

**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**

**June 30, 2013**

## C o n t e n t s

		<b>Page</b>
<b>Officials</b>		1
<b>Independent Auditor's Report</b>		2 - 4
<b>Management's Discussion and Analysis</b>		5 - 11
<b>Basic Financial Statements:</b>	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	12
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	13
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	C	14
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	15
<b>Notes to Financial Statements</b>		16 - 28
<b>Other Information:</b>		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		29
Notes to Other Information - Budgetary Reporting		30
<b>Supplementary Information:</b>	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	31
Statement of Indebtedness	2	32
Bond and Note Maturities	3	33
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4	34
Schedule of Expenditures of Federal Awards	5	35
<b>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 <i>Government Auditing Standards</i></b>		36 - 37
<b>Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133</b>		38 - 40
<b>Schedule of Findings</b>		41 - 43
<b>Summary Schedule of Prior Audit Findings</b>		44

## 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
Ron Archer	Chief of Police	Not Elected
Stewart Kinney	Fire Chief	Not Elected



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**

Honorable Mayor and  
Members of the City Council  
City of Mount Pleasant, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mount Pleasant, Iowa (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

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 unit, 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, 2013, 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, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 11 and 29 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*CPA Associates PC*

November 26, 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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities decreased 10%, or \$834,314, from fiscal 2012 to fiscal 2013. This decrease is due to a decrease in capital grants in fiscal 2013.
- Disbursements of the City's governmental activities decreased 1%, or \$73,620, in fiscal 2013 from fiscal 2012. This decrease is due to a decrease in public safety and community and economic development in fiscal 2013.
- The City's total cash basis net position decreased 24%, or \$1,853,048, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities decreased \$969,322 and the cash basis net position of the business type activities decreased \$883,726.

### **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 Cash Basis Statement of Activities and Net Position. 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 financial 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 of 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, readers 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 Statement*

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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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 is 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 separate information for the sewer and solid waste funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position 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 \$5,137,979 to \$4,168,657. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities	Year Ended June 30,	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program receipts:		
Charges for services	\$ 267,877	\$ 282,686
Operating grants, contributions and restricted interest	1,266,695	915,675
Capital grants, contributions and restricted interest	961,032	2,073,668
General receipts:		
Property tax	3,853,750	3,659,753
Local option sales tax	712,987	777,175
Other city taxes	227,950	237,958
Unrestricted interest on investments	1,565	1,739
Bond proceeds	-	200,000
Other general receipts	<u>322,469</u>	<u>299,985</u>
Total receipts	<u>7,614,325</u>	<u>8,448,639</u>
Disbursements:		
Public safety	1,230,058	1,438,158
Public works	654,499	507,254
Culture and recreation	1,081,853	1,087,718
Community and economic development	178,793	363,231
General government	740,427	729,552
Debt service	1,215,365	1,205,597
Capital projects	<u>3,472,177</u>	<u>3,315,282</u>
Total disbursements	<u>8,573,172</u>	<u>8,646,792</u>
Change in cash basis net position before transfers	(958,847)	(198,153)
Transfers, net	<u>(10,475)</u>	<u>(36,798)</u>
Change in cash basis net position	(969,322)	(234,951)
Cash basis net position beginning of year	<u>5,137,979</u>	<u>5,372,930</u>
Cash basis net position end of year	<u>\$ 4,168,657</u>	<u>\$ 5,137,979</u>

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

The City's total receipts for governmental activities decreased by 10%, or \$834,314. The total cost of all programs and services decreased by \$73,620, or 1%, with no new programs added this year.

The cost of all governmental activities this year was \$8,573,172 compared to \$8,646,792 for fiscal 2012. However, as shown in the Cash Basis Statement of Activities and Net Position on page 12, the amount taxpayers ultimately financed for these activities was only \$6,077,568 because some of the cost was paid by those directly benefited from the programs (\$267,877) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,227,727).

Changes in Cash Basis Net Position of Business Type Activities	Year Ended June 30,	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,785,271	\$ 1,676,334
Solid waste	400,072	386,309
General receipts:		
Intergovernmental	59,363	-
Unrestricted interest on investments	418	429
Bond proceeds	-	9,677,208
Miscellaneous receipts	29,113	43,671
Total receipts	<u>2,274,237</u>	<u>11,783,951</u>
Disbursements:		
Sewer	2,788,545	10,488,814
Solid waste	<u>379,893</u>	<u>370,110</u>
Total disbursements	<u>3,168,438</u>	<u>10,858,924</u>
Change in cash basis net position before transfers	(894,201)	925,027
Transfers, net	<u>10,475</u>	<u>36,798</u>
Change in cash basis net position	(883,726)	961,825
Cash basis net position beginning of year	<u>2,450,900</u>	<u>1,489,075</u>
Cash basis net position end of year	<u>\$ 1,567,174</u>	<u>\$ 2,450,900</u>

Total business type activities receipts for the fiscal year were \$2,274,237 compared to \$11,783,951 for fiscal 2012. This significant decrease was due primarily to the receipt of bond proceeds in fiscal 2012. The cash balance decreased by \$883,726 from the prior year primarily because of the receipt of bond proceeds in fiscal 2012 and the Lincoln Street and Jay Street sanitary sewer projects in fiscal 2013.

