:								
Public works	-	-	-	32,119	-	-	-	32,119
Culture and recreation	302,772	-	-	-	24,424	360	-	327,556
Community and economic development	<u>-</u>	<u>9,031</u>	<u>117,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,409</u>
Total disbursements	<u>302,772</u>	<u>9,031</u>	<u>117,378</u>	<u>32,119</u>	<u>24,424</u>	<u>360</u>	<u>-</u>	<u>486,084</u>
Excess (deficiency) of receipts over disbursements	(237,874)	30,308	(35,628)	-	1,661	4,153	32,126	(205,254)
Other financing sources (uses):								
Operating transfers in	232,181	-	20,000	-	-	-	-	252,181
Operating transfers (out)	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,316)</u>	<u>(22,316)</u>
Total other	<u>232,181</u>	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,316)</u>	<u>229,865</u>
Net change in cash balances	(5,693)	10,308	(15,628)	-	1,661	4,153	29,810	24,611
Cash balances beginning of year	<u>15,142</u>	<u>(10,541)</u>	<u>22,005</u>	<u>-</u>	<u>47,128</u>	<u>107,510</u>	<u>54,389</u>	<u>235,633</u>
Cash balances end of year	<u>\$ 9,449</u>	<u>\$ (233)</u>	<u>\$ 6,377</u>	<u>\$ -</u>	<u>\$ 48,789</u>	<u>\$ 111,663</u>	<u>\$ 84,199</u>	<u>\$ 260,244</u>

See accompanying independent auditor's report.

**City of Mount Pleasant
Statement of Indebtedness
Year Ended June 30, 2007**

<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	06/09/00	3.69-4.450%	\$ 3,535,000	\$ 500,000	\$ -	\$ 100,000	\$ 400,000	\$ 21,550
General purpose, Series 2002A	03/01/02	4.00-4.125%	2,000,000	1,800,000	-	200,000	1,600,000	73,875
General purpose, Series 2002B	03/01/02	3.00-3.500%	1,555,000	300,000	-	300,000	-	10,500
General purpose, Series 2003A	06/02/03	3.50-4.300%	3,000,000	2,705,000	-	105,000	2,600,000	102,825
General purpose, Series 2003B	06/02/03	3.70-5.000%	925,000	925,000	-	-	925,000	40,860
General purpose, Series 2004A	05/12/04	2.40-4.250%	1,265,000	985,000	-	140,000	845,000	30,807
General purpose, Series 2006	10/01/06	3.30%	350,000	-	350,000	-	350,000	-
General purpose, Series 2007	06/01/07	4.00%	5,000,000	-	5,000,000	-	5,000,000	-
				<u>7,215,000</u>	<u>5,350,000</u>	<u>845,000</u>	<u>11,720,000</u>	<u>280,417</u>
Revenue bonds:								
Sewer Revenue Refunding Bonds Series 2005	11/29/05	3.00%	5,110,000	<u>5,005,000</u>	<u>-</u>	<u>30,000</u>	<u>4,975,000</u>	<u>150,150</u>
				<u>5,005,000</u>	<u>-</u>	<u>30,000</u>	<u>4,975,000</u>	<u>150,150</u>
Urban renewal TIF revenue bonds:								
Sewer, Series 2003C	06/01/03	3.50-4.50%	1,675,000	<u>1,675,000</u>	<u>-</u>	<u>-</u>	<u>1,675,000</u>	<u>67,095</u>
				<u>1,675,000</u>	<u>-</u>	<u>-</u>	<u>1,675,000</u>	<u>67,095</u>
Other debt and capital loans:								
Capital loan note-Police computers	11/03/03	2.75-3.00%	34,000	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>-</u>
				<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>-</u>
Iowa State Revolving Fund Loans:								
Sewer	04/01/98	4.23%	7,135,830	5,274,000	-	313,000	4,961,000	223,090
Sewer	04/01/98	4.23%	521,170	<u>385,000</u>	<u>-</u>	<u>23,000</u>	<u>362,000</u>	<u>16,286</u>
				<u>5,659,000</u>	<u>-</u>	<u>336,000</u>	<u>5,323,000</u>	<u>239,376</u>
Total				<u>\$ 19,566,000</u>	<u>\$ 5,350,000</u>	<u>\$ 1,223,000</u>	<u>\$ 23,693,000</u>	<u>\$ 737,038</u>

See accompanying independent auditor's report.

