

**City of Mount Pleasant**

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

**June 30, 2012**

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## City of Mount Pleasant

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven K. Brimhall	Mayor	December 31, 2013
Stan Curtis	Mayor Pro Tem	December 31, 2013
Deb Savage	Council Member	December 31, 2013
Terry McWilliams	Council Member	December 31, 2013
Steve Engberg	Council Member	December 31, 2015
Matthew Crull	Council Member	December 31, 2015
Tim Gray	Council Member	December 31, 2015
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 the City Council  
City of 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 (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 accounting principles generally accepted in the United States of America.

The financial statements referred to above include only the primary government of the City, 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 as of June 30, 2012, 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 for the primary government of the City as of June 30, 2012, 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 report dated January 9, 2013 on our consideration of the City's 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 10 and 28 through 29 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*CPA Associates PC*

January 9, 2013

## **City of Mount Pleasant Management's Discussion and Analysis**

The City of Mount Pleasant (City) 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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities increased 15%, or \$1,112,217, from fiscal 2011 to fiscal 2012. This increase is due to an increase in capital grants in fiscal 2012.
- Disbursements of the City's governmental activities increased 11%, or \$845,509 in fiscal 2012 from fiscal 2011. Capital project expenditures increased mainly due to street improvements and an airport project.
- The City's total cash basis net assets increased 11%, or \$726,874 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities decreased \$234,951 and the assets of the business type activities increased \$961,825.

### **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.
- Other Information further explains and supports the financial statements with a comparison to the City's budget for the year.
- Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

**City of Mount Pleasant  
Management's Discussion and Analysis**

**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 accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**REPORTING THE CITY'S FINANCIAL ACTIVITIES**

*Government-wide Financial Statements*

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sewer and solid waste systems. 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 Financing (TIF), 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Other Nonmajor Governmental Fund. The governmental fund financial statement provides 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 statement for governmental funds includes a statement of cash receipts, disbursements and changes in cash balances.

**City of Mount Pleasant  
Management's Discussion and Analysis**

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 statement for proprietary funds includes a statement of cash receipts, disbursements and changes in cash balances.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$5,372,930 to \$5,137,979. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	Year Ended June 30,	
	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for services	\$ 282,686	\$ 260,006
Operating grants, contributions and restricted interest	915,675	931,232
Capital grants, contributions and restricted interest	2,073,668	1,026,741
General receipts:		
Property tax	3,659,753	3,613,948
Local option sales tax	777,175	723,554
Other city taxes	237,958	208,327
Unrestricted interest on investments	1,739	5,966
Bond proceeds	200,000	-
Other general receipts	<u>299,985</u>	<u>566,648</u>
Total receipts	<u>8,448,639</u>	<u>7,336,422</u>
Disbursements:		
Public safety	1,438,158	1,204,558
Public works	507,254	535,728
Culture and recreation	1,087,718	1,129,310
Community and economic development	363,231	384,593
General government	729,552	709,500
Debt service	1,205,597	1,240,854
Capital projects	<u>3,315,282</u>	<u>2,596,740</u>
Total disbursements	<u>8,646,792</u>	<u>7,801,283</u>
Change in cash basis net assets before transfers	(198,153)	(464,861)
Transfers, net	<u>(36,798)</u>	<u>40,000</u>
Change in cash basis net assets	(234,951)	(424,861)
Cash basis net assets beginning of year	<u>5,372,930</u>	<u>5,797,791</u>
Cash basis net assets end of year	<u>\$ 5,137,979</u>	<u>\$ 5,372,930</u>

**City of Mount Pleasant  
Management's Discussion and Analysis**

The City's total receipts for governmental activities increased by 15%, or \$1,112,217. The total cost of all programs and services increased by \$845,509 or 11%, with no new programs added this year.

The cost of all governmental activities this year was \$8,646,792 compared to \$7,801,283 last year. However, as shown in the Statement of Activities and Net Assets on page 11, the amount taxpayers ultimately financed for these activities was only \$5,374,763 because some of the cost was paid by those directly benefited from the programs (\$282,686) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,989,343).

Changes in Cash Basis Net Assets of Business Type Activities	Year Ended June 30,	
	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,676,334	\$ 1,639,288
Solid waste	386,309	382,086
General receipts:		
Unrestricted interest on investments	429	743
Bond proceeds	9,677,208	184,224
Miscellaneous receipts	<u>43,671</u>	<u>3,554</u>
Total receipts	<u>11,783,951</u>	<u>2,209,895</u>
Disbursements:		
Sewer	10,488,814	2,110,740
Solid waste	<u>370,110</u>	<u>467,150</u>
Total disbursements	<u>10,858,924</u>	<u>2,577,890</u>
Change in cash basis net assets before transfers	925,027	(367,995)
Transfers, net	<u>36,798</u>	<u>(40,000)</u>
Change in cash basis net assets	961,825	(407,995)
Cash basis net assets beginning of year	<u>1,489,075</u>	<u>1,897,070</u>
Cash basis net assets end of year	<u>\$ 2,450,900</u>	<u>\$ 1,489,075</u>

Total business type activities receipts for the fiscal year were \$11,783,951 compared to \$2,209,895 last year. This increase was due primarily to the receipt of bond proceeds. The cash balance increased by \$961,825 from the prior year primarily because of the receipt of bond proceeds.

**City of Mount Pleasant  
Management's Discussion and Analysis**

**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.

- 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 \$1,458,869, an increase of \$177,311 from the prior year due to an increase in property taxes.
- The Road Use Tax Fund cash balance increased by \$128,446 to \$954,696 during the fiscal year.
- The Local Option Sales Tax Fund increased by \$302,061 to \$1,603,137 at year end due to a decrease in transfers.
- The Tax Increment Financing Fund (TIF) increased by \$21,536 to \$294,618 during the fiscal year.
- The Debt Service Fund cash balance decreased by \$7,173 to \$(2,619) during the fiscal year.
- The Capital Projects cash balance decreased by \$870,696 to \$489,579 at year end, due to the timing of major street expenditures and the corresponding draw downs of grant proceeds.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The cash balance of the Enterprise Funds increased by \$961,825 to \$2,450,900. The increase is primarily due to the receipt of sewer revenue bond proceeds.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget. The final amendment was approved on May 30, 2012. The amendment resulted in an increase in budgeted receipts of \$2,690,697 and an increase in budgeted disbursements of \$12,265,175. Revenue increases included other city taxes, use of money and property, intergovernmental, charges for services, and miscellaneous. Expenditure increases included public safety, community and economic development, capital projects, and business-type activities. The City had sufficient cash balances to absorb these additional costs.

