

**MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF
MT. PLEASANT, IOWA**

Independent Auditors' Reports
Financial Statements
and Supplemental Information
Schedule of Findings

June 30, 2009

**MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA**

Contents

	<u>Page</u>
Board of Trustees and Officials	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis.....	4-8
Financial Statements:	
Combining Statement of Net Assets.....	9
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets	10
Combining Statement of Cash Flows	11-13
Notes to Financial Statements	14-23
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis)	24
Budget to GAAP Reconciliation	25
Notes to Required Supplementary Information – Budgetary Reporting	26
Other Supplementary Information:	
Unaudited Comparative Operating Statistics	27
Schedule of Net Asset Detail:	
Accounts Payable and Accrued Expenses	28
Property and Equipment	29-30
Expense Detail:	
Operating Expenses:	
Light Fund	31-32
Water Fund	33-34
Light and Water Funds – General and Administrative.....	35-36
Note Maturities.....	37
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	38-39
Schedule of Findings.....	40-43
Staff	44

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Board of Trustees and Officials
June 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expiration</u>
David Carrick	Chairman of the Board	October, 2009
David George	Board Member	October, 2013
Bobby Stull	Board Member	October, 2013
Dan McCabe	Board Member	October, 2011
Harvey Ungerman	Board Member	October, 2009
Lori A. Glanzman	General Manager	
Randall Neff	Treasurer/Business Manager	
David McCoid	Attorney	



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Independent Auditors' Report

To the Board of Trustees
Mt. Pleasant Municipal Utilities
Mt. Pleasant, Iowa

We have audited the accompanying Combining Statement of Net Assets of Mt. Pleasant Municipal Utilities – a component unit of the City of Mt. Pleasant, Iowa, as of and for the year ended June 30, 2009, and the related Combining Statement of Revenue, Expenses and Changes in Fund Net Assets, and Combining Statement of Cash Flows. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinion.

As explained in Note 2 of the Notes to Financial Statements, property and equipment acquired prior to November 1, 1973 is accounted for and is being depreciated for periods since that date on appraisal values representing fair value as of that date. No depreciation has been recognized for periods prior to November 1, 1973. As explained in Note 3 of the Notes to Financial Statements, balances represented by contributed capital, net assets and appraisal increase are accounted for in total rather than being separated into its component parts. These practices, the effect of which is not determinable because municipal property and equipment cost records and equity records are not available, are not in accordance with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of appraisal values of equipment and net assets breakdown as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Mt. Pleasant Municipal Utilities – a component unit of the City of Mt. Pleasant, Iowa, as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2009 on our consideration of the Mt. Pleasant Municipal Utilities' – a component unit of the City of Mt. Pleasant, Iowa, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 24 through 26 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (none of which are present herein) and expressed qualified opinions on those financial statements. The other supplemental information included in pages 27 through 37 is presented for purposes of additional analysis and is not a required part of the financial statements. The information on pages 28 through 37 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole. The information on page 27 has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

T&T Financial Group, P.C.

Mt. Pleasant, Iowa
September 2, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Mt. Pleasant Utilities 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, 2009. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Operating revenues of the Utilities' activities increased 3.9%, or approximately \$338,400, from 2008 to 2009.
- Operating expenses increased 4.5%, or approximately \$378,800, in fiscal 2009 from fiscal 2008.
- Mt. Pleasant Utilities' net assets decreased 0.4%, or approximately \$61,800, from June 30, 2008 to June 30, 2009.

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 financial statements and provides an analytical overview of the Utilities' financial activities.

The Financial Statements consist of a Combining Statement of Net Assets, a Combining Statement of Revenue, Expenses and Changes in Fund Net Assets and a Combining Statement of Cash Flows. These provide information about the activities of Mt. Pleasant Utilities as a whole and present an overall view of the Utilities' finances.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the Utilities' budget for the year.

REPORTING THE UTILITIES' FINANCIAL ACTIVITIES

The Combining Statement of Net Assets and the Combining Statement of Revenue, Expenses and Changes in Fund Net Assets

One of the most important questions asked about the Utilities' finances is, "Is Mt. Pleasant Utilities as a whole better off or worse off as a result of the year's activities?" The Combining Statement of Net Assets and the Combining Statement of Revenue, Expenses and Changes in Fund Net Assets report information about the Utilities as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Combining Statement of Net Assets presents all of the Utilities' assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the Utilities' net assets may serve as a useful indicator of whether the financial position of Mt. Pleasant Utilities is improving or deteriorating.

The Combining Statement of Revenue, Expenses and Changes in Fund Net Assets presents information showing how the Utilities' net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Combining Statement of Net Assets and the Combining Statement of Revenue, Expenses and Changes in Fund Net Assets report one kind of activity:

- Business type activities, which include the water and the electric departments. These activities are financed primarily by user charges.

FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below focuses on the net assets and changes in net assets for business type activities.

	Net Assets June 30,	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 6,305,496	6,518,691
Capital assets	<u>18,742,318</u>	<u>19,402,881</u>
Total assets	\$ <u>25,047,814</u>	<u>25,921,572</u>
Long-term liabilities	\$ 7,006,993	7,868,133
Other liabilities	<u>2,333,919</u>	<u>2,284,786</u>
Total liabilities	\$ <u>9,340,912</u>	<u>10,152,919</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 11,472,359	11,082,739
Restricted	779,648	1,069,079
Unrestricted	<u>3,454,895</u>	<u>3,616,835</u>
Total net assets	\$ <u>15,706,902</u>	<u>15,768,653</u>

Net assets of business type activities decreased from fiscal year 2008 by approximately \$61,800, or 0.4%. The largest portion of the Utilities' net assets is the Invested in Capital Assets (e.g., buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Changes in Net Assets
Year Ended June 30,

	2009	2008
Revenues:		
Operating revenues:		
Charges for services and sales	\$ 9,011,925	8,673,571
Non-operating revenues:		
Investment earnings	66,152	130,817
Other non-operating revenue	13,853	25,225
Total revenues	9,091,930	8,829,613
Operating expenses:		
Power, pumping and treatment plant	6,299,723	5,902,684
Transmission and distribution	1,271,223	1,348,032
General and administration	1,152,101	1,093,492
Non-operating expenses:		
Interest expense	327,540	358,871
Other non-operating expense	3,094	3,053
Total expenses	9,053,681	8,706,132
Increase in net assets	38,249	123,481
Net assets beginning of year	15,768,653	15,745,172
Permanent transfer to City of Mt. Pleasant	(100,000)	(100,000)
Net assets end of year	\$ 15,706,902	15,768,653

- The Water Fund, which accounts for the operation and maintenance of the Utilities' water system, ended fiscal 2009 with a \$5,989,643 net asset balance compared to the prior year ending net asset balance of \$5,975,148.
- The Electric Fund, which accounts for the operation and maintenance of the Utilities' electric system, ended fiscal 2009 with a \$9,717,259 net asset balance compared to the prior year ending net asset balance of \$9,793,505.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mt. Pleasant Utilities amended its budget three times. The amendments were done in September of 2008, February of 2009, and May of 2009. The amendments were needed to cover unplanned cash disbursements and for refinancing outstanding electric revenue bonds.

