

City of Mount Pleasant

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

June 30, 2014

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City of Mount Pleasant

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven K. Brimhall	Mayor	December 31, 2015
Matthew Crull	Council Member	December 31, 2015
Steve Engberg	Council Member	December 31, 2015
Tim Gray	Council Member	December 31, 2015
Alan Huisinga	Council Member	December 31, 2017
Terry McWilliams	Council Member	December 31, 2017
Deb Savage	Council Member	December 31, 2017
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



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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, 2014, 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 presentation 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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include the financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require the financial data for those component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2014, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting as 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 eleven years ended June 30, 2013 (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.

Other Matters (continued)

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 11 and 28 through 29, 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 December 10, 2014 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

December 10, 2014

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 3%, or \$227,402, from fiscal 2013 to fiscal 2014. This decrease is due to a decrease in operating and capital grants in fiscal 2014.
- Disbursements of the City's governmental activities decreased 2%, or \$210,907, in fiscal 2014 from fiscal 2013. This decrease is due to a decrease in expenditures related to public safety, culture and recreation and capital projects in fiscal 2014.
- The City's total cash basis net position decreased 20%, or \$1,119,023, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased \$975,342 and the cash basis net position of the business type activities decreased \$143,681.

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 \$4,168,657 to \$3,193,315. 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>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for services	\$ 271,846	\$ 267,877
Operating grants, contributions and restricted interest	1,233,333	1,266,695
Capital grants, contributions and restricted interest	558,822	961,032
General receipts:		
Property tax	3,950,120	3,853,750
Local option sales tax	782,771	712,987
Other city taxes	246,349	227,950
Unrestricted interest on investments	1,278	1,565
Bond proceeds	-	-
Other general receipts	<u>342,404</u>	<u>322,469</u>
Total receipts	<u>7,386,923</u>	<u>7,614,325</u>
Disbursements:		
Public safety	1,231,956	1,230,058
Public works	917,008	654,499
Culture and recreation	1,045,584	1,081,853
Community and economic development	327,441	178,793
General government	709,390	740,427
Debt service	1,233,136	1,215,365
Capital projects	<u>2,897,750</u>	<u>3,472,177</u>
Total disbursements	<u>8,362,265</u>	<u>8,573,172</u>
Change in cash basis net position before transfers	(975,342)	(958,847)
Transfers, net	<u>-</u>	<u>(10,475)</u>
Change in cash basis net position	(975,342)	(969,322)
Cash basis net position beginning of year	<u>4,168,657</u>	<u>5,137,979</u>
Cash basis net position end of year	<u>\$ 3,193,315</u>	<u>\$ 4,168,657</u>

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

The City's total receipts for governmental activities decreased by 3%, or \$227,402. The total cost of all programs and services decreased by \$210,907, or 2%, with no new programs added this year.

The cost of all governmental activities this year was \$8,362,265 compared to \$8,573,172 for fiscal 2013. 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 \$6,298,264 because some of the cost was paid by those directly benefited from the programs (\$271,846) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,792,155).

Changes in Cash Basis Net Position of Business Type Activities	Year Ended June 30,	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,641,710	\$ 1,785,271
Solid waste	415,275	400,072
General receipts:		
Intergovernmental	-	59,363
Unrestricted interest on investments	313	418
Loan proceeds	229,720	-
Miscellaneous receipts	<u>7,370</u>	<u>29,113</u>
Total receipts	<u>2,294,388</u>	<u>2,274,237</u>
Disbursements:		
Sewer	2,053,792	2,788,545
Solid waste	<u>384,277</u>	<u>379,893</u>
Total disbursements	<u>2,438,069</u>	<u>3,168,438</u>
Change in cash basis net position before transfers	(143,681)	(894,201)
Transfers, net	<u>-</u>	<u>10,475</u>
Change in cash basis net position	(143,681)	(883,726)
Cash basis net position beginning of year	<u>1,567,174</u>	<u>2,450,900</u>
Cash basis net position end of year	<u>\$ 1,423,493</u>	<u>\$ 1,567,174</u>

Total business type activities receipts for the fiscal year were \$2,294,388 compared to \$2,274,237 for fiscal 2013. The cash balance decreased by \$143,681 from the prior year primarily because of the expenses for the wastewater treatment facilities feasibility analysis to meet standards mandated by the Iowa DNR.