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

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City completed the year, its governmental funds reported a combined fund balance of \$4,144,701, a decrease of \$984,783 from last year's total of \$5,129,484. 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 \$1,721,302, an increase of \$262,433 from the prior year mainly due to an increase in property taxes.
- The Road Use Tax Fund cash balance decreased by \$16,121 to \$938,575.
- The Local Option Sales Tax Fund decreased by \$1,016,209 to \$586,928 due to an increase in transfers.
- The Tax Increment Financing Fund (TIF) decreased by \$13,520 to \$281,098.
- The Debt Service Fund cash balance increased by \$8,952 to \$6,333.
- The Capital Projects cash balance decreased by \$238,206 to \$251,373 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 decreased by \$883,726 to \$1,567,174. The decrease is primarily due to capital project expenditures for sanitary sewers on Lincoln and Jay Streets.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget. The final amendment was approved on June 12, 2013. The amendment resulted in a decrease in budgeted receipts of \$160,900 and an increase in budgeted disbursements of \$3,341,609. Revenue decreases included charges for services. Expenditure increases included public safety, culture and recreation, general government, 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 project with the North Grand Avenue rebuild project. The project consisted of converting a four-lane rural highway into a new urban street design that includes two-lane concrete curbing, guttering the street with turn lanes at all intersections, a storm water collection system, and new LED historical street lights.

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

**DEBT ADMINISTRATION**

At June 30, 2013, the City had \$16,107,000 in bonds and other long-term debt, compared to \$17,927,432 last year, as shown below.

Outstanding Debt at Year End	June 30,	
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 7,743,000	\$ 8,680,000
Revenue bonds	<u>8,364,000</u>	<u>9,247,432</u>
Total	<u>\$ 16,107,000</u>	<u>\$ 17,927,432</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 \$7,743,000 is below its constitutional debt limit of approximately \$20.36 million.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the 2014 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the county now stands at 5.6 percent compared to 6.5 percent in June 2013.

The City has let the bids and is under contract to complete the Area #1 Phase #2 construction project for the lining of 8,800 lineal feet of sanitary sewer lines in the Mapleleaf to Henry Street area. The City is also planning to conduct a facility feasibility study on the wastewater treatment plant and the northeast lagoon. The study has been mandated by the Iowa Department of Natural Resources. Another budgeted project is the reconstruction of North Iris Street from Washington Street to Winfield Avenue. This project consists of complete removal and rebuild of a rural raised two-lane road into an urban designed concrete curb and gutter. It will also feature a new storm sewer and bike trail.

**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 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 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**  
**Cash Basis Statement of Activities and Net Position**  
**As of and for the Year Ended June 30, 2013**

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	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	\$ 1,230,058	\$ 25,357	\$ 64,887	\$ -	\$ (1,139,814)	\$ -	\$ (1,139,814)
Public works	654,499	-	1,171,148	-	516,649	-	516,649
Culture and recreation	1,081,853	186,803	30,660	-	(864,390)	-	(864,390)
Community and economic development	178,793	-	-	9,936	(168,857)	-	(168,857)
General government	740,427	55,717	-	-	(684,710)	-	(684,710)
Debt service	1,215,365	-	-	-	(1,215,365)	-	(1,215,365)
Capital projects	3,472,177	-	-	951,096	(2,521,081)	-	(2,521,081)
Total governmental activities	<u>8,573,172</u>	<u>267,877</u>	<u>1,266,695</u>	<u>961,032</u>	<u>(6,077,568)</u>	<u>-</u>	<u>(6,077,568)</u>
Business type activities:							
Sewer	2,788,545	1,785,271	-	59,363	-	(943,911)	(943,911)
Solid waste	379,893	400,072	-	-	-	20,179	20,179
Total business type activities	<u>3,168,438</u>	<u>2,185,343</u>	<u>-</u>	<u>59,363</u>	<u>-</u>	<u>(923,732)</u>	<u>(923,732)</u>
Total	<u>\$ 11,741,610</u>	<u>\$ 2,453,220</u>	<u>\$ 1,266,695</u>	<u>\$ 1,020,395</u>	<u>(6,077,568)</u>	<u>(923,732)</u>	<u>(7,001,300)</u>
<b>General Receipts and Transfers:</b>							
Property and other city tax levied for:							
General purposes					2,405,201	-	2,405,201
Debt service					868,979	-	868,979
Tax increment financing					579,570	-	579,570
Local option sales tax					712,987	-	712,987
Other city taxes					227,950	-	227,950
Unrestricted investment earnings					1,565	418	1,983
Transfers					(10,475)	10,475	-
Miscellaneous					322,469	29,113	351,582
Total general receipts and transfers					<u>5,108,246</u>	<u>40,006</u>	<u>5,148,252</u>
Change in cash basis net position					(969,322)	(883,726)	(1,853,048)
Cash basis net position beginning of year					<u>5,137,979</u>	<u>2,450,900</u>	<u>7,588,879</u>
Cash basis net position end of year					<u>\$ 4,168,657</u>	<u>\$ 1,567,174</u>	<u>\$ 5,735,831</u>
<b>Cash Basis Net Position</b>							
Restricted:							
Nonexpendable					\$ 138,047	\$ -	\$ 138,047
Expendable					1,951,390	1,382,888	3,334,278
Unrestricted					<u>2,079,220</u>	<u>184,286</u>	<u>2,263,506</u>
Total cash basis net position					<u>\$ 4,168,657</u>	<u>\$ 1,567,174</u>	<u>\$ 5,735,831</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, 2013**