The Utilities' receipts were \$122,803 less than budgeted, a variance of 1.0% and their total disbursements were \$86,367 less than budgeted.

During the year ended June 30, 2009, disbursement did not exceed the amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Utilities' capital assets include buildings, improvements, and equipment. Capital assets totaled \$18,742,318 (net of accumulated depreciation) at June 30, 2009. See Note 2 to the financial statements for more information about the Utilities' capital assets.

Construction in progress at June 30, 2009 for electric and water activities consists primarily of new construction in the Mt. Pleasant area.

Debt

At June 30, 2009, long-term debt outstanding was \$7,244,659. Debt decreased as a result of payment of revenue notes.

Additional information about the Utilities' long-term debt is presented in Note 15 to the financial statements.

ECONOMIC FACTORS BEARING ON THE UTILITIES' FUTURE

Several economic factors affected decisions made by the Utilities in setting its fiscal 2010 budget.

CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Mt. Pleasant Utilities' finances and operating activities. If you have questions about this report or need additional financial information, contact the General Manager, 509 N. Adams; Mt. Pleasant, Iowa.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Combining Statement of Net Assets
June 30, 2009

	<u>Assets</u>		
	<u>Light</u>	<u>Water</u>	<u>Total</u>
Current assets:			
Cash	\$ 2,112,652	-	2,112,652
Certificates of deposit	692,000	600,000	1,292,000
Investment in Quad City West	44,803	-	44,803
Receivables:			
Customer	319,115	118,284	437,399
Unbilled usage	389,380	108,186	497,566
Due from water account	119,247	-	119,247
Accrued interest	1,951	72	2,023
Material and supplies inventory	370,673	127,382	498,055
Prepaid expenses	80,009	60,074	140,083
Total current assets	<u>4,129,830</u>	<u>1,013,998</u>	<u>5,143,828</u>
Restricted assets:			
Cash	208,402	592,748	801,150
Certificates of deposit	360,000	-	360,000
Accrued interest receivable	518	-	518
Total restricted assets	<u>568,920</u>	<u>592,748</u>	<u>1,161,668</u>
Total current and restricted assets	<u>4,698,750</u>	<u>1,606,746</u>	<u>6,305,496</u>
Property and equipment:			
Acquired prior to November 1, 1973, at appraised value	3,099,450	1,584,695	4,684,145
Less: depreciation accumulated since November 1, 1973, computed by the straight-line method	<u>3,099,450</u>	<u>1,485,537</u>	<u>4,584,987</u>
	<u>-</u>	<u>99,158</u>	<u>99,158</u>
Acquired since November 1, 1973, at cost	19,969,867	15,098,404	35,068,271
Less: accumulated depreciation, computed by the straight-line method	<u>10,441,751</u>	<u>5,983,360</u>	<u>16,425,111</u>
	<u>9,528,116</u>	<u>9,115,044</u>	<u>18,643,160</u>
Total property and equipment	<u>9,528,116</u>	<u>9,214,202</u>	<u>18,742,318</u>
Total assets	\$ <u>14,226,866</u>	<u>10,820,948</u>	<u>25,047,814</u>

See accompanying notes to financial statements.

Liabilities and Net Assets

	<u>Light</u>	<u>Water</u>	<u>Total</u>
Current liabilities, payable from current assets:			
Accounts payable and accrued expenses	\$ 893,661	67,057	960,718
Checks in excess of cash	-	871,934	871,934
Due to light account	-	119,247	119,247
Total current liabilities, payable from current assets	<u>893,661</u>	<u>1,058,238</u>	<u>1,951,899</u>
Long-term liabilities:			
Notes payable	<u>3,411,826</u>	<u>3,595,167</u>	<u>7,006,993</u>
Total long-term liabilities	<u>3,411,826</u>	<u>3,595,167</u>	<u>7,006,993</u>
Current liabilities, payable from restricted assets:			
Customer deposits	119,054	-	119,054
Accrued interest	14,233	11,067	25,300
Notes payable	<u>70,833</u>	<u>166,833</u>	<u>237,666</u>
Total current liabilities, payable from restricted assets	<u>204,120</u>	<u>177,900</u>	<u>382,020</u>
Total liabilities	<u>4,509,607</u>	<u>4,831,305</u>	<u>9,340,912</u>
Net assets:			
Invested in capital assets, net of related debt	6,031,224	5,441,135	11,472,359
Restricted for:			
Reserve account	360,518	413,751	774,269
Sinking account	4,282	1,097	5,379
Unrestricted	<u>3,321,235</u>	<u>133,660</u>	<u>3,454,895</u>
Total net assets	<u>9,717,259</u>	<u>5,989,643</u>	<u>15,706,902</u>
 Total liabilities and net assets	 <u>\$ 14,226,866</u>	 <u>10,820,948</u>	 <u>25,047,814</u>

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

**Combining Statement of Revenue, Expenses
and Changes in Fund Net Assets
Year Ended June 30, 2009**

	<u>Light</u>	<u>Water</u>	<u>Total</u>
Operating revenue:			
Metered sales	\$ 7,150,889	1,683,659	8,834,548
Other sales	41,351	-	41,351
Other revenue	70,034	8,026	78,060
Cut-off notice fee	7,216	1,720	8,936
Sewer and solid waste service fee	14,535	3,465	18,000
Penalty charges and bad debt recoveries	25,057	5,973	31,030
Total operating revenue	<u>7,309,082</u>	<u>1,702,843</u>	<u>9,011,925</u>
Operating expenses:			
Power, pumping and treatment plant	5,519,670	780,053	6,299,723
Transmission and distribution	699,987	571,236	1,271,223
General and administration	930,323	221,778	1,152,101
Total operating expenses	<u>7,149,980</u>	<u>1,573,067</u>	<u>8,723,047</u>
Net operating income	<u>159,102</u>	<u>129,776</u>	<u>288,878</u>
Non-operating revenue:			
Interest income	16,069	9,261	25,330
Interest income - restricted	31,108	9,714	40,822
Gain on sale of assets	9,232	4,621	13,853
Total other revenue	<u>56,409</u>	<u>23,596</u>	<u>80,005</u>
Non-operating expenses:			
Interest expense - restricted	190,682	136,858	327,540
Miscellaneous contracted services - restricted	500	-	500
Banking fees - restricted	575	2,019	2,594
Total other expenses	<u>191,757</u>	<u>138,877</u>	<u>330,634</u>
Change in net assets	23,754	14,495	38,249
Net assets beginning of year	9,793,505	5,975,148	15,768,653
Permanent transfer to City of Mt. Pleasant	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Net assets end of year	<u>\$ 9,717,259</u>	<u>5,989,643</u>	<u>15,706,902</u>