**City of Mount Pleasant
Bond Maturities
June 30, 2007**

Year Ending June 30,	<u>General Obligation Bonds</u> <u>General Purpose</u> <u>Issued June 9, 2000</u>		<u>General Obligation Bond</u> <u>Series 2002A</u> <u>Issued March 1, 2002</u>		<u>General Obligation Bonds</u> <u>Series 2003A</u> <u>Issued June 2, 2003</u>		<u>General Obligation Bonds</u> <u>Series 2003B</u> <u>Issued June 2, 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>
	2008	4.30%	\$ 100,000	4.125%	\$ 550,000	3.50%	\$ 110,000	3.70%
2009	4.35%	100,000	4.125%	550,000	3.50%	115,000	3.70%	100,000
2010	4.45%	100,000	4.100%	500,000	3.50%	125,000	4.00%	105,000
2011	4.45%	100,000	-	-	3.50%	130,000	4.25%	110,000
2012	-	-	-	-	3.50%	135,000	4.50%	120,000
2013	-	-	-	-	3.50%	140,000	4.80%	125,000
2014	-	-	-	-	3.50%	150,000	4.90%	130,000
2015	-	-	-	-	3.60%	155,000	5.00%	140,000
2016	-	-	-	-	3.70%	165,000	-	-
2017	-	-	-	-	3.80%	170,000	-	-
2018	-	-	-	-	3.90%	180,000	-	-
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>\$ 400,000</u>		<u>\$ 1,600,000</u>		<u>\$ 2,600,000</u>		<u>\$ 925,000</u>

Year Ending June 30,	<u>General Obligation Bonds</u> <u>Refunding Series 2004A</u> <u>Issued May 12, 2004</u>		<u>General Obligation Bonds</u> <u>Series 2006</u> <u>Issued October 1, 2006</u>		<u>General Obligation Bonds</u> <u>Series 2007</u> <u>Issued June 1, 2007</u>		Total General Obligation Bonds
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
	2008	2.40%	\$ 140,000	3.30%	\$ -	4.00%	
2009	2.80%	140,000	3.30%	-	4.00%	-	1,005,000
2010	3.00%	140,000	3.30%	20,000	4.00%	5,000,000	5,990,000
2011	3.30%	45,000	3.30%	330,000	-	-	715,000
2012	3.60%	50,000	-	-	-	-	305,000
2013	3.70%	50,000	-	-	-	-	315,000
2014	3.85%	50,000	-	-	-	-	330,000
2015	4.00%	55,000	-	-	-	-	350,000
2016	4.05%	55,000	-	-	-	-	220,000
2017	4.15%	60,000	-	-	-	-	230,000
2018	4.25%	60,000	-	-	-	-	240,000
2019	-	-	-	-	-	-	185,000
2020	-	-	-	-	-	-	195,000
2021	-	-	-	-	-	-	205,000
2022	-	-	-	-	-	-	215,000
2023	-	-	-	-	-	-	225,000
		<u>\$ 845,000</u>		<u>\$ 350,000</u>		<u>\$ 5,000,000</u>	<u>\$ 11,720,000</u>

See accompanying independent auditor's report.

**City of Mount Pleasant
Bond Maturities
June 30, 2007**

Year Ending <u>June 30,</u>	<u>Sewer Revenue Refunding Series 98-B&02-C Issued November 29, 2005</u>		<u>Sewer Revenue Bond State Revolving Funds Entered Into April 1, 1998</u>			<u>Urban Renewal Tax Increment Sewer Revenue, Series 2003C Issued June 1, 2003</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Total Sewer</u>	<u>Interest Rate</u>	<u>Amount</u>
2008	3.00%	\$ 93,000	4.23%	\$ 350,000	\$ 443,000	3.50%	\$ -
2009	3.00%	92,000	4.23%	365,000	457,000	3.50%	-
2010	3.00%	91,000	4.23%	380,000	471,000	3.50%	-
2011	3.00%	89,000	4.23%	396,000	485,000	3.50%	100,000
2012	3.00%	88,000	4.23%	412,000	500,000	3.50%	100,000
2013	3.00%	86,000	4.23%	430,000	516,000	3.50%	100,000
2014	3.00%	83,000	4.23%	448,000	531,000	3.50%	100,000
2015	3.00%	79,000	4.23%	467,000	546,000	3.60%	100,000
2016	3.00%	74,000	4.23%	487,000	561,000	3.70%	100,000
2017	3.00%	70,000	4.23%	508,000	578,000	3.80%	140,000
2018	3.00%	67,000	4.23%	529,000	596,000	3.90%	150,000
2019	3.00%	63,000	4.23%	551,000	614,000	4.00%	155,000
2020	3.00%	618,000	-	-	618,000	4.00%	160,000
2021	3.00%	637,000	-	-	637,000	4.10%	170,000
2022	3.00%	656,000	-	-	656,000	4.20%	150,000
2023	3.00%	676,000	-	-	676,000	4.30%	150,000
2024	3.00%	696,000	-	-	696,000	-	-
2025	3.00%	<u>717,000</u>	-	<u>-</u>	<u>717,000</u>	-	<u>-</u>
		<u>\$ 4,975,000</u>		<u>\$ 5,323,000</u>	<u>\$ 10,298,000</u>		<u>\$ 1,675,000</u>

