

City of Mount Pleasant

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

June 30, 2017

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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, 2017
Kent White	Council Member	December 31, 2019
Deb Savage	Council Member	December 31, 2017
Matthew Crull	Council Member	December 31, 2019
Alan Huisinga	Council Member	December 31, 2017
Steve Engberg	Council Member	December 31, 2019
Terry McWilliams	Council Member	December 31, 2017
Brent Schleisman	City Administrator	Not Elected
Florence Olomon	City Clerk/Treasurer	Not Elected
Lori Davis	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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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, 2017, 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, 2017, 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 nine years ended June 30, 2016 (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 4 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, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 11 and 33 through 37, 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 27, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's 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 27, 2017

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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 6%, or \$487,657, from fiscal 2016 to fiscal 2017. This change is primarily due to a decrease in receipt of grant funds and reimbursements in fiscal 2017.
- Disbursements of the City's governmental activities increased 1%, or \$89,103, in fiscal 2017 from fiscal 2016. This increase is due to an increase in expenditures related to public safety, public works, general government, debt service and capital projects in fiscal 2017.
- The City's total cash basis net position decreased 8%, or \$550,620, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities decreased \$151,578 and the cash basis net position of the business type activities decreased \$399,042.

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.

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 \$6,193,347 to \$6,041,769. 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>2017</u>	<u>2016</u>
Receipts:		
Program receipts:		
Charges for services	\$ 278,542	\$ 280,114
Operating grants, contributions and restricted interest	1,177,277	1,240,387
Capital grants, contributions and restricted interest	656,454	849,807
General receipts:		
Property tax, including tax increment financing	4,162,804	4,059,001
Local option sales tax	906,622	842,608
Other city taxes	286,237	289,066
Unrestricted interest on investments	8,913	2,527
Other general receipts	<u>312,372</u>	<u>713,368</u>
Total receipts	<u>7,789,221</u>	<u>8,276,878</u>
Disbursements:		
Public safety	1,772,691	1,421,046
Public works	752,737	654,737
Culture and recreation	1,191,947	1,455,130
Community and economic development	187,312	137,968
General government	864,933	734,634
Debt service	1,232,865	1,178,371
Capital projects	<u>1,938,314</u>	<u>2,269,810</u>
Total disbursements	<u>7,940,799</u>	<u>7,851,696</u>
Change in cash basis net position before transfers	(151,578)	425,182
Transfers, net	<u>-</u>	<u>-</u>
Change in cash basis net position	(151,578)	425,182
Cash basis net position beginning of year	<u>6,193,347</u>	<u>5,768,165</u>
Cash basis net position end of year	<u>\$ 6,041,769</u>	<u>\$ 6,193,347</u>

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

The City's total receipts for governmental activities decreased by 6%, or \$487,657 primarily due to a decrease in receipt of grant funds and reimbursements in fiscal 2017. The total cost of all programs and services increased by \$89,103, or 1%, with no new programs added this year.

The cost of all governmental activities this year was \$7,940,799 compared to \$7,851,696 for fiscal 2016. 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 \$5,828,526 because some of the cost was paid by those directly benefited from the programs (\$278,542) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,833,731).

Changes in Cash Basis Net Position of Business Type Activities	Year Ended June 30,	
	<u>2017</u>	<u>2016</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,777,801	\$ 1,726,819
Solid waste	427,202	441,370
General receipts:		
Unrestricted interest on investments	151	191
Miscellaneous receipts	<u>28,278</u>	<u>29,491</u>
Total receipts	<u>2,233,432</u>	<u>2,197,871</u>
Disbursements:		
Sewer	2,207,773	1,980,490
Solid waste	<u>424,701</u>	<u>402,458</u>
Total disbursements	<u>2,632,474</u>	<u>2,382,948</u>
Change in cash basis net position before transfers	(399,042)	(185,077)
Transfers, net	<u>-</u>	<u>-</u>
Change in cash basis net position	(399,042)	(185,077)
Cash basis net position beginning of year	<u>780,726</u>	<u>965,803</u>
Cash basis net position end of year	<u>\$ 381,684</u>	<u>\$ 780,726</u>

Total business type activities receipts for the fiscal year were \$2,233,432 compared to \$2,197,871 for fiscal 2016. The cash balance decreased by \$399,042 from the prior year due to continued expenses for wastewater treatment facilities feasibility analysis to meet standards mandated by the Iowa DNR. These expenses will be covered by SRF funds once the Iowa DNR approves the City's plan.