See accompanying notes to financial statements.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Combining Statement of Cash Flows
Year Ended June 30, 2009

	<u>Light</u>	<u>Water</u>	<u>Total</u>
Cash flow from operating activities:			
Cash received from customers and users	\$ 7,361,378	1,704,390	9,065,768
Cash received from other revenues	9,232	4,621	13,853
Cash paid to employees for services	(979,980)	(658,732)	(1,638,712)
Cash paid to suppliers	<u>(5,442,265)</u>	<u>(527,779)</u>	<u>(5,970,044)</u>
Net cash provided (used) by operating activities	<u>948,365</u>	<u>522,500</u>	<u>1,470,865</u>
Cash flow from noncapital financing activities:			
Permanent transfer to city	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Cash flow from capital and related financing activities:			
Cash paid for loan issuance fees	(28,681)	-	(28,681)
Cash proceeds from notes payable	3,600,000	-	3,600,000
Principal paid on notes payable	(4,155,000)	(276,000)	(4,431,000)
Interest paid on notes payable	(209,999)	(137,670)	(347,669)
Cash paid for banking fees on notes payable	(1,075)	(2,019)	(3,094)
Purchase of property and equipment	(240,083)	(136,384)	(376,467)
Proceeds from sale of property and equipment	<u>9,232</u>	<u>4,621</u>	<u>13,853</u>
Net cash provided (used) by capital activities	<u>(1,025,606)</u>	<u>(547,452)</u>	<u>(1,573,058)</u>
Cash flow from investing activities:			
Purchase of certificates of deposit	(360,000)	-	(360,000)
Interest on investments	<u>55,159</u>	<u>19,117</u>	<u>74,276</u>
Net cash provided (used) by investing activities	<u>(304,841)</u>	<u>19,117</u>	<u>(285,724)</u>
Net change in cash	(482,082)	(5,835)	(487,917)
Cash and cash equivalents at beginning of year	<u>2,803,136</u>	<u>598,583</u>	<u>3,401,719</u>
Cash and cash equivalents at end of year	<u>\$ 2,321,054</u>	<u>592,748</u>	<u>2,913,802</u>

(continued)

See accompanying notes to financial statements.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Combining Statement of Cash Flows (Continued)
Year Ended June 30, 2009

	Light	Water	Total
Cash flow from operating activities:			
Operating income	\$ 159,102	129,776	288,878
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation	633,385	403,645	1,037,030
Bond premium and issuance cost amortization	11,875	-	11,875
Changes in assets and liabilities:			
(Increase) decrease in due from other accounts	4,906	(4,906)	-
(Increase) decrease in accounts receivable	44,952	4,894	49,846
(Increase) decrease in unbilled usage	7,433	(3,348)	4,085
(Increase) decrease in inventories	13,377	(3,537)	9,840
(Increase) decrease in prepaid expense	(3,709)	12,185	8,476
Increase (decrease) in customer deposits	(88)	-	(88)
Increase (decrease) in accounts payable and accrued expenses	77,132	1,895	79,027
Increase (decrease) in checks in excess of cash	-	(18,104)	(18,104)
Net cash provided (used) by operating activities	948,365	522,500	1,470,865
Cash flow from noncapital financing activities:			
Permanent transfer to city	(100,000)	-	(100,000)
Cash flow from capital and related financing activities:			
Cash paid for loan issuance fees	(28,681)	-	(28,681)
Cash proceeds from notes payable	3,600,000	-	3,600,000
Principal paid on notes payable	(4,155,000)	(276,000)	(4,431,000)
Interest paid on notes payable	(209,999)	(137,670)	(347,669)
Cash paid for banking fees on notes payable	(1,075)	(2,019)	(3,094)
Purchase of property and equipment	(240,083)	(136,384)	(376,467)
Proceeds from sale of property and equipment	9,232	4,621	13,853
Net cash provided (used) by capital activities	(1,025,606)	(547,452)	(1,573,058)

(continued)

See accompanying notes to financial statements.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Combining Statement of Cash Flows (Continued)
Year Ended June 30, 2009

	Light	Water	Total
Cash flow from investing activities:			
Purchase of certificates of deposit	(360,000)	-	(360,000)
Interest on investments	55,159	19,117	74,276
Net cash provided (used) by investing activities	(304,841)	19,117	(285,724)
Net change in cash	(482,082)	(5,835)	(487,917)
Cash and cash equivalents at beginning of year	2,803,136	598,583	3,401,719
Cash and cash equivalents at end of year	\$ 2,321,054	592,748	2,913,802
Cash and cash equivalents at end of year consists of:			
Current assets:			
Cash	\$ 2,112,652	-	2,112,652
Restricted assets:			
Cash	208,402	592,748	801,150
Total cash and cash equivalents at end of year	\$ 2,321,054	592,748	2,913,802

See accompanying notes to financial statements.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Notes to Financial Statements
June 30, 2009

Note 1 – Significant Accounting Policies

The Mt. Pleasant Municipal Utilities is a component unit of the City of Mt. Pleasant, Iowa. It was first formed in 1897 and operates under a trustee form of government provided by the Code of Iowa. A five-member board of trustees is appointed by the City Council of Mt. Pleasant to six year staggered terms. The Utilities provides electric and water service to citizens, businesses, industry and other entities in Mt. Pleasant and surrounding areas.

Reporting Entity

For financial reporting purposes, Mt. Pleasant Municipal Utilities has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Utilities 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 Utilities are such that exclusion would cause the Utilities' 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 Utilities 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 Utilities. These financial statements present the Mt. Pleasant Municipal Utilities and there are no component units to be presented. The Utilities is legally separate, but financially accountable to the City of Mt. Pleasant. The Mt. Pleasant City Council appoints the board and the Utilities' legal budget is subject to approval by the City Council. The financial statements of the Mt. Pleasant Municipal Utilities are prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The accounts of Mt. Pleasant Municipal Utilities are organized on the basis of enterprise funds. The operations of each fund are accounted for by a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses.

Customer Accounts and Unbilled Usage

Accounts receivable are recorded at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Inventories

The method used to figure the carrying value of inventories is the lower of average cost or market. Information as to the accounting policies relative to the carrying value of property and equipment, fund balances and the recognition of income from the services sold to the City is included in the other Notes to Financial Statements.

(continued)

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Notes to Financial Statements (Continued)
June 30, 2009

Note 1 – Significant Accounting Policies (Continued)

Restricted Assets

Funds set aside for payment of revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

General and Administrative

The allocation of general and administrative expenses and penalty income on the Combining Statement of Revenue, Expenses and Changes in Fund Net Assets are allocated 80.75% and 19.25% to the Light and Water Funds, respectively.