**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 \$3,180,674, a decrease of \$980,026 from last year's total of \$4,160,700. 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 \$2,188,144, an increase of \$450,843 from the prior year mainly due to an increase in taxable valuations.
- The Road Use Tax Fund cash balance decreased by \$227,967 to \$710,608. The decrease is due to replacing the sidewalks around the City's square.
- The Local Option Sales Tax Fund decreased by \$582,637 to \$4,291 due to transfers.
- The Tax Increment Financing Fund (TIF) decreased by \$124,134 to \$156,964.
- The Debt Service Fund cash balance increased by \$5,156 to \$11,489.
- The Capital Projects cash balance decreased by \$536,431 to \$(285,058) 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 \$143,681 to \$1,423,493.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The final amendment was approved on May 28, 2014. The amendment resulted in an increase in budgeted receipts of \$637,932 and an increase in budgeted disbursements of \$2,935,849. Expenditure increases included public works, 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 program with the beginning of the North Iris Street pavement reconstruction and railroad crossing improvements project.

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

DEBT ADMINISTRATION

At June 30, 2014, the City had \$14,706,720 in bonds and other long-term debt, compared to \$16,107,000 last year, as shown below.

Outstanding Debt at Year End	June 30,	
	2014	2013
General obligation bonds	\$ 6,761,000	\$ 7,743,000
Revenue bonds	<u>7,945,720</u>	<u>8,364,000</u>
Total	<u>\$ 14,706,720</u>	<u>\$ 16,107,000</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 \$6,761,000 is below its constitutional debt limit of approximately \$20.44 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 2015 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 5.0 percent compared to 5.9 percent in June 2014.

The City has let the bids and is under contract 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, 2014

	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
Functions / Programs:							
Governmental activities:							
Public safety	\$ 1,231,956	\$ 28,581	\$ 69,065	\$ -	\$ (1,134,310)	\$ -	\$ (1,134,310)
Public works	917,008	-	1,132,483	-	215,475	-	215,475
Culture and recreation	1,045,584	197,073	31,785	-	(816,726)	-	(816,726)
Community and economic development	327,441	-	-	-	(327,441)	-	(327,441)
General government	709,390	46,192	-	-	(663,198)	-	(663,198)
Debt service	1,233,136	-	-	-	(1,233,136)	-	(1,233,136)
Capital projects	2,897,750	-	-	558,822	(2,338,928)	-	(2,338,928)
Total governmental activities	<u>8,362,265</u>	<u>271,846</u>	<u>1,233,333</u>	<u>558,822</u>	<u>(6,298,264)</u>	<u>-</u>	<u>(6,298,264)</u>
Business type activities:							
Sewer	2,053,792	1,641,710	-	-	-	(412,082)	(412,082)
Solid waste	384,277	415,275	-	-	-	30,998	30,998
Total business type activities	<u>2,438,069</u>	<u>2,056,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(381,084)</u>	<u>(381,084)</u>
Total	<u>\$ 10,800,334</u>	<u>\$ 2,328,831</u>	<u>\$ 1,233,333</u>	<u>\$ 558,822</u>	<u>(6,298,264)</u>	<u>(381,084)</u>	<u>(6,679,348)</u>
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					2,480,743	-	2,480,743
Debt service					883,392	-	883,392
Tax increment financing					585,985	-	585,985
Local option sales tax					782,771	-	782,771
Other city taxes					246,349	-	246,349
Unrestricted investment earnings					1,278	313	1,591
Bond proceeds					-	229,720	229,720
Miscellaneous					342,404	7,370	349,774
Total general receipts and transfers					<u>5,322,922</u>	<u>237,403</u>	<u>5,560,325</u>
Change in cash basis net position					(975,342)	(143,681)	(1,119,023)
Cash basis net position beginning of year					<u>4,168,657</u>	<u>1,567,174</u>	<u>5,735,831</u>
Cash basis net position end of year					<u>\$ 3,193,315</u>	<u>\$ 1,423,493</u>	<u>\$ 4,616,808</u>
Cash Basis Net Position							
Restricted:							
Nonexpendable					\$ 144,657	\$ -	\$ 144,657
Expendable					1,018,990	1,212,788	2,231,778
Unrestricted					<u>2,029,668</u>	<u>210,705</u>	<u>2,240,373</u>
Total cash basis net position					<u>\$ 3,193,315</u>	<u>\$ 1,423,493</u>	<u>\$ 4,616,808</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, 2014