The City continued its aggressive street reconstruction including the final phase of a four Phase reconstruction of Washington Street (formerly Highway 34) through town which was acquired from the State. Besides the street improvements, the project includes the installation of LED Historical street lighting that will improve public safety and be more energy efficient. In addition to the Washington St. Reconstruction project, the City has secured partial grant funding for the repair of the three major arterial streets of Grand Ave., Mapleleaf Dr., and Iris St. and begun the engineering work.

**City of Mount Pleasant  
Management's Discussion and Analysis**

**DEBT ADMINISTRATION**

At June 30, 2012, the City had \$17,927,432 in bonds and other long-term debt, compared to \$18,016,224 last year, as shown below.

Outstanding Debt at Year End	June 30,	
	2012	2011
General obligation bonds	\$ 8,680,000	\$ 9,390,000
Revenue bonds	<u>9,247,432</u>	<u>8,626,224</u>
Total	<u>\$ 17,927,432</u>	<u>\$ 18,016,224</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 of \$8,680,000 is below its constitutional debt limit of approximately \$20.27 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 2012 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 6.5 percent compared to 7.5 percent in June 2011. The City's cash balance is in good shape.

The City has begun the final year of a three year budget study of inflow and infiltration flows in the City's sanitary sewer system with the purpose of compliance with State mandates and eliminating basement backups and system overflows.

**EXCLUDED COMPONENT UNITS**

Mount Pleasant Municipal Utilities is a component unit of the City of Mount Pleasant. The City Council appoints the Board of Trustees of the Mount Pleasant Municipal Utilities. However, since Mount Pleasant Municipal Utilities operates under the accrual method of accounting and the City operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of the Mount Pleasant Municipal Utilities are available at the utilities office, 509 North Adams Street, Mount Pleasant, Iowa.

Mount Pleasant Public Library Foundation (Foundation) is a component unit of the City of Mount Pleasant. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library which serves the Mount Pleasant area, and to disburse those funds in a manner that will benefit the Library. The Foundation meets the definition of a component unit since it raises funds on behalf of the Library. The financial statements of Mount Pleasant Public Library Foundation have not been audited and, accordingly, this component unit has not been presented in the accompanying primary government audited financial statements.

**City of Mount Pleasant  
Management's Discussion and Analysis**

Mount Pleasant Firefighters Fund Inc. (Firefighters) is a component unit of the City of Mount Pleasant. The Firefighters, a separate legal entity, exists for the purpose of receiving contributions to be used for the purchasing of equipment, training, education, and miscellaneous supplies and food for the Mount Pleasant Firefighters. The Firefighters meets the definition of a component unit since it raises funds on behalf of the Mount Pleasant Fire Department. The financial statements of Mount Pleasant Firefighters Fund Inc. have not been audited and, accordingly, this component unit has not been presented in the accompanying primary government audited financial statements.

**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 requests for additional information should be addressed in writing to the City Clerk, City of Mount Pleasant, 220 W. Monroe St, Mount Pleasant, Iowa 52641.

## **BASIC FINANCIAL STATEMENTS**

**City of Mount Pleasant**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the Year Ended June 30, 2012**

	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
<b>Functions / Programs:</b>							
Governmental activities:							
Public safety	\$ 1,438,158	\$ 29,698	\$ 64,065	\$ -	\$ (1,344,395)	\$ -	\$ (1,344,395)
Public works	507,254	-	822,169	-	314,915	-	314,915
Culture and recreation	1,087,718	199,009	29,441	-	(859,268)	-	(859,268)
Community and economic development	363,231	-	-	109,047	(254,184)	-	(254,184)
General government	729,552	53,979	-	-	(675,573)	-	(675,573)
Debt service	1,205,597	-	-	-	(1,205,597)	-	(1,205,597)
Capital projects	3,315,282	-	-	1,964,621	(1,350,661)	-	(1,350,661)
Total governmental activities	<u>8,646,792</u>	<u>282,686</u>	<u>915,675</u>	<u>2,073,668</u>	<u>(5,374,763)</u>	<u>-</u>	<u>(5,374,763)</u>
Business type activities:							
Sewer	10,488,814	1,676,334	-	-	-	(8,812,480)	(8,812,480)
Solid waste	370,110	386,309	-	-	-	16,199	16,199
Total business type activities	<u>10,858,924</u>	<u>2,062,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,796,281)</u>	<u>(8,796,281)</u>
Total	<u>\$ 19,505,716</u>	<u>\$ 2,345,329</u>	<u>\$ 915,675</u>	<u>\$ 2,073,668</u>	<u>(5,374,763)</u>	<u>(8,796,281)</u>	<u>(14,171,044)</u>
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					2,240,896	-	2,240,896
Debt service					837,087	-	837,087
Tax increment financing					581,770	-	581,770
Local option sales tax					777,175	-	777,175
Other city taxes					237,958	-	237,958
Unrestricted investment earnings					1,739	429	2,168
Bond proceeds					200,000	9,677,208	9,877,208
Transfers					(36,798)	36,798	-
Miscellaneous					299,985	43,671	343,656
Total general receipts and transfers					<u>5,139,812</u>	<u>9,758,106</u>	<u>14,897,918</u>
Change in cash basis net assets					(234,951)	961,825	726,874
Cash basis net assets beginning of year					<u>5,372,930</u>	<u>1,489,075</u>	<u>6,862,005</u>
Cash basis net assets end of year					<u>\$ 5,137,979</u>	<u>\$ 2,450,900</u>	<u>\$ 7,588,879</u>
<b>Cash Basis Net Assets</b>							
Restricted:							
Nonexpendable					\$ 131,747	\$ -	\$ 131,747
Expendable					3,013,453	1,330,022	4,343,475
Unrestricted					<u>1,992,779</u>	<u>1,120,878</u>	<u>3,113,657</u>
Total cash basis net assets					<u>\$ 5,137,979</u>	<u>\$ 2,450,900</u>	<u>\$ 7,588,879</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, 2012**