**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 \$6,012,981, a decrease of \$165,585 from last year's total of \$6,178,566. 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 \$3,029,746, a decrease of \$181,174 from the prior year due to expenditures of bond proceeds being held for delivery of public safety equipment.
- The Road Use Tax Fund cash balance increased by \$96,865 to \$1,031,455. The increase in Road Use Tax receipts will be escrowed for future equipment purchases and minor street improvement projects.
- The Local Option Sales Tax Fund increased by \$382,220 to \$713,883 due to funds used to complete capital improvement projects.
- The Tax Increment Financing Fund (TIF) increased by \$301,782 to \$716,036 because the City has paid in full a TIF bond issue. Funds are now being collected for repayment of inter-fund loans for prior year projects.
- The Debt Service Fund cash balance decreased by \$4,269 to \$(8,819) due to receipt of less than budgeted tax-askings.
- The Capital Projects cash balance decreased by \$754,908 to \$(173,313) due to the timing of grant fund receipts for reimbursable contractor payments.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The cash balance of the Enterprise Funds decreased by \$399,042 to \$381,684.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The final amendment was approved on May 31, 2017. The amendment resulted in an increase in budgeted receipts of \$1,170,074 and a decrease in budgeted disbursements of \$1,973,772. Expenditures decreased in business-type activities.

The City continued its aggressive street reconstruction program with the completion of the North Iris Street pavement reconstruction and railroad crossing improvements project and the beginning of construction of two new streets to open up lots in our Crossroads Business Park.

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

DEBT ADMINISTRATION

At June 30, 2017, the City had \$11,773,188 in bonds and other long-term debt, compared to \$13,526,095 last year, as shown below.

Outstanding Debt at Year End	June 30,	
	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 5,973,000	\$ 7,019,000
Revenue bonds	5,676,000	6,373,000
Capital loan notes	<u>124,188</u>	<u>134,095</u>
Total	<u>\$ 11,773,188</u>	<u>\$ 13,526,095</u>

The City continues to carry a general obligation bond rating of A1 assigned by national rating agencies. 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 \$6,097,188 is below its constitutional debt limit of approximately \$21.53 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 2018 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 3.3 percent compared to 4.3 percent a year ago.

The City has let two of four bids and is under construction to make upgrades to the City wastewater treatment system, which has been mandated by the Iowa Department of Natural Resources. Another budgeted project is the reconstruction of Main Street from South Street to Washington Street and rebuilding two blocks in the Central Business District.

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 Public Library Inc. (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 a component unit since they raise funds on behalf of the Library. The financial statements of Mount Pleasant Public Library Foundation and Friends of the Mount Pleasant Public Library Inc. 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
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, 2017