See accompanying independent auditor's report.

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

	Years Ended June 30,				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:					
Property tax	\$ 2,598,300	\$ 2,743,478	\$ 2,684,045	\$ 2,664,877	\$ 2,233,835
Tax increment financing collections	357,760	211,403	293,711	365,003	327,854
Other city taxes	873,980	930,027	894,428	837,250	699,009
Use of money and property	411,378	265,513	193,164	186,122	182,448
Licenses and permits	69,816	38,000	40,557	73,681	34,144
Intergovernmental	2,135,387	1,446,231	2,075,264	1,382,920	1,891,849
Charges for services	182,362	214,298	294,525	319,066	309,353
Special assessments	5,937	6,307	11,874	18,156	13,901
Miscellaneous	<u>1,483,597</u>	<u>828,290</u>	<u>1,874,589</u>	<u>973,201</u>	<u>235,571</u>
Total	<u>\$ 8,118,517</u>	<u>\$ 6,683,547</u>	<u>\$ 8,362,157</u>	<u>\$ 6,820,276</u>	<u>\$ 5,927,964</u>
Disbursements:					
Operating:					
Public safety	\$ 1,684,159	\$ 1,148,526	\$ 979,955	\$ 1,028,699	\$ 936,670
Public works	454,133	676,375	559,937	535,225	548,659
Health and social services	-	-	-	3,000	6,000
Culture and recreation	1,088,018	1,015,235	1,034,104	1,003,641	932,266
Community and economic development	493,463	199,371	159,254	178,258	225,513
General government	602,292	583,228	564,557	561,336	556,393
Debt service	1,205,693	1,432,832	1,789,598	3,109,457	1,565,410
Capital projects	<u>1,396,665</u>	<u>1,757,334</u>	<u>4,891,719</u>	<u>4,330,866</u>	<u>2,284,249</u>
Total	<u>\$ 6,924,423</u>	<u>\$ 6,812,901</u>	<u>\$ 9,979,124</u>	<u>\$10,750,482</u>	<u>\$ 7,055,160</u>

See accompanying independent auditor's report.

**City of Mount Pleasant
Schedule of Expenditures of Federal Awards
June 30, 2007**

Federal Agency/Pass Through Agency <u>Program - Grant Title</u>	CFDA <u>Number</u>	Grantor Program <u>Number</u>	Program <u>Disbursements</u>
Indirect:			
Rural Development Administration Long Range Initiative for New Collaborative Success	10.854	07-HM-102	\$ 50,000
Department of Housing and Urban Development Economic Development Set-Aside	14.228	06-ED-007	155,000
Direct:			
Federal Aviation Administration Airport Improvement Program	20.106	3-19-0062-06-2006	144,289
Airport Improvement Program	20.106	3-19-0062-07-2007	11,210
U.S. Department of Transportation Highway Planning and Construction	20.205	STP-U-5292(613)-70-44	264,074
Highway Planning and Construction	20.205	STP-E-5292(606)-8V-44	230,362
Department of Federal Emergency Management Agency Public Assistance Grant	83.544	DR - 1688	33,109
Assistance to Firefighters Grant	97.044	EMW-2006-FG-03957	<u>249,375</u>
			<u>\$ 1,137,419</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Mount Pleasant and is presented in conformity with an other comprehensive basis of accounting. The information on 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.