	Special Revenue							Other Nonmajor Governmental	Total
	General	Road Use	Local Option Sales Tax	TIF	Debt Service	Capital Projects			
<b>Receipts:</b>									
Property tax	\$ 2,240,896	\$ -	\$ -	\$ -	\$ 837,087	\$ -	\$ -	\$ -	\$ 3,077,983
Tax increment financing collections	-	-	-	581,770	-	-	-	-	581,770
Other taxes	237,958	-	777,175	-	-	-	-	-	1,015,133
Use of money and property	97,664	-	284	-	-	422	5,606	-	103,976
License and permits	53,979	-	-	-	-	-	-	-	53,979
Intergovernmental	93,506	822,170	-	-	-	1,565,927	109,047	-	2,590,650
Charges for services	199,009	-	-	-	-	-	-	-	199,009
Miscellaneous	208,426	-	-	-	-	398,694	13,757	-	620,877
<b>Total receipts</b>	<b>3,131,438</b>	<b>822,170</b>	<b>777,459</b>	<b>581,770</b>	<b>837,087</b>	<b>1,965,043</b>	<b>128,410</b>	<b>-</b>	<b>8,243,377</b>
<b>Disbursements:</b>									
<b>Operating:</b>									
Public safety	1,438,158	-	-	-	-	-	-	-	1,438,158
Public works	26,712	480,542	-	-	-	-	-	-	507,254
Culture and recreation	1,075,804	-	-	-	-	-	11,914	-	1,087,718
Community and economic development	139,657	-	-	158,267	-	-	65,307	-	363,231
General government	515,370	213,182	-	-	1,000	-	-	-	729,552
Debt service	-	-	-	-	1,205,597	-	-	-	1,205,597
Capital projects	2,813	-	-	-	-	3,312,469	-	-	3,315,282
<b>Total disbursements</b>	<b>3,198,514</b>	<b>693,724</b>	<b>-</b>	<b>158,267</b>	<b>1,206,597</b>	<b>3,312,469</b>	<b>77,221</b>	<b>-</b>	<b>8,646,792</b>
Excess (deficiency) of receipts over disbursements	(67,076)	128,446	777,459	423,503	(369,510)	(1,347,426)	51,189	-	(403,415)
<b>Other financing sources (uses):</b>									
Bond proceeds	200,000	-	-	-	-	-	-	-	200,000
Operating transfers in (out)	44,387	-	(475,398)	(401,967)	362,337	476,730	(42,887)	-	(36,798)
<b>Total other financing sources (uses)</b>	<b>244,387</b>	<b>-</b>	<b>(475,398)</b>	<b>(401,967)</b>	<b>362,337</b>	<b>476,730</b>	<b>(42,887)</b>	<b>-</b>	<b>163,202</b>
Net change in cash balances	177,311	128,446	302,061	21,536	(7,173)	(870,696)	8,302	-	(240,213)
Cash balances beginning of year, restated	1,281,558	826,250	1,301,076	273,082	4,554	1,360,275	322,902	-	5,369,697
Cash balances end of year	\$ 1,458,869	\$ 954,696	\$ 1,603,137	\$ 294,618	\$ (2,619)	\$ 489,579	\$ 331,204	\$ -	\$ 5,129,484
<b>Cash Basis Fund Balances</b>									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,747	\$ -	\$ 131,747
Restricted	-	954,696	1,603,137	294,618	-	-	161,002	-	3,013,453
Assigned	4,133	-	-	-	-	489,579	66,467	-	560,179
Unassigned	1,454,736	-	-	-	(2,619)	-	(28,012)	-	1,424,105
<b>Total cash basis fund balances</b>	<b>\$ 1,458,869</b>	<b>\$ 954,696</b>	<b>\$ 1,603,137</b>	<b>\$ 294,618</b>	<b>\$ (2,619)</b>	<b>\$ 489,579</b>	<b>\$ 331,204</b>	<b>\$ -</b>	<b>\$ 5,129,484</b>

See notes to financial statements.

**City of Mount Pleasant  
Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets  
Governmental Funds  
As of and for the Year Ended June 30, 2012**

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<b>Total governmental funds cash balances (page 12)</b>	<b>\$ 5,129,484</b>
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
 The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Activities and Net Assets.	
	<u>8,495</u>
<b>Cash basis net assets of governmental activities (page 11)</b>	<b>\$ <u>5,137,979</u></b>
<b>Net change in cash balances (page 12)</b>	<b>\$ (240,213)</b>
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
 The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	
	<u>5,262</u>
<b>Change in cash basis net assets of governmental activities (page 11)</b>	<b>\$ <u>(234,951)</u></b>

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, 2012**

	<u>Enterprise Funds</u>			<u>Internal Service</u>
	<u>Sewer Revenue</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Employee Health</u>
Operating Receipts:				
Charges for services	\$ <u>1,676,334</u>	\$ <u>386,309</u>	\$ <u>2,062,643</u>	\$ <u>54,512</u>
Total operating receipts	<u>1,676,334</u>	<u>386,309</u>	<u>2,062,643</u>	<u>54,512</u>
Operating Disbursements:				
Public safety	-	-	-	20,966
Public works	-	-	-	13,712
Culture & recreation	-	-	-	6,709
General government	-	-	-	7,863
Business type activities	<u>920,093</u>	<u>370,110</u>	<u>1,290,203</u>	<u>-</u>
Total operating disbursements	<u>920,093</u>	<u>370,110</u>	<u>1,290,203</u>	<u>49,250</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>756,241</u>	<u>16,199</u>	<u>772,440</u>	<u>5,262</u>
Non-operating receipts (disbursements):				
Interest on investments	420	9	429	-
Miscellaneous	42,104	1,567	43,671	-
Bond proceeds	9,677,208	-	9,677,208	-
Capital projects	(257,311)	-	(257,311)	-
Debt service	<u>(9,311,410)</u>	<u>-</u>	<u>(9,311,410)</u>	<u>-</u>
Net non-operating receipts (disbursements)	<u>151,011</u>	<u>1,576</u>	<u>152,587</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	907,252	17,775	925,027	5,262
Operating transfers in (out)	<u>36,798</u>	<u>-</u>	<u>36,798</u>	<u>-</u>
Net change in cash balances	944,050	17,775	961,825	5,262
Cash balances beginning of year	<u>1,350,015</u>	<u>139,060</u>	<u>1,489,075</u>	<u>3,233</u>
Cash balances end of year	<u>\$ 2,294,065</u>	<u>\$ 156,835</u>	<u>\$ 2,450,900</u>	<u>\$ 8,495</u>
<b>Cash Basis Fund Balances</b>				
Restricted for plant improvements	\$ 1,266,921	\$ -	\$ 1,266,921	\$ -
Restricted for debt service	63,101	-	63,101	-
Unrestricted	<u>964,043</u>	<u>156,835</u>	<u>1,120,878</u>	<u>8,495</u>
<b>Total cash basis fund balances</b>	<u>\$ 2,294,065</u>	<u>\$ 156,835</u>	<u>\$ 2,450,900</u>	<u>\$ 8,495</u>

See notes to financial statements.