	Special Revenue							Other Nonmajor Governmental	Total
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Capital Projects			
Receipts:									
Property tax	\$ 2,480,743	\$ -	\$ -	\$ -	\$ 883,392	\$ -	\$ -	\$ -	\$ 3,364,135
Tax increment financing	-	-	-	585,985	-	-	-	-	585,985
Other city taxes	246,349	-	782,771	-	-	-	-	-	1,029,120
Use of money and property	108,945	-	60	-	-	77	234	-	109,316
License and permits	46,192	-	-	-	-	-	-	-	46,192
Intergovernmental	100,850	865,532	-	-	-	825,774	-	-	1,792,156
Charges for services	195,959	-	-	-	-	-	-	-	195,959
Miscellaneous	218,152	-	-	-	-	-	-	45,908	264,060
Total receipts	<u>3,397,190</u>	<u>865,532</u>	<u>782,831</u>	<u>585,985</u>	<u>883,392</u>	<u>825,851</u>	<u>46,142</u>	<u>-</u>	<u>7,386,923</u>
Disbursements:									
Operating:									
Public safety	1,234,664	-	-	-	-	-	-	-	1,234,664
Public works	26,830	891,510	-	-	-	-	-	-	918,340
Culture and recreation	1,040,030	-	-	-	-	-	5,766	-	1,045,796
Community and economic development	142,222	-	-	185,219	-	-	-	-	327,441
General government	507,833	201,989	-	-	-	-	-	-	709,822
Debt service	-	-	-	-	1,233,136	-	-	-	1,233,136
Capital projects	-	-	-	-	-	2,897,750	-	-	2,897,750
Total disbursements	<u>2,951,579</u>	<u>1,093,499</u>	<u>-</u>	<u>185,219</u>	<u>1,233,136</u>	<u>2,897,750</u>	<u>5,766</u>	<u>-</u>	<u>8,366,949</u>
Excess (deficiency) of receipts over (under) disbursements	<u>445,611</u>	<u>(227,967)</u>	<u>782,831</u>	<u>400,766</u>	<u>(349,744)</u>	<u>(2,071,899)</u>	<u>40,376</u>	<u>-</u>	<u>(980,026)</u>
Other financing sources (uses):									
Operating transfers in (out)	5,232	-	(1,365,468)	(524,900)	354,900	1,535,468	(5,232)	-	-
Total other financing sources (uses)	<u>5,232</u>	<u>-</u>	<u>(1,365,468)</u>	<u>(524,900)</u>	<u>354,900</u>	<u>1,535,468</u>	<u>(5,232)</u>	<u>-</u>	<u>-</u>
Change in cash balances	450,843	(227,967)	(582,637)	(124,134)	5,156	(536,431)	35,144	-	(980,026)
Cash balances beginning of year, restated	<u>1,737,301</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>-</u>	<u>4,160,700</u>
Cash balances end of year	<u>\$ 2,188,144</u>	<u>\$ 710,608</u>	<u>\$ 4,291</u>	<u>\$ 156,964</u>	<u>\$ 11,489</u>	<u>\$ (285,058)</u>	<u>\$ 394,236</u>	<u>\$ -</u>	<u>\$ 3,180,674</u>
Cash Basis Fund Balances									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,657	\$ -	\$ 144,657
Restricted	-	710,608	4,291	156,964	11,489	-	135,638	-	1,018,990
Assigned	27,634	-	-	-	-	-	113,941	-	141,575
Unassigned	2,160,510	-	-	-	-	(285,058)	-	-	1,875,452
Total cash basis fund balances	<u>\$ 2,188,144</u>	<u>\$ 710,608</u>	<u>\$ 4,291</u>	<u>\$ 156,964</u>	<u>\$ 11,489</u>	<u>\$ (285,058)</u>	<u>\$ 394,236</u>	<u>\$ -</u>	<u>\$ 3,180,674</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, 2014**

Total governmental funds cash balances (page 13) \$ 3,180,674

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.

12,641

Cash basis net position of governmental activities (page 12) \$ 3,193,315

Change in cash balances (page 13) \$ (980,026)

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.

4,684

Change in cash basis net position of governmental activities (page 12) \$ (975,342)