	Special Revenue							Other Nonmajor Governmental	Total
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Capital Projects			
<b>Receipts:</b>									
Property tax	\$ 2,405,201	\$ -	\$ -	\$ -	\$ 868,979	\$ -	\$ -	\$ -	\$ 3,274,180
Tax increment financing	-	-	-	579,570	-	-	-	-	579,570
Other city taxes	227,950	-	712,987	-	-	-	-	-	940,937
Use of money and property	103,644	-	115	-	-	219	464	-	104,442
License and permits	55,717	-	-	-	-	-	-	-	55,717
Intergovernmental	95,547	830,101	-	-	-	1,243,630	9,936	-	2,179,214
Charges for services	182,803	-	-	-	-	-	-	-	182,803
Miscellaneous	222,929	-	-	-	-	48,515	26,019	-	297,463
Total receipts	<u>3,293,791</u>	<u>830,101</u>	<u>713,102</u>	<u>579,570</u>	<u>868,979</u>	<u>1,292,364</u>	<u>36,419</u>	-	<u>7,614,326</u>
<b>Disbursements:</b>									
<b>Operating:</b>									
Public safety	1,233,338	-	-	-	-	-	-	-	1,233,338
Public works	23,248	637,005	-	-	-	-	-	-	660,253
Culture and recreation	1,082,096	-	-	-	-	-	3,064	-	1,085,160
Community and economic development	138,128	-	-	29,905	-	-	10,760	-	178,793
General government	532,831	209,217	-	-	1,500	-	-	-	743,548
Debt service	-	-	-	-	1,215,365	-	-	-	1,215,365
Capital projects	5,948	-	-	-	-	3,466,229	-	-	3,472,177
Total disbursements	<u>3,015,589</u>	<u>846,222</u>	<u>-</u>	<u>29,905</u>	<u>1,216,865</u>	<u>3,466,229</u>	<u>13,824</u>	-	<u>8,588,634</u>
Excess (deficiency) of receipts over (under) disbursements	<u>278,202</u>	<u>(16,121)</u>	<u>713,102</u>	<u>549,665</u>	<u>(347,886)</u>	<u>(2,173,865)</u>	<u>22,595</u>	-	<u>(974,308)</u>
<b>Other financing sources (uses):</b>									
Operating transfers in (out)	<u>(15,769)</u>	<u>-</u>	<u>(1,729,311)</u>	<u>(563,185)</u>	<u>356,838</u>	<u>1,935,659</u>	<u>5,293</u>	-	<u>(10,475)</u>
Total other financing sources (uses)	<u>(15,769)</u>	<u>-</u>	<u>(1,729,311)</u>	<u>(563,185)</u>	<u>356,838</u>	<u>1,935,659</u>	<u>5,293</u>	-	<u>(10,475)</u>
Change in cash balances	262,433	(16,121)	(1,016,209)	(13,520)	8,952	(238,206)	27,888	-	(984,783)
Cash balances beginning of year, restated	<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>
Cash balances end of year	<u>\$ 1,721,302</u>	<u>\$ 938,575</u>	<u>\$ 586,928</u>	<u>\$ 281,098</u>	<u>\$ 6,333</u>	<u>\$ 251,373</u>	<u>\$ 359,092</u>	-	<u>\$ 4,144,701</u>
<b>Cash Basis Fund Balances</b>									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,047	-	\$ 138,047
Restricted	-	938,575	586,928	281,098	6,333	-	138,456	-	1,951,390
Assigned	3,357	-	-	-	-	251,373	82,589	-	337,319
Unassigned	1,717,945	-	-	-	-	-	-	-	1,717,945
Total cash basis fund balances	<u>\$ 1,721,302</u>	<u>\$ 938,575</u>	<u>\$ 586,928</u>	<u>\$ 281,098</u>	<u>\$ 6,333</u>	<u>\$ 251,373</u>	<u>\$ 359,092</u>	-	<u>\$ 4,144,701</u>

See notes to financial statements.