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

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**Note 1. Summary of Significant Accounting Policies**

The City of Mount Pleasant (City) 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 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 (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Mount Pleasant (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although their operational or financial relationship with the City is significant.

Excluded Component Units

Mount Pleasant Municipal Utilities is a component unit of the City of Mount Pleasant. The City Council appoints the Board of Trustees of the Mount Pleasant Municipal Utilities. However, since Mount Pleasant Municipal Utilities operates under the accrual method of accounting and the City operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of the Mount Pleasant Municipal Utilities are available at the utilities office, 509 North Adams Street, Mount Pleasant, Iowa.

Mount Pleasant Public Library Foundation (Foundation) and Friends of the Mount Pleasant Library (Friends) are component units of the City of Mount Pleasant. The Foundation and Friends, separate legal entities, exists for the purpose of attracting funds to benefit the Public Library, which serves the Mount Pleasant area, and to disburse those funds in a manner that will benefit the Library. The Foundation and Friends meet the definition of component units since the entities raise funds on behalf of the Library. The financial statements of Mount Pleasant Public Library Foundation and Friends of the Mount Pleasant Library have not been audited and, accordingly, these component units have not been presented in the accompanying primary government audited financial statements.

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

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**Note 1. Summary of Significant Accounting Policies (continued)**

Mount Pleasant Firefighters Fund Inc. (Firefighters) is a component unit of the City of Mount Pleasant. The Firefighters, a separate legal entity, exists for the purpose of receiving contributions to be used for the purchasing of equipment, training, education, and miscellaneous supplies and food for the Mount Pleasant Firefighters. The Firefighters meets the definition of a component unit since it raises funds on behalf of the Mount Pleasant Fire Department. The financial statements of Mount Pleasant Firefighters Fund Inc. have not been audited and, accordingly, this component unit has not been presented in the accompanying primary government audited financial statements.

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: Mount Pleasant Area Development Commission, Henry County 911 Board, Southeast Iowa Regional Planning Commission, Henry County Emergency Management Commission, Henry County Street & Road Classification Board and Des Moines County Regional Solid Waste Commission. See Note 13.

Basis of Presentation

Government-wide Financial Statement - 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 the following categories/components:

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable 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.

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

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**Note 1. Summary of Significant Accounting Policies (continued)**

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

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

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 Sewer Funds account for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

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

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

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

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**Note 1. Summary of Significant Accounting Policies (continued)**

Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Governmental Cash Basis Fund Balances

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

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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

Assigned - Amounts the Council intends to use for specific purpose.

Unassigned - All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

The budget adopted includes the City and the Mount 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**

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**Note 1. Summary of Significant Accounting Policies (continued)**

Subsequent Events

The City performed an evaluation of subsequent events through January 9, 2013, which is the date the financial statements were issued. There were no subsequent events that required disclosure or recognition in the financial statements as of June 30, 2012.

**Note 2. Cash and Investments**

The City's deposits in banks at June 30, 2012 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.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,835,019 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk- The City's investment in the Iowa Public Agency Investment Trust is unrated.

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

**Note 3. Bonds and Notes Payable**

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

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Sewer Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 937,000	\$ 278,364	\$ 633,000	\$ 219,158	\$ 1,570,000	\$ 497,522
2014	982,000	250,385	898,432	203,422	1,880,432	453,807
2015	998,000	226,400	664,000	187,330	1,662,000	413,730
2016	894,000	198,885	679,000	170,686	1,573,000	369,571
2017	976,000	172,189	697,000	153,735	1,673,000	325,924
2018-2022	3,668,000	374,418	3,538,000	506,044	7,206,000	880,462
2023-2025	<u>225,000</u>	<u>9,000</u>	<u>2,138,000</u>	<u>92,293</u>	<u>2,363,000</u>	<u>101,293</u>
	<u>\$ 8,680,000</u>	<u>\$ 1,509,641</u>	<u>\$ 9,247,432</u>	<u>\$ 1,532,668</u>	<u>\$ 17,927,432</u>	<u>\$ 3,042,309</u>

The Code of Iowa requires principal and interest on general obligation bonds to be paid from the Debt Service Fund.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay four revenue bond issues. The bonds were issued April 1998 through March 2012. Proceeds from the notes provided financing for the construction of several sewer system projects. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$10,780,100. For the current year, principal and interest paid and total customer net receipts were \$9,311,410 and \$756,241, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Monthly transfers equal to a sum of one-twelfth of the principal of all the Sewer Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Sewer Revenue Bond Sinking Fund for the purpose of making bond interest and principal payments when due.
- (c) Sewer user charges must be established at a level which produces and maintains net revenues equal to at least 110% of principal and interest requirements due in the same year. The City has not met this requirement in the current year.
- (d) The City is not in compliance with the Sewer Revenue Debt Service Reserve Account and Sewer Improvement Account requirements as stated in the revenue bond resolutions.

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

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**Note 4. 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, 2012, primarily relating to the General Fund, is \$154,000.

City employees accumulate sick leave up to a maximum of 120 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, 2012 is \$53,000.

Police Department employees accumulate holiday time. The maximum liability to the City at June 30, 2012 is \$4,000.

The above liabilities have been computed based on rates of pay as of June 30, 2012.

**Note 5. 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.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011, and 2010 were \$144,265, \$131,238, and \$121,216, respectively, equal to the required contribution for each year.

International City Management Association (ICMA)

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, 2012, 2011, and 2010, these contributions totaled \$8,670, \$7,040, and \$6,642, respectively.

**Note 6. Related Party Transactions**

The City had business transactions between the City and City officials totaling \$17,817 during the year ended June 30, 2012. The Mount 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, 2012 and is included as revenue in the General Fund.

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

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**Note 7. Risk Management**

The City of Mount Pleasant is a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 663 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 150 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'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's contributions to the Pool for the year ended June 30, 2012 were \$152,805.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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**Note 7. 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. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City 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 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, 2012 are as follows:

Apron paving project	\$ 148,860
Street construction	2,808,862
Sidewalk construction	80,028
Hot Patcher	<u>25,000</u>
	<u>\$ 3,062,750</u>

**Note 9. Self-Insured Health Benefits**

The City of Mount Pleasant has agreed to provide certain health benefits to its employees. The City pays 100% of the premium for health insurance for all full-time employees selecting single coverage. For full-time employees selecting family coverage, the union employees pay 27% of the difference between the single and the family policy and non-union employees pay 15% of the difference between the single and family policy. The City reimburses employees for their deductible after the employees have reached their out-of-pocket maximum of \$500 per individual and \$1,000 per family. The total maximum reimbursement liability to be paid by the City is \$199,500. The City's cost related to this reimbursement for the year ended June 30, 2012 was approximately \$49,249.