Cash Equivalents

For purposes of the Combining Statement of Cash Flow, the Utilities considers all highly liquid investments, including restricted assets, with maturity of three months or less when purchased to be cash equivalents.

Measurement Focus and Basis of Accounting

The Utilities maintains its financial records on the accrual basis, which is the basis for the financial statements. The accrual basis of accounting recognizes revenues when earned rather than received. Expenses are recognized when incurred.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities' Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(continued)

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Notes to Financial Statements (Continued)
June 30, 2009

Note 1 – Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

The Utilities adopts an accrual basis budget for operating purposes. The Utilities then submits a cash basis (legal) budget to the City Council for approval in the City's budget process. The legal budget may be amended during the year utilizing the statutory procedures available to the City.

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amount budgeted.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Property and Equipment Accounting Policies

Vanguard Appraisals, Inc., an appraisal company, inspected the property and equipment of the Light and Water Funds and computed the appraised value based on market conditions as of November 1, 1973. Property and equipment acquired prior to November 1, 1973 is being accounted for on the basis of those appraised values. The appraised value of the depreciable property and equipment is being depreciated by the straight-line method over its estimated remaining useful life on November 1, 1973.

Complete property and equipment cost records are not available, making it impossible to determine the effect of the use of appraised values on the presentation of financial position and results of operations.

Accounting for property and equipment on the basis of appraised values is not in accordance with accounting principles generally accepted in the United States of America.

Property and equipment acquired subsequent to November 1, 1973, is accounted for on the basis of cost. Depreciation is computed by the straight-line method based on the estimated useful life of the property and equipment. Detail of property and equipment at June 30, 2009 by category is as follows:

(continued)

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Notes to Financial Statements (Continued)
June 30, 2009

Note 2 – Property and Equipment Accounting Policies (Continued)

<u>At Appraised Value</u>	<u>Light Fund</u>	<u>Water Fund</u>
Buildings	\$ 598,000	146,000
Production equipment	1,653,400	504,300
Distribution equipment	809,400	917,200
Machinery and equipment	30,250	12,995
Office furniture and fixtures	8,400	4,200
	<hr/>	<hr/>
Total	\$ 3,099,450	1,584,695
	<hr/>	<hr/>
<u>At Cost</u>	<u>Light Fund</u>	<u>Water Fund</u>
Land	\$ -	131,975
Land improvements	41,003	-
Edr treatment plant	-	6,149,810
Buildings	362,552	1,274,468
Production equipment	9,862,925	750,637
Distribution system	7,135,120	3,811,233
Water tower	-	1,338,931
Machinery and equipment	767,759	693,360
Transportation equipment	150,727	-
Office furniture and fixtures	165,494	74,276
Consultant services	1,128,158	873,714
Steam supply line	42,667	-
Computer	290,759	-
Leasehold improvements	22,703	-
	<hr/>	<hr/>
Total	\$ 19,969,867	15,098,404
	<hr/>	<hr/>

The land on which the Utilities' general offices, power, and water plants are located is owned by the City of Mt. Pleasant, Iowa. The Utilities paid the City \$48,000 for the permanent use of the land. However, see Note 4 regarding electricity, water and related services furnished to the City without charge.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Notes to Financial Statements (Continued)
June 30, 2009

Note 3 – Contributed Capital, Net Assets and Appraisal Increase

Available accounting records are not adequate to make it possible to separately identify and account for contributed capital, net assets and the appraisal increase of property and equipment. As a result, these separate elements of the net assets of the Light and Water Funds are grouped for financial statement presentation. The combined presentation of these components of net assets is not in accordance with accounting principles generally accepted in the United States of America.

Note 4 – Donated Electricity and Water

The municipal parks, city hall and other municipally operated facilities in the City of Mt. Pleasant are not billed for electricity and water usage, service and materials provided them during the year. The meters from these facilities are read monthly and the resulting amount computed at normal rates is considered to be a donation to the City. During the year ended June 30, 2009, services donated to the City totaled \$191,664 and \$15,151 for the Light and Water Funds, respectively. No revenue has been recognized in the financial statements for these amounts.

Note 5 – Cash and Pooled Investments

The Municipal Utilities' deposits at June 30, 2009 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 Municipal Utilities 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 Board of Trustees; 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 Municipal Utilities' had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Note 6 – Pension and Retirement Benefits

The Utilities 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.

(continued)

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Notes to Financial Statements (Continued)
June 30, 2009

Note 6 – Pension and Retirement Benefits (Continued)

Plan members are required to contribute 4.10% of their annual covered salary and the Utilities is required to contribute 6.35% of covered salary. Contribution requirements are established by State statute. The Utilities' contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$104,195, \$96,997 and \$89,327 respectively, equal to the required contributions for each year.

Note 7 – Major Suppliers

All of the Utilities' purchased power is from one supplier. The total amount purchased was \$4,657,285 which represents 96.4% of total kilowatt hours generated and purchased.

Note 8 – Compensated Absences

Utilities' employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death.

Vacation pay has been accrued in the financial records as a liability for time earned but not used at June 30, 2009. This amount based on June 30, 2009 wages and salaries was \$110,771.

Employee sick leave accumulates up to a maximum of 120 days, which does not vest. However, upon retirement at age 62 or older, or upon death, whichever occurs first, the employee will be paid 100% of their accumulated sick leave to a maximum of 90 days. To receive this benefit, the employee must have applied for and been approved for IPERS retirement benefits or reached age 62 and retired. An employee who quits or is fired is not eligible for payment of accumulated sick leave. The liability for employee sick leave is reported in the combining statement of net assets only for employees who have retired. As of June 30, 2009, there was no liability for sick leave accrued.

The maximum additional contingent liability for employee sick leave accruals at June 30, 2009 is approximately \$219,566.

Note 9 – Certified Budget

During the year ended June 30, 2009, disbursements did not exceed the amount budgeted.

**MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA**

**Notes to Financial Statements (Continued)
June 30, 2009**

Note 10 – Cash Flow Information

Cash paid for interest and taxes for the year ended June 30, 2009 was as follows:

Interest	\$ 347,669
Taxes	-

Note 11 – Accounts Receivable

The Utilities supplies electric and water services to businesses and residents of Mt. Pleasant and surrounding areas. The Utilities grants credit to these customers.

Note 12 – Unrestricted Net Assets Designated by the Board

The Utilities by resolution of the board set aside funds on a monthly basis for specific purposes. These funds are only available upon board authorization. As of June 30, 2009 the amounts that are board designated are as follows:

<u>Fund</u>	<u>Purpose</u>	<u>Cash and Investments</u>
Electric Fund	Light Improvement	\$ 687,879
Water Fund	Water Improvement	363,092
Electric Fund	Light Contingency	<u>553,613</u>
Total board designated cash and investments		<u>\$ 1,604,584</u>

Note 13 – Allowance for Doubtful Accounts

As of June 30, 2009, accounts receivable was shown net of their allowance for doubtful accounts for electric and water of \$4,038 and \$963, respectively.