	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	\$ 1,772,691	\$ 31,482	\$ 69,243	\$ -	\$ (1,671,966)	\$ -	\$ (1,671,966)
Public works	752,737	-	1,076,077	-	323,340	-	323,340
Culture and recreation	1,191,947	147,438	31,957	-	(1,012,552)	-	(1,012,552)
Community and economic development	187,312	-	-	-	(187,312)	-	(187,312)
General government	864,933	99,622	-	-	(765,311)	-	(765,311)
Debt service	1,232,865	-	-	-	(1,232,865)	-	(1,232,865)
Capital projects	1,938,314	-	-	656,454	(1,281,860)	-	(1,281,860)
Total governmental activities	<u>7,940,799</u>	<u>278,542</u>	<u>1,177,277</u>	<u>656,454</u>	<u>(5,828,526)</u>	<u>-</u>	<u>(5,828,526)</u>
Business type activities:							
Sewer	2,207,773	1,777,801	-	-	-	(429,972)	(429,972)
Solid waste	424,701	427,202	-	-	-	2,501	2,501
Total business type activities	<u>2,632,474</u>	<u>2,205,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(427,471)</u>	<u>(427,471)</u>
Total	<u>\$ 10,573,273</u>	<u>\$ 2,483,545</u>	<u>\$ 1,177,277</u>	<u>\$ 656,454</u>	<u>(5,828,526)</u>	<u>(427,471)</u>	<u>(6,255,997)</u>
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					2,604,867	-	2,604,867
Debt service					970,998	-	970,998
Tax increment financing					586,939	-	586,939
Local option sales tax					906,622	-	906,622
Other city taxes					286,237	-	286,237
Unrestricted investment earnings					8,913	151	9,064
Miscellaneous					312,372	28,278	340,650
Total general receipts and transfers					<u>5,676,948</u>	<u>28,429</u>	<u>5,705,377</u>
Change in cash basis net position					(151,578)	(399,042)	(550,620)
Cash basis net position beginning of year					<u>6,193,347</u>	<u>780,726</u>	<u>6,974,073</u>
Cash basis net position end of year					<u>\$ 6,041,769</u>	<u>\$ 381,684</u>	<u>\$ 6,423,453</u>
Cash Basis Net Position							
Restricted:							
Nonexpendable					\$ 155,522	\$ -	\$ 155,522
Expendable					3,163,981	109,000	3,272,981
Unrestricted					<u>2,722,266</u>	<u>272,684</u>	<u>2,994,950</u>
Total cash basis net position					<u>\$ 6,041,769</u>	<u>\$ 381,684</u>	<u>\$ 6,423,453</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, 2017

	Special Revenue							Total
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Capital Projects	Other Nonmajor Governmental	
Receipts:								
Property tax	\$ 2,604,867	\$ -	\$ -	\$ -	\$ 970,998	\$ -	\$ -	\$ 3,575,865
Tax increment financing	-	-	-	586,939	-	-	-	586,939
Other city taxes	286,237	-	906,622	-	-	-	-	1,192,859
Use of money and property	66,292	-	1,712	-	-	838	4,397	73,239
License and permits	99,622	-	-	-	-	-	-	99,622
Intergovernmental	101,200	1,076,077	-	-	-	656,454	-	1,833,731
Charges for services	146,403	-	-	-	-	-	-	146,403
Miscellaneous	268,593	-	-	-	-	-	11,971	280,564
Total receipts	<u>3,573,214</u>	<u>1,076,077</u>	<u>908,334</u>	<u>586,939</u>	<u>970,998</u>	<u>657,292</u>	<u>16,368</u>	<u>7,789,222</u>
Disbursements:								
Operating:								
Public safety	1,779,379	-	-	-	-	-	-	1,779,379
Public works	34,655	720,561	-	-	-	-	-	755,216
Culture and recreation	1,174,147	-	-	-	-	-	19,736	1,193,883
Community and economic development	133,581	-	-	53,731	-	-	-	187,312
General government	635,359	232,479	-	-	-	-	-	867,838
Debt service	-	26,172	-	-	1,206,693	-	-	1,232,865
Capital projects	-	-	-	-	-	1,938,314	-	1,938,314
Total disbursements	<u>3,757,121</u>	<u>979,212</u>	<u>-</u>	<u>53,731</u>	<u>1,206,693</u>	<u>1,938,314</u>	<u>19,736</u>	<u>7,954,807</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(183,907)</u>	<u>96,865</u>	<u>908,334</u>	<u>533,208</u>	<u>(235,695)</u>	<u>(1,281,022)</u>	<u>(3,368)</u>	<u>(165,585)</u>
Other financing sources (uses):								
Operating transfers in (out)	<u>2,733</u>	<u>-</u>	<u>(526,114)</u>	<u>(231,426)</u>	<u>231,426</u>	<u>526,114</u>	<u>(2,733)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,733</u>	<u>-</u>	<u>(526,114)</u>	<u>(231,426)</u>	<u>231,426</u>	<u>526,114</u>	<u>(2,733)</u>	<u>-</u>
Change in cash balances	(181,174)	96,865	382,220	301,782	(4,269)	(754,908)	(6,101)	(165,585)
Cash balances beginning of year	<u>3,210,920</u>	<u>934,590</u>	<u>331,663</u>	<u>414,254</u>	<u>(4,550)</u>	<u>581,595</u>	<u>710,094</u>	<u>6,178,566</u>
Cash balances end of year	<u>\$ 3,029,746</u>	<u>\$ 1,031,455</u>	<u>\$ 713,883</u>	<u>\$ 716,036</u>	<u>\$ (8,819)</u>	<u>\$ (173,313)</u>	<u>\$ 703,993</u>	<u>\$ 6,012,981</u>
Cash Basis Fund Balances								
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 155,522	\$ 155,522
Restricted	167,789	1,031,455	713,883	716,036	-	-	534,818	3,163,981
Assigned	31,631	-	-	-	-	-	13,653	45,284
Unassigned	<u>2,830,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,819)</u>	<u>(173,313)</u>	<u>-</u>	<u>2,648,194</u>
Total cash basis fund balances	<u>\$ 3,029,746</u>	<u>\$ 1,031,455</u>	<u>\$ 713,883</u>	<u>\$ 716,036</u>	<u>\$ (8,819)</u>	<u>\$ (173,313)</u>	<u>\$ 703,993</u>	<u>\$ 6,012,981</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, 2017**