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

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**Note 10. Deficit Fund Balance**

The following funds had deficit balances at June 30, 2012:

Debt Service Fund	\$	(2,619)
HUD Rehab Grant Fund		(28,012)

**Note 11. 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>
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, 2012.

The City has issued \$2,000,000 of Private College Taxable Refunding Bonds, \$2,200,000 of Private College Non-taxable Refunding Bonds, and \$7,000,000 of Private College Facility Revenue 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.

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

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**Note 12. Operating Lease**

The City leases computer equipment for the police department. The lease has a term of three years expiring September 2013, with the option to renew for an additional twelve month period. Lease payments for the year ended June 30, 2012 totaled \$14,063. Future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Amount</u>
2013	\$ 14,063
2014	<u>2,344</u>
	<u>\$ 16,407</u>

**Note 13. Jointly Governed Organization**

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 eleven member board. The City paid \$44,711 in landfill fees and \$113,150 in waste management fees in fiscal year 2012. Des Moines County Regional Solid Waste Commission's audited financial statements are available at City Hall.

The City is a participant in the Southeast Iowa Regional Planning Commission (Commission), a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the Commission is to protect, preserve, and enhance the economic and general welfare of citizens in Southeast Iowa. The City currently provides one member of the nineteen member board. The City paid \$5,413 in annual dues and \$21,625 in grant administration fees in fiscal year 2012. Southeast Iowa Regional Planning Commission's audited financial statements are available at City Hall.

**Note 14. Donated Electricity and Water**

The City is not billed for electricity and water usage or service and materials provided by the Mount Pleasant Municipal Utilities. The meters of the City are read monthly and the resulting amount computed at normal rates is considered to be a donation from the Mount Pleasant Municipal Utilities. During the year ended June 30, 2012, services donated by the Mount Pleasant Municipal Utilities to the City totaled approximately \$172,700 and \$18,600 for the electric and water funds, respectively.

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

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**Note 15. Enhance Henry County Foundation**

The Enhance Henry County Foundation (Foundation) is funded by the Iowa Economic Development Authority, which distributes a portion of state gambling funds to each county that does not hold a gambling license. The Foundation distributes 75% of these funds to charitable projects and programs within Henry County and uses the remaining 25% to grow a permanent, unrestricted endowment fund. The unrestricted endowment fund is intended to attract additional donations and provide a source of permanent funding for charitable projects in the county. At June 30, 2012, the endowment fund balance was \$236,035. A City official is one of the eight members of the Board.

**Note 16. Public Safety Agreement**

The City has an agreement with Henry County in which the County provides dispatching services for the City of Mount Pleasant. The City pays \$10,000 per year and the contract is cancelable by either party.

**Note 17. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to:	
General	\$ 44,387
Capital projects	476,730
Debt service	362,337
Sewer revenue	<u>36,798</u>
	<u>\$ 920,252</u>
Transfer from:	
Local option sales tax	\$ 475,398
TIF	401,967
Other nonmajor governmental	<u>42,887</u>
	<u>\$ 920,252</u>

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

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

**Note 18. Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 35 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$516 for single coverage, \$1,174 for family non-union coverage, and \$1,151 for family union coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$389,676 and plan members eligible for benefits contributed \$49,882 to the plan.

**Note 19. Cash Basis Fund Balances**

The detail of the governmental fund cash basis fund balances for the year ended June 30, 2012 are as follows:

	<u>General</u>	<u>Road Use</u>	<u>Sales Tax</u>	<u>TIF</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental</u>	<u>Total</u>
Nonspendable for cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,747	\$ 131,747
Restricted for:								
Road use purposes	-	954,696	-	-	-	-	-	954,696
Tax referendum purposes	-	-	1,603,137	-	-	-	-	1,603,137
Urban renewal projects	-	-	-	294,618	-	-	-	294,618
Debt service	-	-	-	-	-	-	-	-
Library acquisitions	-	-	-	-	-	-	161,002	161,002
Assigned to:								
Library acquisitions	4,133	-	-	-	-	-	-	4,133
Other capital projects	-	-	-	-	-	489,579	-	489,579
Other purposes	-	-	-	-	-	-	66,467	66,467
Unassigned	<u>1,454,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,619)</u>	<u>-</u>	<u>(28,012)</u>	<u>1,424,105</u>
Total	<u>\$ 1,458,869</u>	<u>\$ 954,696</u>	<u>\$ 1,603,137</u>	<u>\$ 294,618</u>	<u>\$ (2,619)</u>	<u>\$ 489,579</u>	<u>\$ 331,204</u>	<u>\$ 5,129,484</u>