**City of Mount Pleasant  
Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position  
Governmental Funds  
As of and for the Year Ended June 30, 2013**

---

**Total governmental funds cash balances (page 13)** \$ 4,144,701

*Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:*

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. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

23,956

**Cash basis net position of governmental activities (page 12)** \$ 4,168,657

**Change in cash balances (page 13)** \$ (984,783)

*Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:*

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. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

15,461

**Change in cash basis net position of governmental activities (page 12)** \$ (969,322)

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, 2013**

	<u>Enterprise</u>			<u>Internal Service</u>
	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Employee Health</u>
Operating Receipts:				
Charges for service	\$ 1,785,271	\$ 400,072	\$ 2,185,343	\$ 52,270
Total operating receipts	<u>1,785,271</u>	<u>400,072</u>	<u>2,185,343</u>	<u>52,270</u>
Operating Disbursements:				
Governmental activities:				
Public safety	-	-	-	7,735
Public works	-	-	-	13,698
Culture and recreation	-	-	-	7,872
General government	-	-	-	7,504
Business type activities	<u>826,064</u>	<u>379,893</u>	<u>1,205,957</u>	<u>-</u>
Total operating disbursements	<u>826,064</u>	<u>379,893</u>	<u>1,205,957</u>	<u>36,809</u>
Excess of operating receipts over operating disbursements	<u>959,207</u>	<u>20,179</u>	<u>979,386</u>	<u>15,461</u>
Non-operating receipts (disbursements):				
Intergovernmental	59,363	-	59,363	-
Interest on investments	413	5	418	-
Miscellaneous	28,648	465	29,113	-
Capital projects	(838,569)	-	(838,569)	-
Debt service	<u>(1,123,912)</u>	<u>-</u>	<u>(1,123,912)</u>	<u>-</u>
Net non-operating receipts (disbursements)	<u>(1,874,057)</u>	<u>470</u>	<u>(1,873,587)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(914,850)	20,649	(894,201)	15,461
Transfers in	<u>10,475</u>	<u>-</u>	<u>10,475</u>	<u>-</u>
Change in cash balances	(904,375)	20,649	(883,726)	15,461
Cash balances beginning of year	<u>2,294,065</u>	<u>156,835</u>	<u>2,450,900</u>	<u>8,495</u>
Cash balances end of year	<u>\$ 1,389,690</u>	<u>\$ 177,484</u>	<u>\$ 1,567,174</u>	<u>\$ 23,956</u>
<b>Cash Basis Fund Balances</b>				
Restricted for plant improvements	\$ 1,382,872	\$ -	\$ 1,382,872	\$ -
Restricted for debt service	16	-	16	-
Unrestricted	<u>6,802</u>	<u>177,484</u>	<u>184,286</u>	<u>23,956</u>
<b>Total cash basis fund balances</b>	<u>\$ 1,389,690</u>	<u>\$ 177,484</u>	<u>\$ 1,567,174</u>	<u>\$ 23,956</u>

See notes to financial statements.

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

---

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

The City of Mount Pleasant (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 and recreation, community and economic development and general government services. The City also provides sewer and solid waste 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 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 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, exist 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**

---

**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 Cash Basis Statement of Activities and Net Position (previously referred to as 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 service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

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

---

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the 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 is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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 Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

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

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

---

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

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.

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 position 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 City Council intends to use for specific purposes.

*Unassigned* - All amounts not included in the preceding classifications.

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

---

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

Budgets and Budgetary Accounting

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

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

Subsequent Events

The City performed an evaluation of subsequent events through November 26, 2013, which is the date the financial statements were issued. There are no subsequent events that require disclosure or recognition in the financial statements as of June 30, 2013.

**Note 2. Cash and Investments**

The City's deposits in banks at June 30, 2013 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 \$1,819,028 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

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>
2014	\$ 982,000	\$ 250,385	\$ 648,000	\$ 203,422	\$ 1,630,000	\$ 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	1,037,000	141,165	714,000	136,338	1,751,000	277,503
2019-2023	2,856,000	242,253	3,541,000	418,215	6,397,000	660,468
2024-2025	-	-	1,421,000	43,784	1,421,000	43,784
	<u>\$ 7,743,000</u>	<u>\$ 1,231,277</u>	<u>\$ 8,364,000</u>	<u>\$ 1,313,510</u>	<u>\$ 16,107,000</u>	<u>\$ 2,544,787</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 January 2011 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 \$9,677,510. For the current year, principal and interest paid and total customer net receipts were \$1,123,912 and \$959,207, 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**

---

**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 payable to employees at June 30, 2013, primarily relating to the General Fund, is \$159,000.

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, 2013 is \$37,000.

Employees accumulate holiday time and personal time. The maximum liability to the City at June 30, 2013 is \$11,000.

The above liabilities have been computed based on rates of pay as of July 1, 2013.