Total governmental funds cash balances (page 13) \$ 6,012,981

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.

28,788

Cash basis net position of governmental activities (page 12) \$ 6,041,769

Change in cash balances (page 13) \$ (165,585)

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.

14,007

Change in cash basis net position of governmental activities (page 12) \$ (151,578)

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, 2017

	<u>Enterprise</u>			<u>Internal Service</u>
	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Employee Health</u>
Operating Receipts:				
Charges for service	\$ 1,777,801	\$ 427,202	\$ 2,205,003	\$ 39,254
Total operating receipts	<u>1,777,801</u>	<u>427,202</u>	<u>2,205,003</u>	<u>39,254</u>
Operating Disbursements:				
Governmental activities:				
Public safety	-	-	-	12,053
Public works	-	-	-	4,468
Culture and recreation	-	-	-	3,490
General government	-	-	-	5,236
Business type activities	<u>849,780</u>	<u>424,701</u>	<u>1,274,481</u>	<u>-</u>
Total operating disbursements	<u>849,780</u>	<u>424,701</u>	<u>1,274,481</u>	<u>25,247</u>
Excess of operating receipts over operating disbursements	<u>928,021</u>	<u>2,501</u>	<u>930,522</u>	<u>14,007</u>
Non-operating receipts (disbursements):				
Interest on investments	112	39	151	-
Miscellaneous	27,787	491	28,278	-
Capital projects	(507,258)	-	(507,258)	-
Debt service	<u>(850,735)</u>	<u>-</u>	<u>(850,735)</u>	<u>-</u>
Net non-operating receipts (disbursements)	<u>(1,330,094)</u>	<u>530</u>	<u>(1,329,564)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(402,073)	3,031	(399,042)	14,007
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash balances	(402,073)	3,031	(399,042)	14,007
Cash balances beginning of year	<u>525,915</u>	<u>254,811</u>	<u>780,726</u>	<u>14,781</u>
Cash balances end of year	<u>\$ 123,842</u>	<u>\$ 257,842</u>	<u>\$ 381,684</u>	<u>\$ 28,788</u>
Cash Basis Fund Balances				
Restricted for plant improvements	\$ 37,028	\$ -	\$ 37,028	\$ -
Restricted for debt service	71,972	-	71,972	-
Unrestricted	<u>14,842</u>	<u>257,842</u>	<u>272,684</u>	<u>28,788</u>
Total cash basis fund balances	<u>\$ 123,842</u>	<u>\$ 257,842</u>	<u>\$ 381,684</u>	<u>\$ 28,788</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 Inc. (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 Inc. 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 16.

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 27, 2017, 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, 2017.

Note 2. Cash and Investments

The City's deposits in banks at June 30, 2017 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 ensure 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 \$574,283 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. 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.