## **OTHER 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  
Other Information  
Year Ended June 30, 2012**

	Governmental Funds <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Total</u>	<u>Budgeted Amounts</u>		Final to Total Variance
					<u>Original</u>	<u>Final</u>	
<b>Receipts:</b>							
Property tax	\$ 3,077,983	\$ -	\$ -	\$ 3,077,983	\$ 3,097,152	\$ 3,097,152	\$ (19,169)
Tax increment financing collections	581,770	-	-	581,770	583,500	583,500	(1,730)
Other city taxes	1,015,133	-	-	1,015,133	892,472	1,010,472	4,661
Use of money and property	103,976	429	5,606	98,799	67,360	203,000	(104,201)
Licenses and permits	53,979	-	-	53,979	38,200	38,200	15,779
Intergovernmental	2,590,650	-	-	2,590,650	2,358,365	3,447,444	(856,794)
Charges for service	199,009	2,117,155	54,512	2,261,652	1,875,260	2,612,253	(350,601)
Miscellaneous	620,877	43,671	10,657	653,891	455,654	1,066,639	(412,748)
Total receipts	<u>8,243,377</u>	<u>2,161,255</u>	<u>70,775</u>	<u>10,333,857</u>	<u>9,367,963</u>	<u>12,058,660</u>	<u>(1,724,803)</u>
<b>Disbursements:</b>							
Public safety	1,438,158	20,966	20,966	1,438,158	1,345,070	1,564,017	125,859
Public works	507,254	13,712	13,712	507,254	664,645	648,514	141,260
Culture and recreation	1,087,718	6,709	18,623	1,075,804	1,300,666	1,210,243	134,439
Community and economic development	363,231	-	-	363,231	191,728	374,525	11,294
General government	729,552	7,863	7,863	729,552	776,582	755,519	25,967
Debt service	1,205,597	-	-	1,205,597	1,207,596	1,207,596	1,999
Capital projects	3,315,282	-	-	3,315,282	2,810,000	4,686,740	1,371,458
Business type activities	-	10,858,924	-	10,858,924	2,156,381	12,270,689	1,411,765
Total disbursements	<u>8,646,792</u>	<u>10,908,174</u>	<u>61,164</u>	<u>19,493,802</u>	<u>10,452,668</u>	<u>22,717,843</u>	<u>3,224,041</u>
Excess (deficiency) of receipts over disbursements	(403,415)	(8,746,919)	9,611	(9,159,945)	(1,084,705)	(10,659,183)	(1,499,238)
Other financing sources (uses)	<u>163,202</u>	<u>9,714,006</u>	<u>(43,100)</u>	<u>9,920,308</u>	<u>-</u>	<u>11,241,212</u>	<u>(1,320,904)</u>
Net change in cash balances	(240,213)	967,087	(33,489)	760,363	(1,084,705)	582,029	178,334
Cash balances beginning of year	<u>5,369,697</u>	<u>1,492,308</u>	<u>401,200</u>	<u>6,460,805</u>	<u>6,907,769</u>	<u>6,862,005</u>	<u>(401,200)</u>
Cash balances end of year	<u>\$ 5,129,484</u>	<u>\$ 2,459,395</u>	<u>\$ 367,711</u>	<u>\$ 7,221,168</u>	<u>\$ 5,823,064</u>	<u>\$ 7,444,034</u>	<u>\$ (222,866)</u>

See accompanying independent auditor's report.

**City of Mount Pleasant**  
**Notes to Other Information - Budgetary Reporting**  
**June 30, 2012**

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except 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 nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund 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, budget amendments increased budgeted disbursements by \$12,265,175. The budget amendments are reflected in the final budgeted amounts.

**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, 2012**

	Special Revenue				Permanent	Total
	HUD Special Purpose Grant	HUD Rehab Grant	Library Bequests	Other Programs	Old Forest Cemetery Perpetual Care	
Receipts:						
Use of money and property	\$ -	\$ -	\$ 196	\$ -	\$ 5,410	\$ 5,606
Miscellaneous	-	3,100	10,657	-	-	13,757
Intergovernmental	<u>27,264</u>	<u>81,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,047</u>
Total receipts	<u>27,264</u>	<u>84,883</u>	<u>10,853</u>	<u>-</u>	<u>5,410</u>	<u>128,410</u>
Disbursements:						
Culture and recreation	-	-	11,827	-	87	11,914
Community and economic development	<u>27,264</u>	<u>38,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,307</u>
Total disbursements	<u>27,264</u>	<u>38,043</u>	<u>11,827</u>	<u>-</u>	<u>87</u>	<u>77,221</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>46,840</u>	<u>(974)</u>	<u>-</u>	<u>5,323</u>	<u>51,189</u>
Other financing sources (uses):						
Operating transfers in (out)	<u>-</u>	<u>213</u>	<u>(43,100)</u>	<u>-</u>	<u>-</u>	<u>(42,887)</u>
Total other	<u>-</u>	<u>213</u>	<u>(43,100)</u>	<u>-</u>	<u>-</u>	<u>(42,887)</u>
Net change in cash balances	-	47,053	(44,074)	-	5,323	8,302
Cash balances beginning of year	<u>-</u>	<u>(75,065)</u>	<u>205,076</u>	<u>66,467</u>	<u>126,424</u>	<u>322,902</u>
Cash balances end of year	<u>\$ -</u>	<u>\$ (28,012)</u>	<u>\$ 161,002</u>	<u>\$ 66,467</u>	<u>\$ 131,747</u>	<u>\$ 331,204</u>
<b>Cash Basis Fund Balances</b>						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 131,747	\$ 131,747
Restricted	-	-	161,002	-	-	161,002
Assigned	-	-	-	66,467	-	66,467
Unassigned	<u>-</u>	<u>(28,012)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,012)</u>
Total cash basis fund balances	<u>\$ -</u>	<u>\$ (28,012)</u>	<u>\$ 161,002</u>	<u>\$ 66,467</u>	<u>\$ 131,747</u>	<u>\$ 331,204</u>

See accompanying independent auditor's report.

**City of Mount Pleasant  
Statement of Indebtedness  
Year Ended June 30, 2012**

<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>
<b>General obligation bonds:</b>								
General purpose, Series 2009A	4/01/09	2.60-3.85%	\$ 5,000,000	\$ 4,950,000	\$ -	\$ 475,000	\$ 4,475,000	\$ 167,013
General purpose, Series 2009B	5/01/09	1.00-4.00%	2,420,000	2,120,000	-	135,000	1,985,000	66,245
General purpose, Series 2010A	5/01/10	2.00-3.60%	1,970,000	1,800,000	-	175,000	1,625,000	49,050
General purpose, Series 2010B	5/01/10	2.00-3.10%	640,000	520,000	-	125,000	395,000	13,288
General purpose, Capital Loan Note	1/11/12	2.50%	200,000	-	200,000	-	200,000	-
				<u>9,390,000</u>	<u>200,000</u>	<u>910,000</u>	<u>8,680,000</u>	<u>295,596</u>
<b>Revenue bonds:</b>								
Sewer Revenue Bond	4/01/98	4.23%	7,657,000	3,832,000	-	3,832,000	-	90,691
Sewer Revenue Refunding Bonds Series 2005	11/29/05	3.00%	5,110,000	4,610,000	-	4,610,000	-	109,103
Sewer Revenue Capital Loan Note	1/19/11	0.00%	356,000	184,224	66,208	-	250,432	-
Sewer Revenue Improvement & Refunding Bond	3/7/12	2.48%	9,611,000	-	9,611,000	614,000	8,997,000	55,616
				<u>8,626,224</u>	<u>9,677,208</u>	<u>9,056,000</u>	<u>9,247,432</u>	<u>255,410</u>
<b>Total</b>				<u>\$ 18,016,224</u>	<u>\$ 9,877,208</u>	<u>\$ 9,966,000</u>	<u>\$ 17,927,432</u>	<u>\$ 551,006</u>

See accompanying independent auditor's report.