**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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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 contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$147,889, \$144,265, and \$131,238, respectively, equal to the required contributions 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 for the City Administrator to the ICMA retirement system which allows a contribution up to 25% of salary with a maximum of \$12,000. For the years ended June 30, 2013, 2012, and 2011, these contributions totaled \$9,167, \$8,670, and \$7,040, respectively.

**Note 6. Related Party Transactions**

The City had business transactions between the City and City officials totaling \$30,674 during the year ended June 30, 2013. The Mount Pleasant Municipal Utilities pays the City on an annual basis for use of the facilities. This amounted to \$100,000 for the year ended June 30, 2013 and is included as revenue in the General Fund.

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

---

**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 679 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 at a level determined by the Board not to exceed 300% of 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, 2013 were \$153,695.

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 \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington 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, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

---

**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% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and 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, 2013 are as follows:

Airport apron	\$ 331,698
Sewer	410,887
Street construction	1,968,691
Sidewalk construction	378,103

**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 the family policy. The City reimburses employees for their deductible after the employees have reached their out-of-pocket maximum of \$1,000 per individual and \$2,000 per family. The total maximum reimbursement liability to be paid by the City is \$174,000. The City's cost related to this reimbursement for the year ended June 30, 2013 was approximately \$36,809.

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

---

**Note 10. Conduit Debt Obligations**

The City has, in the past, assisted in several issues of industrial revenue bonds, issued for the purposes of constructing privately-owned manufacturing and other related facilities within the City. The bonds are not direct or contingent liabilities of the City, as the revenue from lease agreements and property purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can look only 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 remaining at June 30, 2013.

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 of the City.

**Note 11. 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, 2013 totaled \$14,063. Future minimum lease payments are \$2,344 for the year ended June 30, 2014.

**Note 12. Donated Electricity and Water**

The City is not billed for electricity and water usage or service and materials provided by 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 Mount Pleasant Municipal Utilities. During the year ended June 30, 2013, services donated by Mount Pleasant Municipal Utilities to the City totaled approximately \$223,000 and \$34,100 for the electric and water funds, respectively.

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

---

**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 \$48,361 in landfill fees and \$116,870 in waste management fees in fiscal year 2013. 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 \$5,884 in annual dues and \$11,233 in grant administration fees in fiscal year 2013. Southeast Iowa Regional Planning Commission's audited financial statements are available at City Hall.

**Note 14. 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, 2013, the endowment fund balance was \$279,456. A City official is one of the eight members of the Board.

**Note 15. 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 16. Speculative Building Loan Guarantee**

The City, along with three other entities, entered into an agreement with the Henry County Industrial Development Corporation to build a speculative building. The City has guaranteed the repayment of the \$500,000 loan if the speculative building does not sell within four years of construction. The City is liable for \$93,750 of the \$500,000 loan. If the building is sold in years five through ten, each entity will be reimbursed for the funds they have contributed towards the loan payments. For the year ending June 30, 2013, the City did not make any payments.

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

---

**Note 17. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to:	
Capital projects	\$ 1,935,659
Debt service	356,838
Nonmajor	5,293
Sewer revenue	<u>10,475</u>
	<u>\$ 2,308,265</u>
Transfer from:	
General	\$ 15,769
Local option sales tax	1,729,311
Urban renewal tax increment	<u>563,185</u>
	<u>\$ 2,308,265</u>

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

**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 36 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits 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 \$462 for single coverage and \$1,210 for family coverage. For the year ended June 30, 2013, the City contributed \$383,616 and plan members eligible for benefits contributed \$50,182 to the plan.

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

**Note 19. Cash Basis Fund Balances**

The detail of the governmental fund cash basis fund balances for the year ended June 30, 2013 is as follows:

	General	Road Use	Sales Tax	TIF	Debt Service	Capital Projects	Other Nonmajor Governmental	Total
Nonspendable for cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,047	\$ 138,047
Restricted for:								
Road use purposes	-	938,575	-	-	-	-	-	938,575
Tax referendum purposes	-	-	586,928	-	-	-	-	586,928
Urban renewal projects	-	-	-	281,098	-	-	-	281,098
Debt service	-	-	-	-	6,333	-	-	6,333
Library acquisitions	-	-	-	-	-	-	138,456	138,456
Assigned to:								
Library acquisitions	3,357	-	-	-	-	-	-	3,357
Other capital projects	-	-	-	-	-	251,373	-	251,373
Other purposes	-	-	-	-	-	-	82,589	82,589
Unassigned	<u>1,717,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,717,945</u>
Total	<u>\$ 1,721,302</u>	<u>\$ 938,575</u>	<u>\$ 586,928</u>	<u>\$ 281,098</u>	<u>\$ 6,333</u>	<u>\$ 251,373</u>	<u>\$ 359,092</u>	<u>\$ 4,144,701</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, 2013**