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, 2014

	<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	\$ <u>1,641,710</u>	\$ <u>415,275</u>	\$ <u>2,056,985</u>	\$ <u>25,436</u>
Total operating receipts	<u>1,641,710</u>	<u>415,275</u>	<u>2,056,985</u>	<u>25,436</u>
Operating Disbursements:				
Governmental activities:				
Public safety	-	-	-	10,719
Public works	-	-	-	5,902
Culture and recreation	-	-	-	940
General government	-	-	-	3,191
Business type activities	<u>870,248</u>	<u>384,277</u>	<u>1,254,525</u>	<u>-</u>
Total operating disbursements	<u>870,248</u>	<u>384,277</u>	<u>1,254,525</u>	<u>20,752</u>
Excess of operating receipts over operating disbursements	<u>771,462</u>	<u>30,998</u>	<u>802,460</u>	<u>4,684</u>
Non-operating receipts (disbursements):				
Interest on investments	305	8	313	-
Miscellaneous	6,989	381	7,370	-
Loan proceeds	229,720	-	229,720	-
Capital projects	(332,122)	-	(332,122)	-
Debt service	<u>(851,422)</u>	<u>-</u>	<u>(851,422)</u>	<u>-</u>
Net non-operating receipts (disbursements)	<u>(946,530)</u>	<u>389</u>	<u>(946,141)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(175,068)	31,387	(143,681)	4,684
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash balances	(175,068)	31,387	(143,681)	4,684
Cash balances beginning of year, restated	<u>1,389,690</u>	<u>177,484</u>	<u>1,567,174</u>	<u>7,957</u>
Cash balances end of year	<u>\$ 1,214,622</u>	<u>\$ 208,871</u>	<u>\$ 1,423,493</u>	<u>\$ 12,641</u>
Cash Basis Fund Balances				
Restricted for plant improvements	\$ 1,206,099	\$ -	\$ 1,206,099	\$ -
Restricted for debt service	6,689	-	6,689	-
Unrestricted	<u>1,834</u>	<u>208,871</u>	<u>210,705</u>	<u>12,641</u>
Total cash basis fund balances	<u>\$ 1,214,622</u>	<u>\$ 208,871</u>	<u>\$ 1,423,493</u>	<u>\$ 12,641</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 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 are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 December 10, 2014, 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, 2014.

Note 2. Cash and Investments

The City's deposits in banks at June 30, 2014 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 \$4,291 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>
2015	\$ 998,000	\$ 226,400	\$ 664,000	\$ 187,330	\$ 1,662,000	\$ 413,730
2016	894,000	198,885	908,720	170,686	1,802,720	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	991,000	106,030	731,000	118,532	1,722,000	224,562
2020-2024	1,865,000	136,223	3,532,000	330,459	5,397,000	466,682
2025	-	-	699,000	13,008	699,000	13,008
	<u>\$ 6,761,000</u>	<u>\$ 980,892</u>	<u>\$ 7,945,720</u>	<u>\$ 1,110,088</u>	<u>\$ 14,706,720</u>	<u>\$ 2,090,980</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 March 2012 through September 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 \$9,055,808. For the current year, principal and interest paid and total customer net receipts were \$851,422 and \$771,462, 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, 2014, primarily relating to the General Fund, is \$164,000.

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, 2014 is \$22,000.

Employees accumulate holiday time and personal time. The maximum liability to the City at June 30, 2014 is \$13,000.

The above liabilities have been computed based on rates of pay as of July 1, 2014.

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 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014, 2013, and 2012 were \$150,669, \$147,889, and \$144,265, 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, 2014, 2013, and 2012, these contributions totaled \$9,695, \$9,167, and \$8,670, respectively.

Note 6. Related Party Transactions

The City had business transactions between the City and City officials totaling \$26,342 during the year ended June 30, 2014. 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, 2014 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 700 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 estimated for the fiscal 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 property contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risk estimated for the fiscal 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, 2014 were \$151,853.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of the risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, 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 casualty 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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, 2014 are as follows:

Airport snow equipment building	\$ 179,252
Sewer	185,000
Street construction	2,468,828
Treatment plant facility plan	91,000
Street sweeper	50,000
Airport master plan	248,596

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 employees pay 27% 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 \$180,000. The City's cost related to this reimbursement for the year ended June 30, 2014 was approximately \$20,800.

Note 10. Conduit Debt Obligations

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.

City of Mount Pleasant
Notes to Financial Statements

Note 11. Operating Lease

The City leases computer equipment for the police department. The lease has a term of three years, expiring December 2016, with the option to renew for an additional twelve-month period. Lease payments for the year ended June 30, 2014 totaled \$14,192. Future minimum lease payments are as follows:

Fiscal Year	
<u>Ending</u>	<u>Amount</u>
2015	\$ 21,353
2016	21,353
2017	21,353
2018	<u>8,897</u>
	<u>\$ 72,956</u>

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, 2014, services donated by Mount Pleasant Municipal Utilities to the City totaled approximately \$315,900 and \$85,100 for the electric and water funds, respectively.