**City of Mount Pleasant  
Bond Maturities  
June 30, 2012**

Year Ending June 30,	General Obligation Bonds Series 2009A Issued April 1, 2009		General Obligation Bonds Series 2009B Issued May 1, 2009		General Obligation Bonds Series 2010A Issued May 1, 2010		General Obligation Bonds Series 2010B Issued May 1, 2010		General Obligation Bonds Capital Loan Note Issued January 11, 2012		Total General Obligation Bonds
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
	2013	3.45%	\$ 475,000	1.90%	\$ 140,000	2.00%	\$ 175,000	2.35%	\$ 125,000	2.50%	
2014	2.60%	500,000	2.20%	150,000	2.00%	175,000	2.70%	130,000	2.50%	27,000	982,000
2015	2.90%	525,000	2.50%	155,000	2.25%	150,000	3.10%	140,000	2.50%	28,000	998,000
2016	3.20%	550,000	2.80%	165,000	2.50%	150,000	-	-	2.50%	29,000	894,000
2017	3.40%	575,000	3.00%	170,000	2.80%	200,000	-	-	2.50%	31,000	976,000
2018	3.60%	600,000	3.20%	180,000	3.10%	225,000	-	-	2.50%	32,000	1,037,000
2019	3.75%	625,000	3.40%	185,000	3.25%	150,000	-	-	2.50%	31,000	991,000
2020	3.85%	625,000	3.60%	195,000	3.40%	150,000	-	-	-	-	970,000
2021	-	-	3.90%	205,000	3.50%	125,000	-	-	-	-	330,000
2022	-	-	4.00%	215,000	3.60%	125,000	-	-	-	-	340,000
2023	-	-	4.00%	225,000	-	-	-	-	-	-	225,000
		<u>\$ 4,475,000</u>		<u>\$ 1,985,000</u>		<u>\$ 1,625,000</u>		<u>\$ 395,000</u>		<u>\$ 200,000</u>	<u>\$ 8,680,000</u>

See accompanying independent auditor's report.

**City of Mount Pleasant  
Bond Maturities  
June 30, 2012**

Year Ending <u>June 30,</u>	<u>Sewer Revenue Capital Loan Note Issued January 19, 2011</u>		<u>Sewer Revenue Improvement and Refunding Bonds Issued March 7, 2012</u>		<u>Total Sewer</u>
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2013			2.48%	\$ 633,000	\$ 633,000
2014	0.00%	\$ 250,432	2.48%	648,000	898,432
2015		-	2.48%	664,000	664,000
2016		-	2.48%	679,000	679,000
2017		-	2.48%	697,000	697,000
2018		-	2.48%	714,000	714,000
2019		-	2.48%	731,000	731,000
2020		-	2.48%	677,000	677,000
2021		-	2.48%	691,000	691,000
2022		-	2.48%	725,000	725,000
2023		-	2.48%	717,000	717,000
2024		-	2.48%	722,000	722,000
2025		-	2.48%	<u>699,000</u>	<u>699,000</u>
		<u>\$ 250,432</u>		<u>\$ 8,997,000</u>	<u>\$ 9,247,432</u>

See accompanying independent auditor's report.

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

	Year Ended June 30,									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:										
Property tax	\$ 3,077,983	\$ 3,060,743	\$ 2,939,424	\$ 2,790,275	\$ 2,666,464	\$ 2,598,300	\$ 2,743,478	\$ 2,684,045	\$ 2,664,877	\$ 2,233,835
Tax increment financing collections	581,770	553,205	524,959	520,920	508,792	357,760	211,403	293,711	365,003	327,854
Other city taxes	1,015,133	931,881	834,409	1,001,581	966,396	873,980	930,027	894,428	837,250	699,009
Use of money and property	103,976	100,298	163,228	366,187	612,916	411,378	265,513	193,164	186,122	182,448
Licenses and permits	53,979	34,265	47,230	30,457	37,470	69,816	38,000	40,557	73,681	34,144
Intergovernmental	2,590,650	1,668,046	1,873,067	1,609,754	1,276,027	2,135,387	1,446,231	2,075,264	1,382,920	1,891,849
Charges for services	199,009	179,311	188,876	193,861	217,261	182,362	214,298	294,525	319,066	309,353
Special assessments	-	-	-	217	4,421	5,937	6,307	11,874	18,156	13,901
Miscellaneous	<u>620,877</u>	<u>808,673</u>	<u>386,064</u>	<u>509,840</u>	<u>554,115</u>	<u>1,483,597</u>	<u>828,290</u>	<u>1,874,589</u>	<u>973,201</u>	<u>235,571</u>
Total	<u>\$ 8,243,377</u>	<u>\$ 7,336,422</u>	<u>\$ 6,957,257</u>	<u>\$ 7,023,092</u>	<u>\$ 6,843,862</u>	<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	\$ 1,438,158	\$ 1,204,558	\$ 1,160,064	\$ 1,226,576	\$ 1,091,768	\$ 1,684,159	\$ 1,148,526	\$ 979,955	\$ 1,028,699	\$ 936,670
Public works	507,254	535,728	551,662	544,929	761,693	454,133	676,375	559,937	535,225	548,659
Health and social services	-	-	-	-	-	-	-	-	3,000	6,000
Culture and recreation	1,087,718	1,129,310	1,037,576	1,126,608	1,112,108	1,088,018	1,015,235	1,034,104	1,003,641	932,266
Community and economic development	363,231	384,593	341,160	739,541	294,961	493,463	199,371	159,254	178,258	225,513
General government	729,552	709,500	773,056	713,633	615,915	602,292	583,228	564,557	561,336	556,393
Debt service	1,205,597	1,240,854	4,161,475	8,877,801	1,534,138	1,205,693	1,432,832	1,789,598	3,109,457	1,565,410
Capital projects	<u>3,315,282</u>	<u>2,596,740</u>	<u>3,518,036</u>	<u>2,864,662</u>	<u>1,745,042</u>	<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>\$ 8,646,792</u>	<u>\$ 7,801,283</u>	<u>\$ 11,543,029</u>	<u>\$ 16,093,750</u>	<u>\$ 7,155,625</u>	<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, 2012**

<u>Federal Agency/Pass Through Agency Program - Grant Title</u>	<u>CFDA Number</u>	<u>Grantor Program Number</u>	<u>Program Expenditures</u>
U.S. Department of Energy Pass-through Iowa Department of Energy Independence ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	EECBG 10-3437	\$ <u>253,365</u>
U.S. Department of Housing and Urban Development Special Purpose Grant Pass-through Iowa Finance Authority Home Investment Partnerships Program	14.197  14.228	IA05SPG503  10-HM-105-22	27,264  <u>9,999</u>
Total U.S. Department of Housing and Urban Development			<u>37,263</u>
U.S. Department of Transportation Federal Aviation Administration Airport Improvement Program Airport Improvement Program Subtotal U.S. Department of Transportation direct programs	20.106  20.106	03-19-0062-10-2010  03-19-0062-11-2012	29,750  <u>15,774</u>  <u>45,524</u>
Federal Highway Administration Pass-through Iowa Department of Transportation Highway Planning and Construction Highway Planning and Construction Subtotal U.S. Department of Transportation pass- through programs	20.205  20.205	STP-U-5292(618)--70-44  STP-U-5292(617)--27-44	179,734  <u>1,018,578</u>  <u>1,198,312</u>
Total U.S. Department of Transportation			<u>1,243,836</u>
U.S. Environmental Protection Agency: Superfund State, Political Subdivision, and Indian Tribe Site- Specific Cooperative Agreements	66.802	Local Governments Reimbursement Program	  <u>2,396</u>
			   <u>\$ 1,536,860</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.