	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	\$ 3,274,180	\$ -	\$ -	\$ 3,274,180	\$ 3,267,265	\$ 3,267,265	\$ 6,915
Tax increment financing	579,570	-	-	579,570	583,500	583,500	(3,930)
Other city taxes	940,937	-	-	940,937	968,358	968,358	(27,421)
Use of money and property	104,442	418	464	104,396	91,860	91,860	12,536
Licenses and permits	55,717	-	-	55,717	38,200	38,200	17,517
Intergovernmental	2,179,214	59,363	-	2,238,577	2,143,431	2,143,431	95,146
Charges for service	182,803	2,237,613	52,270	2,368,146	2,100,410	1,939,510	428,636
Miscellaneous	297,463	29,113	26,019	300,557	305,800	305,800	(5,243)
Total receipts	<u>7,614,326</u>	<u>2,326,507</u>	<u>78,753</u>	<u>9,862,080</u>	<u>9,498,824</u>	<u>9,337,924</u>	<u>524,156</u>
<b>Disbursements:</b>							
Public safety	1,233,338	7,735	7,735	1,233,338	1,396,107	1,454,000	220,662
Public works	660,253	13,698	13,698	660,253	909,570	877,210	216,957
Culture and recreation	1,085,160	7,872	10,936	1,082,096	1,237,299	1,258,620	176,524
Community and economic development	178,793	-	-	178,793	215,493	613,311	434,518
General government	743,548	7,504	7,504	743,548	551,363	800,344	56,796
Debt service	1,215,365	-	-	1,215,365	1,217,366	1,217,366	2,001
Capital projects	3,472,177	-	-	3,472,177	2,465,000	4,537,899	1,065,722
Business type activities	-	3,168,438	-	3,168,438	3,203,321	3,778,378	609,940
Total disbursements	<u>8,588,634</u>	<u>3,205,247</u>	<u>39,873</u>	<u>11,754,008</u>	<u>11,195,519</u>	<u>14,537,128</u>	<u>2,783,120</u>
Excess (deficiency) of receipts over (under) disbursements	(974,308)	(878,740)	38,880	(1,891,928)	(1,696,695)	(5,199,204)	(3,307,276)
Other financing sources (uses), net	<u>(10,475)</u>	<u>10,475</u>	<u>(23,543)</u>	<u>23,543</u>	<u>1,000,000</u>	<u>287,217</u>	<u>(263,674)</u>
Change in cash balances	(984,783)	(868,265)	15,337	(1,868,385)	(696,695)	(4,911,987)	3,043,602
Cash balances beginning of year	<u>5,129,484</u>	<u>2,459,395</u>	<u>367,711</u>	<u>7,221,168</u>	<u>5,933,436</u>	<u>7,588,892</u>	<u>(367,724)</u>
Cash balances end of year	<u>\$ 4,144,701</u>	<u>\$ 1,591,130</u>	<u>\$ 383,048</u>	<u>\$ 5,352,783</u>	<u>\$ 5,236,741</u>	<u>\$ 2,676,905</u>	<u>\$ 2,675,878</u>

See accompanying independent auditor's report.

**City of Mount Pleasant**  
**Notes to Other Information - Budgetary Reporting**  
**June 30, 2013**

---

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. 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 \$3,341,609. The budget amendments are reflected in the final budgeted amounts.

**SUPPLEMENTARY INFORMATION**

**City of Mount Pleasant**  
**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the Year Ended June 30, 2013**

	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	\$ -	\$ -	\$ 464	\$ -	\$ -	\$ 464
Intergovernmental	1,446	8,490	-	-	-	9,936
Miscellaneous	-	-	3,327	16,122	6,570	26,019
Total receipts	<u>1,446</u>	<u>8,490</u>	<u>3,791</u>	<u>16,122</u>	<u>6,570</u>	<u>36,419</u>
Disbursements:						
Culture and recreation	-	-	2,794	-	270	3,064
Community and economic development	-	10,760	-	-	-	10,760
Total disbursements	<u>-</u>	<u>10,760</u>	<u>2,794</u>	<u>-</u>	<u>270</u>	<u>13,824</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,446</u>	<u>(2,270)</u>	<u>997</u>	<u>16,122</u>	<u>6,300</u>	<u>22,595</u>
Other financing sources (uses):						
Operating transfers in (out)	<u>(1,446)</u>	<u>30,282</u>	<u>(23,543)</u>	<u>-</u>	<u>-</u>	<u>5,293</u>
Total other	<u>(1,446)</u>	<u>30,282</u>	<u>(23,543)</u>	<u>-</u>	<u>-</u>	<u>5,293</u>
Change in cash balances	-	28,012	(22,546)	16,122	6,300	27,888
Cash balances beginning of year	<u>-</u>	<u>(28,012)</u>	<u>161,002</u>	<u>66,467</u>	<u>131,747</u>	<u>331,204</u>
Cash balances end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,456</u>	<u>\$ 82,589</u>	<u>\$ 138,047</u>	<u>\$ 359,092</u>
<b>Cash Basis Fund Balances</b>						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 138,047	\$ 138,047
Restricted	-	-	138,456	-	-	138,456
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,589</u>	<u>-</u>	<u>82,589</u>
Total cash basis fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,456</u>	<u>\$ 82,589</u>	<u>\$ 138,047</u>	<u>\$ 359,092</u>

See accompanying independent auditor's report.