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 \$47,905 in landfill fees and \$120,590 in waste management fees in fiscal year 2014. 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 \$6,058 in annual dues and \$1,908 in grant administration fees in fiscal year 2014. Southeast Iowa Regional Planning Commission's audited financial statements are available at City Hall.

City of Mount Pleasant
Notes to Financial Statements

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, 2014, the endowment fund balance was \$338,670. 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. During the year ending June 30, 2014, the City paid \$15,625.

Note 17. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to:	
General	\$ 5,232
Capital projects	1,535,468
Debt service	<u>354,900</u>
	<u>\$ 1,895,600</u>
Transfer from:	
Local option sales tax	\$ 1,365,468
Urban renewal tax increment	524,900
Nonmajor	<u>5,232</u>
	<u>\$ 1,895,600</u>

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

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

Note 18. Other Postemployment Benefits (OPEB)

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

The medical/prescription drug 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 \$406 for single coverage and \$1,088 for family coverage. For the year ended June 30, 2014, the City contributed \$349,137 and plan members eligible for benefits contributed \$49,009 to the plan.

Note 19. Cash Basis Fund Balances

The detail of the governmental fund cash basis fund balances for the year ended June 30, 2014 is as follows:

	General	Road Use	Sales Tax	TIF	Debt Service	Capital Projects	Other Nonmajor Governmental	Total
Nonspendable for cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,657	\$ 144,657
Restricted for:								
Road use purposes	-	710,608	-	-	-	-	-	710,608
Tax referendum purposes	-	-	4,291	-	-	-	-	4,291
Urban renewal projects	-	-	-	156,964	-	-	-	156,964
Debt service	-	-	-	-	11,489	-	-	11,489
Library acquisitions	-	-	-	-	-	-	135,638	135,638
Assigned to:								
Library acquisitions	27,634	-	-	-	-	-	-	27,634
Other capital projects	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	113,941	113,941
Unassigned	<u>2,160,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(285,058)</u>	<u>-</u>	<u>1,875,452</u>
Total	<u>\$ 2,188,144</u>	<u>\$ 710,608</u>	<u>\$ 4,291</u>	<u>\$ 156,964</u>	<u>\$ 11,489</u>	<u>\$ (285,058)</u>	<u>\$ 394,236</u>	<u>\$ 3,180,674</u>

Note 20. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

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, 2014**

	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>	
Receipts:							
Property tax	\$ 3,364,135	\$ -	\$ -	\$ 3,364,135	\$ 3,340,703	\$ 3,352,844	\$ 11,291
Tax increment financing	585,985	-	-	585,985	583,500	583,500	2,485
Other city taxes	1,029,120	-	-	1,029,120	928,092	1,006,219	22,901
Use of money and property	109,316	313	234	109,395	66,600	72,035	37,360
Licenses and permits	46,192	-	-	46,192	42,200	48,000	(1,808)
Intergovernmental	1,792,156	-	-	1,792,156	1,829,512	1,929,852	(137,696)
Charges for service	195,959	2,082,421	25,436	2,252,944	2,174,630	2,434,065	(181,121)
Miscellaneous	<u>264,060</u>	<u>7,370</u>	<u>39,298</u>	<u>232,132</u>	<u>416,600</u>	<u>593,254</u>	<u>(361,122)</u>
Total receipts	<u>7,386,923</u>	<u>2,090,104</u>	<u>64,968</u>	<u>9,412,059</u>	<u>9,381,837</u>	<u>10,019,769</u>	<u>(607,710)</u>
Disbursements:							
Public safety	1,234,664	10,719	10,719	1,234,664	1,347,681	1,347,681	113,017
Public works	918,340	5,902	5,902	918,340	686,224	1,156,793	238,453
Culture and recreation	1,045,796	940	6,706	1,040,030	1,394,752	1,394,752	354,722
Community and economic development	327,441	-	-	327,441	166,660	282,018	(45,423)
General government	709,822	3,191	3,191	709,822	810,837	810,837	101,015
Debt service	1,233,136	-	-	1,233,136	1,234,385	1,234,385	1,249
Capital projects	2,897,750	-	-	2,897,750	2,855,000	4,873,079	1,975,329
Business type activities	-	<u>2,438,069</u>	-	<u>2,438,069</u>	<u>2,333,896</u>	<u>2,665,739</u>	<u>227,670</u>
Total disbursements	<u>8,366,949</u>	<u>2,458,821</u>	<u>26,518</u>	<u>10,799,252</u>	<u>10,829,435</u>	<u>13,765,284</u>	<u>2,966,032</u>
Excess (deficiency) of receipts over (under) disbursements	(980,026)	(368,717)	38,450	(1,387,193)	(1,447,598)	(3,745,515)	(2,358,322)
Other financing sources (uses), net	-	<u>229,720</u>	<u>(5,232)</u>	<u>234,952</u>	-	-	<u>234,952</u>
Change in cash balances	(980,026)	(138,997)	33,218	(1,152,241)	(1,447,598)	(3,745,515)	2,593,274
Cash balances beginning of year	<u>4,160,700</u>	<u>1,575,131</u>	<u>229,002</u>	<u>5,506,829</u>	<u>4,020,989</u>	<u>4,020,989</u>	<u>1,485,840</u>
Cash balances end of year	<u>\$ 3,180,674</u>	<u>\$ 1,436,134</u>	<u>\$ 262,220</u>	<u>\$ 4,354,588</u>	<u>\$ 2,573,391</u>	<u>\$ 275,474</u>	<u>\$ 4,079,114</u>