Note 14 – Risk Management

The Utilities is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance coverage. Settled claims from risks have not exceeded commercial insurance coverage in any of the past three years.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Notes to Financial Statements (Continued)
June 30, 2009

Note 15 – Notes Payable

Annual debt service requirements to maturity for revenue notes per the resolution are as follows:

Year Ending June 30,	<u>Water Revenue Notes</u>				<u>Electric Revenue Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Service Fees</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 286,000	127,752	1,881	415,633	425,000	117,645	542,645
2011	296,000	117,478	1,738	415,216	440,000	109,538	549,538
2012	306,000	106,853	1,590	414,443	455,000	94,357	549,357
2013	317,000	95,857	1,437	414,294	475,000	78,660	553,660
2014	328,000	84,473	1,279	413,752	490,000	62,273	552,273
2015	340,000	72,683	1,115	413,798	505,000	45,367	550,367
2016	352,000	60,469	945	413,414	500,000	27,945	527,945
2017	365,000	47,814	769	413,583	310,000	10,695	320,695
2018	377,000	34,718	586	412,304	-	-	-
2019	391,000	21,162	397	412,559	-	-	-
2020	<u>404,000</u>	<u>7,130</u>	<u>201</u>	<u>411,331</u>	-	-	-
	<u>\$3,762,000</u>	<u>776,389</u>	<u>11,938</u>	<u>4,550,327</u>	<u>3,600,000</u>	<u>546,480</u>	<u>4,146,480</u>

The resolution providing for a loan agreement between the Mt. Pleasant Utilities and the Department of Natural Resources, and securing the payment of \$5,934,000 Water Revenue Capital Loan Notes, Series 1999 include the following provisions:

All revenues were deposited in a water revenue account. From the water revenue account, transfers may be made to the following accounts:

1. Monthly transfers equal to 1/12th of the next principal payment and 1/6th of the next interest payment into a water sinking account.
2. Monthly transfers equal to a reserve account requirement which is 25% of the amount to be deposited in the water sinking account, to be deposited into a water reserve account.

(continued)

**MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA**

**Notes to Financial Statements (Continued)
June 30, 2009**

Note 15 – Notes Payable (Continued)

The Utilities issued electric revenue bonds in an aggregate principal amount of \$3,600,000 dated May 20, 2009 for the purpose of paying costs of the refunding of the outstanding electric revenue bonds dated May 1, 2001. Bond issuance costs were capitalized and netted with bond premium. The unamortized costs were \$121,691 at June 30, 2009. The unamortized premium was \$4,350 at June 30, 2009. The bonds are shown net of the unamortized costs and premium on the combining statement of net assets. The net unamortized costs and premium will be amortized over the life of the bonds.

All revenues were deposited in the electric revenue account. After reserving an adequate sum as working capital for the system, the following payments only shall be made:

1. Monthly transfers equal to 1/12th of the next principal payment and 1/6th of the next interest payment into an electric sinking account.
2. Monthly transfers equal to 100 percent of the amount required to be deposited in the electric sinking account; provided, however, that when the amount on deposit in the reserve account shall be not less than the reserve fund requirement, no further deposits shall be made into the reserve account except to maintain such level, and when the amount on deposit in the reserve account is greater than the balance required above, such additional amounts shall be withdrawn and paid into the electric revenue account. The reserve fund requirement is the lesser of the maximum annual amount of principal and interest coming due on the note, 10% of the stated principal of the note or 125% of the average annual principal and interest coming due on the note.

During the year ended June 30, 2009, the Utilities was in compliance with the revenue note provisions.

Note 16 – Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	<u>Water Revenue Notes</u>	<u>Electric Revenue Notes</u>	<u>Total</u>
Balance beginning of year	\$ 4,038,000	4,155,000	8,193,000
Decreases	<u>276,000</u>	<u>555,000</u>	<u>831,000</u>
Balance end of year	\$ <u>3,762,000</u>	<u>3,600,000</u>	<u>7,362,000</u>
Due within one year	\$ <u>286,000</u>	<u>425,000</u>	<u>711,000</u>

Note 17 – Related Party Transactions

The Utilities had business transactions between the Utilities and Utility employees, totaling \$10,750 during the year ended June 30, 2009.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Notes to Financial Statements (Continued)
June 30, 2009

Note 18 – Transfer of Funds to City

Beginning in 2003, the Utilities was required to transfer funds to the general fund of the City of Mt. Pleasant. The amount transferred for the year ended June 30, 2009 was \$100,000.

Note 19 – Quad City West Flowgate Facilities Investment Agreement

The Utilities entered into an agreement authorized by Chapter 28E with The Resale Power Group of Iowa (RPGI). RPGI has entered into the Quad Cities West Agreement which specifically grants investment rights to RPGI in the amount of \$293,637 as a share of joint ownership in transmission line upgrades and improvements to a transmission facility owned and operated by MidAmerican Energy. As a participant in RPGI, the Utilities invested in these investment rights in the amount of \$44,803.

Note 20 – Prior Period Adjustments

A misclassification between restricted and board designated unrestricted net assets was discovered during the current year. Amounts that were board designated for improvements and contingency had been misclassified as restricted net assets during the prior period. Accordingly, a prior period adjustment of \$1,047,005 for electric and \$305,377 for water was made from restricted net assets to board designated unrestricted net assets.

Required Supplementary Information

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis)
Required Supplementary Information
Year Ended June 30, 2009

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts	\$ 12,753,897	9,396,000	12,876,700	(122,803)
Disbursements	13,141,814	8,899,423	13,228,181	86,367
Net	(387,917)	496,577	(351,481)	(36,436)
Other financing sources, net	(100,000)	(100,000)	(100,000)	-
Beginning balances	3,401,719	4,029,498	4,062,396	(660,677)
Ending balances	\$ 2,913,802	4,426,075	3,610,915	(697,113)

See accompanying independent auditors' report.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2009

	Proprietary Funds		
	Cash Basis	Enterprise	Accrual Basis
		Accrual Adjustments	
Revenues	\$ 12,753,897	(3,661,967)	9,091,930
Expenditures / expenses	13,141,814	(4,088,133)	9,053,681
Net	(387,917)	426,166	38,249
Other financing sources, net	(100,000)	-	(100,000)
Beginning net assets	3,401,719	12,366,934	15,768,653
Ending net assets	\$ 2,913,802	12,793,100	15,706,902

See accompanying independent auditors' report.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2009