**City of Mount Pleasant  
Statement of Indebtedness  
Year Ended June 30, 2013**

<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>	<u>Interest Due and Unpaid</u>
<b>General obligation bonds/notes:</b>									
General purpose, Series 2009A	4/01/09	2.60-3.85%	\$ 5,000,000	\$ 4,475,000	\$ -	\$ 475,000	\$ 4,000,000	\$ 150,863	\$ -
General purpose, Series 2009B	5/01/09	1.00-4.00%	2,420,000	1,985,000	-	140,000	1,845,000	64,220	-
General purpose, Series 2010A	5/01/10	2.00-3.60%	1,970,000	1,625,000	-	175,000	1,450,000	45,550	-
General purpose, Series 2010B	5/01/10	2.00-3.10%	640,000	395,000	-	125,000	270,000	10,788	-
General purpose, Capital Loan Note	1/11/12	2.50%	200,000	<u>200,000</u>	<u>-</u>	<u>22,000</u>	<u>178,000</u>	<u>6,944</u>	<u>-</u>
				<u>8,680,000</u>	<u>-</u>	<u>937,000</u>	<u>7,743,000</u>	<u>278,365</u>	<u>-</u>
<b>Revenue bonds/notes:</b>									
Sewer Revenue Capital Loan Note	1/19/11	0.00%	356,000	250,432	21,322	271,754	-	-	-
Sewer Revenue Improvement & Refunding Bond	3/07/12	2.48%	9,611,000	<u>8,997,000</u>	<u>-</u>	<u>633,000</u>	<u>8,364,000</u>	<u>219,158</u>	<u>-</u>
				<u>9,247,432</u>	<u>21,322</u>	<u>904,754</u>	<u>8,364,000</u>	<u>219,158</u>	<u>-</u>
<b>Total</b>				<u>\$ 17,927,432</u>	<u>\$ 21,322</u>	<u>\$ 1,841,754</u>	<u>\$ 16,107,000</u>	<u>\$ 497,523</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**City of Mount Pleasant  
Bond and Note Maturities  
June 30, 2013**

Year Ending June 30.	<u>General Obligation Bonds Series 2009A Issued April 1, 2009</u>		<u>General Obligation Bonds Series 2009B Issued May 1, 2009</u>		<u>General Obligation Bonds Series 2010A Issued May 1, 2010</u>		<u>General Obligation Bonds Series 2010B Issued May 1, 2010</u>		<u>General Obligation Bonds Capital Loan Note Issued January 11, 2012</u>		Total General Obligation Bonds
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
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>\$ 4,000,000</u>		<u>\$ 1,845,000</u>		<u>\$ 1,450,000</u>		<u>\$ 270,000</u>		<u>\$ 178,000</u>	<u>\$ 7,743,000</u>
	<u>Sewer Revenue Improvement and Refunding Bonds Issued March 7, 2012</u>										
Year Ending June 30.	<u>Interest Rate</u>	<u>Amount</u>									
2014	2.48%	\$ 648,000									
2015	2.48%	664,000									
2016	2.48%	679,000									
2017	2.48%	697,000									
2018	2.48%	714,000									
2019	2.48%	731,000									
2020	2.48%	677,000									
2021	2.48%	691,000									
2022	2.48%	725,000									
2023	2.48%	717,000									
2024	2.48%	722,000									
2025	2.48%	<u>699,000</u>									
		<u>\$ 8,364,000</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,										
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Receipts:</b>											
Property tax	\$ 3,274,180	\$ 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	579,570	581,770	553,205	524,959	520,920	508,792	357,760	211,403	293,711	365,003	327,854
Other city taxes	940,937	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	104,442	103,976	100,298	163,228	366,187	612,916	411,378	265,513	193,164	186,122	182,448
Licenses and permits	55,717	53,979	34,265	47,230	30,457	37,470	69,816	38,000	40,557	73,681	34,144
Intergovernmental	2,179,214	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 service	182,803	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	297,463	620,877	808,673	386,064	509,840	554,115	1,483,597	828,290	1,874,589	973,201	235,571
<b>Total</b>	<b>\$ 7,614,326</b>	<b>\$ 8,243,377</b>	<b>\$ 7,336,422</b>	<b>\$ 6,957,257</b>	<b>\$ 7,023,092</b>	<b>\$ 6,843,862</b>	<b>\$ 8,118,517</b>	<b>\$ 6,683,547</b>	<b>\$ 8,362,157</b>	<b>\$ 6,820,276</b>	<b>\$ 5,927,964</b>
<b>Disbursements:</b>											
<b>Operating:</b>											
Public safety	\$ 1,233,338	\$ 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	660,253	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	1,085,160	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	178,793	363,231	384,593	341,160	739,541	294,961	493,463	199,371	159,254	178,258	225,513
General government	743,548	729,552	709,500	773,056	713,633	615,915	602,292	583,228	564,557	561,336	556,393
Debt service	1,215,365	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	3,472,177	3,315,282	2,596,740	3,518,036	2,864,662	1,745,042	1,396,665	1,757,334	4,891,719	4,330,866	2,284,249
<b>Total</b>	<b>\$ 8,588,634</b>	<b>\$ 8,646,792</b>	<b>\$ 7,801,283</b>	<b>\$ 11,543,029</b>	<b>\$ 16,093,750</b>	<b>\$ 7,155,625</b>	<b>\$ 6,924,423</b>	<b>\$ 6,812,901</b>	<b>\$ 9,979,124</b>	<b>\$ 10,750,482</b>	<b>\$ 7,055,160</b>