See accompanying independent auditor's report.

City of Mount Pleasant
Notes to Other Information - Budgetary Reporting
June 30, 2014

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 \$2,935,849. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the community and economic development function.

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, 2014

	<u>Trust and Agency</u>		<u>Permanent</u>	<u>Total</u>
	<u>Library</u>	<u>Other</u>	<u>Old Forest</u>	
	<u>Bequests</u>	<u>Programs</u>	<u>Cemetery</u>	
			<u>Perpetual</u>	
			<u>Care</u>	
Receipts:				
Use of money and property	\$ 234	\$ -	\$ -	\$ 234
Intergovernmental	-	-	-	-
Miscellaneous	<u>3,605</u>	<u>35,693</u>	<u>6,610</u>	<u>45,908</u>
Total receipts	<u>3,839</u>	<u>35,693</u>	<u>6,610</u>	<u>46,142</u>
Disbursements:				
Culture and recreation	<u>1,230</u>	<u>4,536</u>	<u>-</u>	<u>5,766</u>
Total disbursements	<u>1,230</u>	<u>4,536</u>	<u>-</u>	<u>5,766</u>
Excess (deficiency) of receipts over (under) disbursements	<u>2,609</u>	<u>31,157</u>	<u>6,610</u>	<u>40,376</u>
Other financing sources (uses):				
Operating transfers in (out)	<u>(5,427)</u>	<u>195</u>	<u>-</u>	<u>(5,232)</u>
Total other	<u>(5,427)</u>	<u>195</u>	<u>-</u>	<u>(5,232)</u>
Change in cash balances	(2,818)	31,352	6,610	35,144
Cash balances beginning of year	<u>138,456</u>	<u>82,589</u>	<u>138,047</u>	<u>359,092</u>
Cash balances end of year	<u>\$ 135,638</u>	<u>\$ 113,941</u>	<u>\$ 144,657</u>	<u>\$ 394,236</u>
Cash Basis Fund Balances				
Nonspendable	\$ -	\$ -	\$ 144,657	\$ 144,657
Restricted	135,638	-	-	135,638
Assigned	<u>-</u>	<u>113,941</u>	<u>-</u>	<u>113,941</u>
Total cash basis fund balances	<u>\$ 135,638</u>	<u>\$ 113,941</u>	<u>\$ 144,657</u>	<u>\$ 394,236</u>

See accompanying independent auditor's report.

**City of Mount Pleasant
Statement of Indebtedness
Year Ended June 30, 2014**

<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>
General obligation bonds/notes:									
General purpose, Series 2009A	4/01/09	2.60-3.85%	\$ 5,000,000	\$ 4,000,000	\$ -	\$ 500,000	\$ 3,500,000	\$ 134,475	\$ -
General purpose, Series 2009B	5/01/09	1.00-4.00%	2,420,000	1,845,000	-	150,000	1,695,000	61,560	-
General purpose, Series 2010A	5/01/10	2.00-3.60%	1,970,000	1,450,000	-	175,000	1,275,000	42,050	-
General purpose, Series 2010B	5/01/10	2.00-3.10%	640,000	270,000	-	130,000	140,000	7,850	-
General purpose, Capital Loan Note	1/11/12	2.50%	200,000	<u>178,000</u>	<u>-</u>	<u>27,000</u>	<u>151,000</u>	<u>4,450</u>	<u>-</u>
				<u>7,743,000</u>	<u>-</u>	<u>982,000</u>	<u>6,761,000</u>	<u>250,385</u>	<u>-</u>
Revenue bonds/notes:									
Sewer Revenue Improvement & Refunding Bond	3/07/12	2.48%	9,611,000	8,364,000	-	648,000	7,716,000	203,422	-
Sewer Revenue Capital Loan Note	9/28/12	0.00%	250,000	<u>-</u>	<u>229,720</u>	<u>-</u>	<u>229,720</u>	<u>-</u>	<u>-</u>
				<u>8,364,000</u>	<u>229,720</u>	<u>648,000</u>	<u>7,945,720</u>	<u>203,422</u>	<u>-</u>
Total				<u>\$ 16,107,000</u>	<u>\$ 229,720</u>	<u>\$ 1,630,000</u>	<u>\$ 14,706,720</u>	<u>\$ 453,807</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**City of Mount Pleasant
Bond and Note Maturities
June 30, 2014**