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

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. One of the 9 functions includes the business type activities. Function disbursements required to be budgeted include disbursements for the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$4,328,758. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Unaudited Comparative Operating Statistics

	Year Ended June 30,	
	2009	2008
Number of customers served:		
Electricity:		
Residential	3,166	3,193
Commercial	823	789
Electric heat	76	85
Vapor lights	120	125
Special commercial demand	30	30
Steam	1	1
Water	3,666	3,653
Kilowatt hours:		
Number of kilowatt hours purchased	79,467,625	82,403,813
Number of kilowatt hours produced	2,977,414	9,697,764
	82,445,039	92,101,577
Number of kilowatt hours sold	70,015,683	73,696,416
% of kilowatt hours sold to total produced and purchased	84.92%	80.02%
Number of kilowatt hours for export	70,643	4,324,914
Number of kilowatt hours for internal use	4,244,158	4,183,565
Number of kilowatt hours donated to city	3,006,871	2,949,411
	7,321,672	11,457,890
Gallons:		
Number of gallons pumped	571,562,000	564,416,000
Number of gallons billed	405,198,141	432,257,918
% of gallons billed to total pumped	70.89%	76.58%
Number of gallons for internal use	1,796,175	1,918,675
Number of gallons donated to city	2,751,678	2,792,643
	4,547,853	4,711,318

The foregoing operating statistics are presented on the basis of unaudited records maintained in the Utilities' offices. The amounts and the accuracy of the operating statistics were not investigated by the auditor.

See accompanying independent auditors' report.

2007	2006	2005	2004	2003
3,107	3,119	3,118	3,150	3,122
746	707	669	601	580
187	193	197	198	197
122	121	122	121	124
32	32	32	34	32
1	1	1	1	1
3,584	3,557	3,523	3,496	3,412
79,037,450	80,655,959	74,581,647	73,019,962	71,488,835
4,567,281	92,474	1,098,036	4,319,998	3,176,683
83,604,731	80,748,433	75,679,683	77,339,960	74,665,518
71,165,343	70,901,276	66,625,233	64,220,459	62,366,918
85.12%	87.81%	88.04%	83.04%	83.53%
2,047,516	-	-	588,161	1,088,160
4,410,334	4,751,883	5,244,270	4,837,110	5,418,390
2,995,590	2,895,695	2,746,554	3,585,657	3,062,319
9,453,440	7,647,578	7,990,824	9,010,928	9,568,869
582,580,100	645,262,500	648,979,500	653,780,400	693,672,500
437,794,600	468,899,618	503,789,739	509,100,856	516,204,515
75.15%	72.67%	77.63%	77.87%	74.42%
1,923,224	1,598,851	1,692,676	2,574,280	2,286,362
3,598,129	3,159,043	3,327,028	3,254,534	3,352,101
5,521,353	4,757,894	5,019,704	5,828,814	5,638,463

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Schedule of Net Asset Detail
June 30, 2009

	Light	Water	Total
Accounts payable and accrued expenses, payable from current assets:			
Trade accounts payable	\$ 633,579	25,843	659,422
Salaries and wages	124,140	41,214	165,354
Payroll and withholding taxes	28,992	-	28,992
Sales tax payable	15,287	-	15,287
Sewer and trash payable	91,663	-	91,663
 Total	 \$ 893,661	 67,057	 960,718

See accompanying independent auditors' report.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Schedule of Net Asset Detail (Continued)
June 30, 2009

Assets				
	Balance June 30, 2008	Acquisitions (Eliminations)	Trades and (Adjustments)	Balance June 30, 2009
Property and equipment:				
Light Fund:				
At appraisal values:				
Buildings	\$ 598,000	-	-	598,000
Generating equipment	1,653,400	-	-	1,653,400
Distribution system	809,400	-	-	809,400
Machinery and equipment	30,250	-	-	30,250
Office furniture and fixtures	8,400	-	-	8,400
	<u>3,099,450</u>	<u>-</u>	<u>-</u>	<u>3,099,450</u>
Total	<u>\$ 3,099,450</u>	<u>-</u>	<u>-</u>	<u>3,099,450</u>
At cost:				
Land improvement	\$ 23,653	17,350	-	41,003
Buildings	362,552	-	-	362,552
Generating equipment	9,862,925	-	-	9,862,925
Distribution equipment	6,995,632	46,600	-	7,042,232
Construction in progress	32,695	92,888	(32,695)	92,888
Machinery and equipment	677,890	110,049	(20,180)	767,759
Transportation equipment	150,727	-	-	150,727
Office furniture and fixtures	164,988	506	-	165,494
Consultant services	1,128,158	-	-	1,128,158
Steam supply line	42,667	-	-	42,667
Computer	285,374	5,385	-	290,759
Leasehold improvements	22,703	-	-	22,703
	<u>19,749,964</u>	<u>272,778</u>	<u>(52,875)</u>	<u>19,969,867</u>
Total	<u>\$ 19,749,964</u>	<u>272,778</u>	<u>(52,875)</u>	<u>19,969,867</u>

* See Note 2 of the Notes to Financial Statements regarding accounting for property and equipment.

(continued)

See accompanying independent auditors' report.

Assets	Accumulated Depreciation				Depreciated
Estimated Life In Years	Balance June 30, 2008	Acquisitions (Eliminations)	Trades and (Adjustments)	Balance June 30, 2009	Cost June 30, 2009
30	\$ 598,000	-	-	598,000	-
30	1,653,400	-	-	1,653,400	-
30	809,400	-	-	809,400	-
8-10	30,250	-	-	30,250	-
5	8,400	-	-	8,400	-
	\$ 3,099,450	-	-	3,099,450	-
15	\$ 22,211	1,155	-	23,366	17,637
30	186,106	11,872	-	197,978	164,574
10-30	3,047,105	320,946	-	3,368,051	6,494,874
30	4,288,713	226,233	-	4,514,946	2,527,286
	-	-	-	-	92,888
8-10	586,086	40,307	(20,180)	606,213	161,546
5	150,727	-	-	150,727	-
5-10	151,327	7,424	-	158,751	6,743
5	1,125,108	766	-	1,125,874	2,284
10-30	41,718	498	-	42,216	451
3-8	206,742	24,184	-	230,926	59,833
5	22,703	-	-	22,703	-
	\$ 9,828,546	633,385	(20,180)	10,441,751	9,528,116

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Schedule of Net Asset Detail (Continued)
June 30, 2009

	Assets			
	Balance June 30, 2008	Acquisitions (Eliminations)	Trades and (Adjustments)	Balance June 30, 2009
Property and equipment:				
Water Fund:				
At appraisal values:				
Buildings	\$ 146,000	-	-	146,000
Pumping and filtering equipment	504,300	-	-	504,300
Distribution system	917,200	-	-	917,200
Machinery and equipment	12,995	-	-	12,995
Office furniture and fixtures	4,200	-	-	4,200
Total	\$ 1,584,695	-	-	1,584,695
At cost:				
Buildings	\$ 1,274,468	-	-	1,274,468
Edr treatment plant	6,149,810	-	-	6,149,810
Pumping and filtering equipment	750,637	-	-	750,637
Distribution system	3,672,064	124,945	-	3,797,009
Construction in progress	90,274	14,224	(90,274)	14,224
Water tower	1,338,931	-	-	1,338,931
Machinery and equipment	648,900	65,515	(21,055)	693,360
Land	131,975	-	-	131,975
Consultant services	855,914	17,800	-	873,714
Furniture and fixtures	70,102	4,174	-	74,276
Total	\$ 14,983,075	226,658	(111,329)	15,098,404

* See Note 2 of the Notes to Financial Statements regarding accounting for property and equipment.