CPA ASSOCIATES PC
CERTIFIED PUBLIC ACCOUNTANTS

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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**

Honorable Mayor and
Members of the City Council:

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 City of Mount Pleasant, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 20, 2007. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Mount Pleasant's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Mount Pleasant's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Mount Pleasant's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Mount Pleasant's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Mount Pleasant's financial statements that is more than inconsequential will not be prevented or detected by City of Mount Pleasant's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Mount Pleasant's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Mount Pleasant'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 that 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, 2007 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.

City of Mount Pleasant's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Mount Pleasant's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Mount Pleasant and other parties to whom City of Mount Pleasant may report, including federal awarding agencies and pass-through entities. 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 City of Mount 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.

CPA Associates PC

December 20, 2007



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**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of City of Mount Pleasant, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2007. City of Mount Pleasant's major federal programs are identified in Part III of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of City of Mount Pleasant's management. Our responsibility is to express an opinion on City of Mount Pleasant's compliance based on our audit.

We conducted our audit of compliance 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, 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 Mount Pleasant'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. Our audit does not provide a legal determination on City of Mount Pleasant's compliance with those requirements.

In our opinion, City of Mount Pleasant complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of City of Mount Pleasant is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered City of Mount Pleasant's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 City of Mount Pleasant's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weakness as defined below. However, as discussed below, we identified a deficiency in internal control over compliance.

A control deficiency in the City's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a material weakness.

City of Mount Pleasant's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Mount Pleasant's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Mount Pleasant and other parties to whom City of Mount Pleasant may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

CPA Associates PC

December 20, 2007

**City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007**

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting was disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs were disclosed by the audit of the financial statements, which is considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 - U.S. Department of Transportation - Highway Planning and Construction
 - CFDA Number 14.228 - Department of Housing and Urban Development - Economic Development Set-Aside
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Mount Pleasant did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

Significant Deficiencies:

II-A-07 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.

Instances of Non-Compliance:

No matters were reported.

**City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007**

Part III: Findings and Questioned Costs for Federal Awards

Significant Deficiencies:

III-A-07 Segregation of Duties over Federal Receipts - The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-07.

Instances of Non-Compliance:

No matters were reported.

Part IV: Other Findings Related to Statutory Reporting

IV-A-07 Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2007.

In accordance with Chapter 12C.16 of the Code of Iowa, all deposits with a Credit Union in excess of the \$100,000 federally insured amount are to be collateralized.

Recommendation - The resolution naming official depositories should be reviewed and adjusted to cover anticipated balances at all approved depositories. The City should insure that all uninsured deposits held in a Credit Union are adequately secured.

Response - The resolution naming official depositories will be reviewed.

Conclusion - Response accepted.

II-B-07 Questionable Disbursements - Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Garden Florist	Flowers	25.00
Ruby Cake Co.	Retirement cake	27.00
Karen Wright	Christmas Supper	650.00
Ruby Cake Co.	Christmas cake	52.20
Garden Florist	Funeral flowers	69.55
Scott Edwards	Donation	100.00

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

IV-C-07 Certified Budget - Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted in any function. 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.

IV-D-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-07 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.

IV-F-07 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.

IV-G-07 Council Minutes - We noted certain transactions we believe should have been approved in the Council minutes but were not. These included transactions occurring through the Henry County Credit Union. One transaction was the purchase of a fire truck for \$249,375.

Recommendation - The Council should approve all claims.

Response - We will make sure all claims are on the approved list.

Conclusion - Response accepted.

IV-H-07 Bonds and Revenue Notes - The City has no revenue notes at June 30, 2007.

IV-I-07 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.

II-J-07 Financial Condition - The HUD Special Purpose Grant Fund had a deficit balance at June 30, 2007 of \$233.

Recommendation - We understand that project costs incurred prior to receipt of HUD reimbursements created the deficit in this account. However, the City should monitor the progress of the HUD receipts and disbursements and review the control procedures throughout the collection period.

Response - We will consider this.

Conclusion - Response accepted.

City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

IV-K-07 Separately Maintained Records - The City of Mount Pleasant Volunteer Fire Department maintains separate checking and savings accounts. These accounts are separate from the City's accounts allowing transactions to go unrecorded. Accordingly, certain donations and expenditures from this account are not being appropriately included on the City's financial statements. The expenditures may not meet the requirements of public purpose and may not be appropriately included within the budget as required by the Code of Iowa.

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 reported to the Council on a monthly basis.

Response - We will meet with the Volunteer Fire Department and establish appropriate procedures.

Conclusion - Response accepted.