Year Ending June 30,	General Obligation Bonds Series 2009A <u>Issued April 1, 2009</u>		General Obligation Bonds Series 2009B <u>Issued May 1, 2009</u>		General Obligation Bonds Series 2010A <u>Issued May 1, 2010</u>		General Obligation Bonds Series 2010B <u>Issued May 1, 2010</u>		General Obligation Bonds Capital Loan Note <u>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>	
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>\$ 3,500,000</u>		<u>\$ 1,695,000</u>		<u>\$ 1,275,000</u>		<u>\$ 140,000</u>		<u>\$ 151,000</u>	<u>\$ 6,761,000</u>

Year Ending June 30,	Sewer Revenue Improvement and Refunding Bonds <u>Issued March 7, 2012</u>		Sewer Revenue Capital Loan Note <u>Issued September 28, 2012</u>		Total Revenue Bonds/Notes
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2015	2.48%	\$ 664,000	0.00%	\$ -	\$ 664,000
2016	2.48%	679,000	0.00%	229,720	908,720
2017	2.48%	697,000	-	-	697,000
2018	2.48%	714,000	-	-	714,000
2019	2.48%	731,000	-	-	731,000
2020	2.48%	677,000	-	-	677,000
2021	2.48%	691,000	-	-	691,000
2022	2.48%	725,000	-	-	725,000
2023	2.48%	717,000	-	-	717,000
2024	2.48%	722,000	-	-	722,000
2025	2.48%	699,000	-	-	699,000
		<u>\$ 7,716,000</u>		<u>\$ 229,720</u>	<u>\$ 7,945,720</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,										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:											
Property tax	\$ 3,364,135	\$ 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
Tax increment financing collections	585,985	579,570	581,770	553,205	524,959	520,920	508,792	357,760	211,403	293,711	365,003
Other city taxes	1,029,120	940,937	1,015,133	931,881	834,409	1,001,581	966,396	873,980	930,027	894,428	837,250
Use of money and property	109,316	104,442	103,976	100,298	163,228	366,187	612,916	411,378	265,513	193,164	186,122
Licenses and permits	46,192	55,717	53,979	34,265	47,230	30,457	37,470	69,816	38,000	40,557	73,681
Intergovernmental	1,792,156	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
Charges for service	195,959	182,803	199,009	179,311	188,876	193,861	217,261	182,362	214,298	294,525	319,066
Special assessments	-	-	-	-	-	217	4,421	5,937	6,307	11,874	18,156
Miscellaneous	<u>264,060</u>	<u>297,463</u>	<u>620,877</u>	<u>808,673</u>	<u>386,064</u>	<u>509,840</u>	<u>554,115</u>	<u>1,483,597</u>	<u>828,290</u>	<u>1,874,589</u>	<u>973,201</u>
Total	<u>\$ 7,386,923</u>	<u>\$ 7,614,326</u>	<u>\$ 8,243,377</u>	<u>\$ 7,336,422</u>	<u>\$ 6,957,257</u>	<u>\$ 7,023,092</u>	<u>\$ 6,843,862</u>	<u>\$ 8,118,517</u>	<u>\$ 6,683,547</u>	<u>\$ 8,362,157</u>	<u>\$ 6,820,276</u>
Disbursements:											
Operating:											
Public safety	\$ 1,234,664	\$ 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
Public works	918,340	660,253	507,254	535,728	551,662	544,929	761,693	454,133	676,375	559,937	535,225
Health and social services	-	-	-	-	-	-	-	-	-	-	3,000
Culture and recreation	1,045,796	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
Community and economic development	327,441	178,793	363,231	384,593	341,160	739,541	294,961	493,463	199,371	159,254	178,258
General government	709,822	743,548	729,552	709,500	773,056	713,633	615,915	602,292	583,228	564,557	561,336
Debt service	1,233,136	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
Capital projects	<u>2,897,750</u>	<u>3,472,177</u>	<u>3,315,282</u>	<u>2,596,740</u>	<u>3,518,036</u>	<u>2,864,662</u>	<u>1,745,042</u>	<u>1,396,665</u>	<u>1,757,334</u>	<u>4,891,719</u>	<u>4,330,866</u>
Total	<u>\$ 8,366,949</u>	<u>\$ 8,588,634</u>	<u>\$ 8,646,792</u>	<u>\$ 7,801,283</u>	<u>\$ 11,543,029</u>	<u>\$ 16,093,750</u>	<u>\$ 7,155,625</u>	<u>\$ 6,924,423</u>	<u>\$ 6,812,901</u>	<u>\$ 9,979,124</u>	<u>\$ 10,750,482</u>