C P A A S S O C I A T E S P C  
C E R T I F I E D P U B L I C A C C O U N T A N T S

401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

**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  
City of 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 (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 9, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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

The management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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 an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs, items II-A-12 and II-B-12, to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City'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 the City'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 the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

January 9, 2013



CPA ASSOCIATES PC  
CERTIFIED PUBLIC ACCOUNTANTS

401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

**Independent Auditor's Report on Compliance with Requirements That  
Could Have a Direct and Material Effect on 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 City of Mount Pleasant, Iowa's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2012. The City's major federal program is identified in Part I 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 program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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'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 the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the City 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 the City'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weakness and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a significant deficiency.

The City'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 the City'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 the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*CPA Associates PC*

January 9, 2013

**City of Mount Pleasant**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2012**

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**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (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 program was as follows:
  - CFDA Number 20.205 - U.S. Department of Transportation - Federal Highway Administration - Highway Planning and Construction
- (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.

**City of Mount Pleasant**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2012**

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

**MATERIAL WEAKNESSES**

II-A-12 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of Mount Pleasant. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in the preparation of the financial statements.

Conclusion - Response accepted.

II-B-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**City of Mount Pleasant  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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

**SIGNIFICANT DEFICIENCY:**

III-A-12 Segregation of Duties - The City did not properly segregate duties among employees to prevent one individual from handling a transaction from its inception to its completion, including transactions related to federal programs. See item II-B-12. Because of additional grant administration oversight, the matter is not considered to be a material weakness.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

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

IV-A-12 Certified Budget - Disbursements during the year ended June 30, 2012, did not exceed the amount budgeted.

IV-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 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-E-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-F-12 Bonds and Revenue Notes - The City has established sinking, reserve and surplus accounts required by the sewer revenue note resolutions.

IV-G-12 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.

IV-H-12 Financial Condition - The following funds had deficit balances at June 30, 2012:

Debt Service Fund	\$ (2,619)
HUD Rehab Grant Fund	\$ (28,012)

Recommendation - The City should monitor the progress of the collections and expenses in these funds and review the control procedures throughout the period so the collections cover the expenses in these funds.

Response - We will monitor and review.

Conclusion - Response accepted.

**City of Mount Pleasant  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**Part IV: Other Findings Related to Statutory Reporting (continued)**

IV-I-12 Business Transactions - Business transactions between the City and City officials are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transactions</u>	<u>Amount</u>
Stewart Kinney, Fire Chief, wife is owner of Cherished Memories	Logos	\$ 392
Brent Schleisman, City Administrator, wife is independent contractor	Cleaning services	\$ 6,650
Derek Wellington, Firefighter owns Wellington Electric	Electrical services	\$ 4,785
Stewart Kinney, Fire Chief owns Kinney Masonry	Masonry services	\$ 5,990

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

In accordance with Chapter 362.5(3)(e) of the Code of Iowa, the transactions for the cleaning services and electrical services do not appear to represent conflicts of interest since they were entered into through competitive bidding.

The transactions for the masonry services may represent a conflict of interest since they were not entered into through competitive bidding and exceed \$1,500 in accordance with Chapter 362.5(3)(j) of the Code of Iowa.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

Response - The City will consult legal counsel regarding this matter.

Conclusion - Response accepted.

IV-J-12 Revenue Bonds - The provisions of the sewer revenue bonds require sewer user rates be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2012, the City was not in compliance with the net revenue requirement for the sewer revenue bonds as required by the bond resolution.

Recommendation - The City should ensure sewer user rates are established at a level which produces net revenues of 110% of the annual principal and interest payments on the bonds.

Response - We will consider increasing the sewer rates to cover this requirement.

Conclusion - Response accepted.

**City of Mount Pleasant  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**Part IV: Other Findings Related to Statutory Reporting (continued)**

IV-K-12 City Vehicle Usage - The City Administrator and the Public Works Director each take a City vehicle home after business hours.

Recommendation - The City should pass a resolution stating the City Administrator and Public Works Director are required to use the City vehicle or the City should include the vehicle usage as a taxable benefit for these employees.

Response - We will pass a resolution requiring these employees to use the City vehicles.

Conclusion - Response accepted.

IV-L-12 Receipt of General Obligation Proceeds - Bond proceeds on the City's general obligation note was received in the General Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - The city should transfer from the General Fund to the Debt Service Fund for future funding contributions. Payments on the note should be made from the Debt Service Fund as required.

Response - The City will transfer money from the General Fund to the Debt Service Fund as required.

Conclusion - Response accepted.

IV-M-12 Fire Department Activities - The Mount Pleasant Firefighters maintain a checking account for donations, grants and fund raising activities. This account is separate from the City's accounts allowing transactions to go unrecorded. Accordingly, certain grants, 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 - The City and the Mount Pleasant Firefighters should ensure that procedures are in place to document all receipts and expenditures in accordance with the Code of Iowa.

Response - We will meet with the Mount Pleasant Firefighters and establish appropriate procedures.

Conclusion - Response accepted.

**City of Mount Pleasant  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2012**

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**Prior Audit Findings and Questioned Costs for Federal Awards**

**SIGNIFICANT DEFICIENCY:**

III-A-11 Segregation of Duties - The City did not properly segregate duties among employees to prevent one individual from handling a transaction from its inception to its completion, including transactions related to federal programs.

Recommendation - It was recommended that the City review its control procedures to obtain the maximum internal control possible under the circumstances, and should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Current Status - Due to the limited number of office employees, segregation of duties over federal receipts continues to be a significant deficiency. See item III-A-12 in the current year findings.