See accompanying independent auditors' report.

Assets	Accumulated Depreciation				Depreciated Cost
Estimated Life In Years	Balance June 30, 2008	Acquisitions (Eliminations)	Trades and (Adjustments)	Balance June 30, 2009	
10-30	\$ 146,000	-	-	146,000	-
21-30	504,300	-	-	504,300	-
40	795,112	22,930	-	818,042	99,158
8-10	12,995	-	-	12,995	-
10	4,200	-	-	4,200	-
	\$ 1,462,607	22,930	-	1,485,537	99,158
10-30	\$ 748,895	28,424	-	777,319	497,149
40	1,402,434	153,745	-	1,556,179	4,593,631
25-40	260,130	25,541	-	285,671	464,966
40	1,306,433	94,050	-	1,400,483	2,396,526
	-	-	-	-	14,224
21-40	464,498	37,077	-	501,575	837,356
5-10	551,699	33,559	(21,055)	564,203	129,157
	-	-	-	-	131,975
5	848,672	2,618	-	851,290	22,424
10	40,939	5,701	-	46,640	27,636
	\$ 5,623,700	380,715	(21,055)	5,983,360	9,115,044

**MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA**

**Expense Detail
June 30, 2009**

	Actual	Operating Budget
Operating expenses:		
Light Fund:		
Power, pumping and treatment plant:		
Supervision salaries	\$ 33,601	32,050
Power plant:		
Fuel, coal and oil	-	175,000
Purchased power	4,657,285	4,642,300
Production:		
Labor	225,918	221,050
Chemicals	15,788	10,000
Maintenance:		
Labor	97,109	90,100
Supplies	11,693	14,000
Other:		
Meal allowance	-	25
Miscellaneous	279	1,176
Depreciation	332,858	345,000
Freight	-	50
Miscellaneous contracted service	66,334	70,000
Permits	100	250
Renewable energy certificates	12,364	-
Repairs	3,608	2,000
Insurance	38,116	42,100
Bond issuance cost	12,430	11,832
Books and instructional materials	12,187	-
Total power, pumping and treatment plant	\$ 5,519,670	5,656,933

(continued)

See accompanying independent auditors' report.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Expense Detail (Continued)
June 30, 2009

	Actual	Operating Budget
Operating expenses:		
Light Fund (continued):		
Transmission and distribution:		
Supervision salaries	\$ 31,384	32,050
Maintenance of line:		
Labor	197,682	216,200
Supplies	22,316	48,000
Maintenance of park and street:		
Lighting:		
Labor	17,381	11,775
Supplies	2,723	5,000
Maintenance of meters:		
Labor	22,585	27,675
Supplies	15,499	18,500
Removing and resetting meters	40,085	29,150
Other:		
Depreciation	276,343	290,000
Vehicle supplies	190	500
Vehicle repair	1,830	4,000
Mileage	-	150
Lodging	700	500
Meals allowance	42	150
Freight	-	50
Miscellaneous contracted services	27,438	60,000
Repairs	2,804	1,000
Insurance	38,616	42,100
Chemicals	-	200
Miscellaneous	2,248	1,135
Books and instructional materials	52	500
Education and training	69	2,500
	\$ 699,987	791,135
Total transmission and distribution		

(continued)

See accompanying independent auditors' report.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Expense Detail (Continued)
June 30, 2009

	Actual	Operating Budget
Operating expenses:		
Water Fund:		
Pumping and treatment plant:		
Supervision salaries	\$ 39,871	43,920
Maintenance of pumping equipment:		
Labor	251,450	289,200
Supplies	88,165	61,000
Outside analytical services	2,596	2,700
Pumping station expense	5,938	6,500
Insurance	38,280	52,325
Chemicals	101,496	75,000
Depreciation	220,222	225,000
Other pumping and treatment expenses:		
Permits	2,117	1,500
Education and training	1,050	1,000
Books and instructional materials	-	100
Dues, assessments, and subscriptions	1,777	-
Freight	554	100
Miscellaneous	482	993
Mileage	882	700
Lodging	206	400
Meal allowance	130	200
Miscellaneous contracted services	20,763	25,000
Repairs	2,194	3,000
Vehicle repairs and supplies	1,880	1,000
Total pumping and treatment plant	\$ 780,053	789,638

(continued)

See accompanying independent auditors' report.

**MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA**

**Expense Detail (Continued)
June 30, 2009**

	Actual	Operating Budget
Operating expenses:		
Water Fund (continued):		
Transmission and distribution:		
Supervision salaries	\$ 37,658	43,920
Removing and resetting meters	63,177	51,325
Maintenance of mains:		
Labor	160,641	163,460
Supplies	16,738	40,000
Maintenance of meters:		
Labor	6,106	8,325
Supplies	15,167	50,000
Maintenance of hydrants:		
Labor	22,222	12,160
Supplies	3,542	5,000
Other transmission and distribution:		
Vehicle expense	1	500
Depreciation	183,423	173,000
Permits	128	700
Education and training	1,253	1,250
Miscellaneous	8,942	4,100
Mileage	648	750
Lodging	704	300
Meal allowance	274	350
Freight	20	100
Miscellaneous contracted services	2,109	5,000
Repairs	2,873	2,500
Vehicle repairs	7,299	6,000
Analytical service	-	50
Insurance	38,311	52,325
	\$ 571,236	621,115
Total transmission and distribution		

(continued)

See accompanying independent auditors' report.

**MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA**

**Expense Detail (Continued)
June 30, 2009**

	Actual	Operating Budget
Operating expenses:		
Light and Water Funds:		
General and administrative:		
Education and training	\$ 848	250
Advertising	1,799	2,500
Repairs	1,042	300
Business meals	247	250
Administrative salaries	152,542	140,425
Administrative supplies	6,111	7,000
Trustee salaries	7,200	7,200
Accounting and collecting labor	174,537	176,550
Computer maintenance and supplies	8,833	7,500
Maintenance agreements	8,748	10,600
Bank charges	4,860	600
Courtesy	1,947	1,600
Insurance	17,393	19,750
Dues, assessments, and subscriptions	25,571	26,000
Meter reading wages	68,900	66,775
Meter reading supplies	261	100
Provision for doubtful accounts	33,062	37,000
Printing	5,101	4,500
First aid supplies	448	100
Postage	16,566	19,400
Telephone	14,721	17,500
Contractual services	11,300	10,000
Professional fees	20,541	19,500
Payroll tax expense	126,229	130,225
Pension expense (IPERS)	104,195	100,375
Group insurance	250,240	236,075
Mileage	2,388	2,000
Transportation and vehicle expense	23,271	30,100
Options 2000	9,346	13,500

(continued)

See accompanying independent auditors' report.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Expense Detail (Continued)
June 30, 2009

	Actual	Operating Budget
Operating expenses:		
Light and Water Funds (continued):		
General and administrative (continued):		
Use tax expense	12,854	8,000
Safety program	2,709	2,800
Miscellaneous	2,510	2,025
Lodging	629	1,000
Drug testing	468	1,000
Economic development	10,500	13,000
Depreciation	24,184	22,500
Total general and administrative	\$ 1,152,101	1,138,000
 Allocated as follows:		
Electric Fund	\$ 930,323	
Water Fund	221,778	
 Total as above	\$ 1,152,101	

* See Note 1 of the Notes to Financial Statements regarding the allocation method.

See accompanying independent auditors' report.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Note Maturities
June 30, 2009

Water Revenue Note Issued December 1, 1999			Electric Revenue Note Issued May 20, 2009		
Year Ending June 30,	Interest Rate	Amount	Interest Rate	Amount	
2010	3.53 %	\$ 286,000	3.45 %	\$	425,000
2011	3.53	296,000	3.45		440,000
2012	3.53	306,000	3.45		455,000
2013	3.53	317,000	3.45		475,000
2014	3.53	328,000	3.45		490,000
2015	3.53	340,000	3.45		505,000
2016	3.53	352,000	3.45		500,000
2017	3.53	365,000	3.45		310,000
2018	3.53	377,000	-		-
2019	3.53	391,000	-		-
2020	3.53	404,000	-		-
Total		\$ 3,762,000		\$	3,600,000

See accompanying independent auditors' report.



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

To the Board of Trustees
Mt. Pleasant Municipal Utilities
Mt. Pleasant, Iowa

We have audited the accompanying financial statements of the business type activities of the Mt. Pleasant Municipal Utilities – a component unit of the City of Mt. Pleasant, Iowa, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mt. Pleasant Municipal Utilities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Mt. Pleasant Municipal Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mt. Pleasant Municipal Utilities' 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, including a deficiency we consider to be a material weakness.

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 Mt. Pleasant Municipal Utilities' ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Mt. Pleasant Municipal Utilities' financial statements that is more than inconsequential will not be prevented or detected by Mt. Pleasant Municipal Utilities' internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a 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 Mt. Pleasant Municipal Utilities' 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-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mt. Pleasant Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Mt. Pleasant Municipal Utilities' operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Mt. Pleasant Municipal Utilities. 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.

Mt. Pleasant Municipal Utilities' responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Utilities' responses, we did not audit Mt. Pleasant Municipal Utilities' 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 citizens of Mt. Pleasant, the officials and employees of Mt. Pleasant Municipal Utilities and other parties to whom the Mt. Pleasant Municipal Utilities 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 Mt. Pleasant Municipal Utilities 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.

T&T Financial Group, P.C.

Mt. Pleasant, Iowa
September 2, 2009

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Schedule of Findings
Year Ended June 30, 2009

Part I: Summary of the Independent Auditors' Results:

1. A qualified opinion was issued on the financial statements because of the effects of appraised values of equipment and fund balance breakdown.
2. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
3. The audit did not disclose any non-compliance which is material to the financial statements.

(continued)

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Schedule of Findings (Continued)
Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

II-A-09 Accounting Records – Accounts receivable general ledger control accounts do not match the subsidiary ledger on a month to month basis.

Recommendation – The accounts receivable subsidiary ledger and accounts receivable general ledger control accounts should be reviewed to determine the actual accounts receivable balance.

Response – We will review accounts receivable.

Conclusion – The balancing of a subsidiary ledger to a control account is a basic accounting procedure. Every effort should be made to correct the computer program for this weakness.

II-B-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

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

Response – We will consider this.

Conclusion – Response acknowledged. The Utilities 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.

II-C-09 Compensated Absences – The Utilities does not have a vacation or sick leave policy for employees not covered by the Local Union No. 55 contract.

Recommendation – The Utilities should implement a vacation and sick leave policy which covers employees not covered by the Local Union No. 55 contract.

Response – We will review policies for compensated absences.

Conclusion – Response accepted.

(continued)

**MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA**

**Schedule of Findings (Continued)
Year Ended June 30, 2009**

Part III: Other Findings Related to Statutory Reporting:

III-A-09 Certified Budget – Municipal Utilities' budget is filed as part of the City of Mt. Pleasant's budget. The budget was amended by May 31st as required by Chapter 331.435 of the Code of Iowa. Disbursements during the year ended June 30, 2009 did not exceed the amount budgeted.

III-B-09 Questionable Disbursements – We noted no disbursements that were questionable costs.

III-C-09 Travel Expense – No expenditures of Municipal Utilities' money for travel expenses of spouses of Municipal Utilities' officials or employees were noted.

III-D-09 Business Transactions – Business transactions between the Utility and Utility employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Codeworks Software Factory owner Matt Gingerich, stepson of employee	Computer programming and maintenance	\$ 2,449
Jerry Glanzman, spouse of employee	Computer consulting	40
Donna Stott, spouse of employee	Cookies for school tours	133
Reynolds Motors, Inc. owner Earl Reynolds father-in-law of employee	Truck tires	1,628
Bryan Ham, employee	Sale of 2000 GMC pickup	6,500

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Jerry Glanzman and Donna Stott do not appear to represent a conflict of interest since the total was less than \$1,500 during the fiscal year. The transactions with Codeworks Software Factory, Reynolds Motors, Inc., and Bryan Ham may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa. The Municipal Utilities should consult legal counsel to determine the disposition of this matter.

(continued)

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Schedule of Findings (Continued)
Year Ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting (Continued):

III-E-09 Bond Coverage – Surety bond coverage of Municipal Utilities' 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.

III-F-09 Utility Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-09 Revenue Notes – We noted no instances of non-compliance with water or electric note provisions.

III-H-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities investment policy were noted.

MT. PLEASANT MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF MT. PLEASANT, IOWA

Staff

This audit was performed by:

Tom L. Holtkamp, CPA, Manager
Ted Wiegand, CPA, Senior Staff Accountant
Jaime Ackles, CPA, Staff Accountant