See accompanying independent auditor's report.

**City of Mount Pleasant
Schedule of Expenditures of Federal Awards
June 30, 2014**

<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 Transportation			
Federal Aviation Administration			
Airport Improvement Program	20.106	03-19-0062-012-2013	\$ 258,807
Airport Improvement Program	20.106	03-19-0062-014-2014	<u>1,800</u>
Subtotal U.S. Department of Transportation direct programs			<u>260,607</u>
Federal Highway Administration			
Pass-through Iowa Department of Transportation			
Highway Planning and Construction	20.205	STP-U-5292(619)--70-44	19,009
Highway Planning and Construction	20.205	STP-U-5292(620)--70-44	<u>433,039</u>
Subtotal U.S. Department of Transportation pass-through programs			<u>452,048</u>
Total U.S. Department of Transportation			<u>712,655</u>
U.S. Environmental Protection Agency:			
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			
	66.802	Local Governments Reimbursement Program	<u>2,542</u>
			<u>\$ 715,197</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.



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

Honorable Mayor and
Members of the City Council
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, 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, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2014. 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. We expressed adverse opinions on the aggregate discretely presented component units.

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 over financial reporting.

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 and questioned costs, 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 and questioned costs as item II-A-14 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 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 the Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 results 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

December 10, 2014



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

To the 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, 2014. The City's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

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, 2014.

Other Matters

We did not identify any instances of noncompliance which is required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

The 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 a major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our 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 considered 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 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 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 and questioned costs. 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, 2014, and have issued our report dated December 10, 2014, 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

December 10, 2014

City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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-14 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 and Questioned Costs
Year Ended June 30, 2014**

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part III: Findings for Federal Awards

SIGNIFICANT DEFICIENCY:

- III-A-14 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-14. 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-14 Certified Budget - Disbursements during the year ended June 30, 2014, exceed the amounts budgeted in the community and economic development 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".

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- IV-B-14 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 comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response - We will publish minutes as required.

Conclusion - Response accepted.

- IV-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- IV-D-14 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.

**City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

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

IV-E-14 Internal Service Funds - The City transferred excess internal service funds to an agency fund. Self-insurance funds should be recorded in the general fund, a special revenue fund or an internal service fund rather than an agency fund.

Recommendation - The City should move the excess internal service funds to either the general fund, a special revenue fund or an internal service fund.

Response - We will move the funds to the general fund.

Conclusion - Response accepted.

IV-F-14 Questionable Disbursements - Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Little Mexico	Lunch meetings	\$ 120
Casey's General Store	Pizzas for interview process	48
HyVee	Lunch meeting, sympathy card	21
Ivy Bake Shoppe	Lunch meeting	8
Press Box	Lunch meetings	21
Z's QuickBreak	No receipt provided	59

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

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

Response - We will comply with this recommendation.

Conclusion - Response accepted.

IV-G-14 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.

IV-H-14 Financial Condition - The Capital Projects Fund had a deficit balance at June 30, 2014 of \$285,058.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - We will monitor and review.

Conclusion - Response accepted.

**City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

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

IV-I-14 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>
Brent Schleisman, City Administrator, wife is independent contractor	Cleaning services	\$ 9,940
Derek Wellington, Firefighter owns Wellington Electric	Electrical services	914
Kevin Wellington, Firefighter owns Wellington Construction	Contracting services	282
Stewart Kinney, Fire Chief owns Kinney Masonry	Masonry services	15,206

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the electrical and contracting service 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 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-J-14 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, 2014, 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, 2014

Part V: Prior Audit Findings for Federal Awards

SIGNIFICANT DEFICIENCY:

V-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.

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-14 in the current year findings.