See accompanying independent auditor's report.

**City of Mount Pleasant**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2013**

<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 11-55821	\$ <u>7,168</u>
U.S. Department of Housing and Urban Development Special Purpose Grant	14.197	IA05SPG503	<u>1,446</u>
U.S. Department of Transportation Federal Aviation Administration Airport Improvement Program	20.106	03-19-0062-11-2012	<u>117,440</u>
Federal Highway Administration Pass-through Iowa Department of Transportation Highway Planning and Construction	20.205	STP-U-5292(618)--70-44	553,266
Highway Planning and Construction	20.205	STP-U-5292(619)--70-44	<u>588,990</u>
Subtotal U.S. Department of Transportation pass- through programs			<u>1,142,256</u>
Total U.S. Department of Transportation			<u>1,259,696</u>
U.S. Department of Homeland Security Hazard Mitigation Grant Program DR-1998	97.039	HMGP-DR-198-0006 01	<u>52,379</u>
			\$ <u>1,320,689</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 in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the primary government of the City of Mount Pleasant, Iowa (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

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 deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City's Responses to Findings

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

### Purpose of this Report

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

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

November 26, 2013



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 for Each Major Federal Program, on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Honorable Mayor and  
Members of the City Council  
City of Mount Pleasant, Iowa

Report on Compliance for Each Major Federal Program

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 programs for the year ended June 30, 2013. The City's major federal programs are identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133. However, we did not identify any instances of noncompliance.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified 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 Part III of the accompanying Schedule of Findings as item III-A-13 to be a significant deficiency.

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

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

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City as of and for the year ended June 30, 2013, and have issued our report dated November 26, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 the audit of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

*CPA Associates PC*

November 26, 2013

**City of Mount Pleasant  
Schedule of Findings  
Year Ended June 30, 2013**

---

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

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was 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) The City of Mount Pleasant did not qualify as a low-risk auditee.

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

**MATERIAL WEAKNESS**

II-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an 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.

**City of Mount Pleasant  
Schedule of Findings  
Year Ended June 30, 2013**

---

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**Part III: Findings for Federal Awards**

**SIGNIFICANT DEFICIENCY:**

- III-A-13 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-A-13. Because of additional grant administration oversight, the matter is not considered to be a material weakness.

**INSTANCES OF NONCOMPLIANCE:**

No matters were reported.

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

- IV-A-13 Certified Budget - Disbursements during the year ended June 30, 2013, did not exceed the amount budgeted in any function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".
- IV-B-13 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-13 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-13 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-E-13 City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should publish minutes as required.

Response - We will publish minutes as required.

Conclusion - Response accepted.

- IV-F-13 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.

**City of Mount Pleasant  
Schedule of Findings  
Year Ended June 30, 2013**

---

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

IV-G-13 Business Transactions - Business transactions between the City and City officials or employees 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	\$ 15
Brent Schleisman, City Administrator, wife is independent contractor	Cleaning services	\$ 11,190
Derek Wellington, Firefighter owns Wellington Electric	Electrical services	\$ 1,263
Kevin Wellington, Firefighter owns Wellington Construction	Contracting services	\$ 12,216
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 logos and electrical services transactions do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

In accordance with Chapter 362.5(3)(d) of the Code of Iowa, the cleaning services transactions do not appear to represent a conflict of interest since the contract was entered into through competitive bidding.

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

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

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

Conclusion - Response accepted.

IV-H-13 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, 2013, 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 user rates to cover this requirement.

Conclusion - Response accepted.

**City of Mount Pleasant**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2013**

---

**Part V: Prior Audit Findings for Federal Awards**

**SIGNIFICANT DEFICIENCY:**

V-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.

Recommendation - It was recommended that the City review its control procedures to obtain the maximum internal control possible under the circumstances, 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-13 in the current year findings.