**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 lease/purchase agreement and sewer revenue bonds are as follows:

Year Ending June 30,	<u>General Obligation Bonds and Lease/Purchase Agreement</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>
	2018	\$ 1,108,915	\$ 145,919	\$ 714,000	\$ 136,338	\$ 1,822,915
2019	1,069,156	124,528	731,000	118,532	1,800,156	243,060
2020	1,025,652	100,469	677,000	100,737	1,702,652	201,206
2021	553,465	77,504	691,000	83,924	1,244,465	161,428
2022	515,000	63,918	725,000	66,513	1,240,000	130,431
2023-2027	825,000	217,243	2,138,000	92,293	2,963,000	309,536
2028-2032	830,000	104,383	-	-	830,000	104,383
2033	<u>170,000</u>	<u>5,440</u>	<u>-</u>	<u>-</u>	<u>170,000</u>	<u>5,440</u>
	<u>\$ 6,097,188</u>	<u>\$ 839,404</u>	<u>\$ 5,676,000</u>	<u>\$ 598,337</u>	<u>\$ 11,773,188</u>	<u>\$ 1,437,741</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 one revenue bond issue. The bonds were issued March 2012. Proceeds from the bonds provided financing for the construction of several sewer system projects. The bonds are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$6,274,337. For the current year, principal and interest paid and total customer net receipts were \$850,735 and \$928,021, 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.

City of Mount Pleasant
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

Development Agreement

On March 22, 2017, the City signed a loan agreement (loan) with Iowa Finance Authority for financing the construction of 24 rental housing units. The principal amount of the note is the lesser of \$1 million or \$50,000 per unit. The City entered into a development agreement with a developer to construct the housing units and an intercreditor agreement with a local bank, to which the City has no obligation. The City, financed by the loan, and the local bank will equally split the financing of the construction. The loan is secured by a mortgage on the property and guarantees from the developer. As of June 30, 2017, no draws have been made on this loan.

Note 4. 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.

Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2017, primarily relating to the General Fund, is \$173,000.

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 approximate maximum liability to the City at June 30, 2017 is \$24,000.

Employees accumulate holiday time and personal time. The approximate maximum liability to the City at June 30, 2017 is \$15,000.

The above liabilities have been computed based on rates of pay as of July 1, 2017.

City of Mount Pleasant
Notes to Financial Statements

Note 6. 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 37 active and two 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 \$500 for single coverage and \$1,294 for family coverage. For the year ended June 30, 2017, the City contributed \$414,383 and plan members eligible for benefits contributed \$59,280 to the plan.

Note 7. Pension and Retirement Benefits

Plan Description

Iowa Public Employees' Retirement System (IPERS) membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

City of Mount Pleasant
Notes to Financial Statements

Note 7. Pension and Retirement Benefits (continued)

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$161,633.

City of Mount Pleasant
Notes to Financial Statements

Note 7. Pension and Retirement Benefits (continued)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Collective
Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability of \$838,204 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was 0.013319%, which was an increase of 0.002748% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017 the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$161,446, \$421,588 and \$31,797 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00% average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

Note 7. Pension and Retirement Benefits (continued)

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28 %	1.90
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.24
Cash	1	(0.26)
Total	<u>100 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
City's proportionate share of the net pension liability	\$ 1,750,413	\$ 838,204	\$ 68,796

IPERS' Fiduciary Net Position

Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

City of Mount Pleasant
Notes to Financial Statements

Note 7. Pension and Retirement Benefits (continued)

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 \$18,000. For the years ended June 30, 2017, 2016, and 2015, these contributions totaled \$10,668, \$10,158, and \$9,960, respectively.

Note 8. Related Party Transactions

The City had business transactions between the City and City officials totaling \$34,497 during the year ended June 30, 2017. 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, 2017 and is included as revenue in the General Fund.

Note 9. 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 753 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 administrative 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 basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, 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, 2017 were \$146,282.

City of Mount Pleasant
Notes to Financial Statements

Note 9. Risk Management (continued)

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 risks up to \$500,000 per claim. Claims exceeding \$500,000 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 \$250,000 each occurrence, each location. Property risks exceeding \$250,000 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.

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 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.

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 10. 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, 2017 are as follows:

Street construction	\$ 1,670,170
Sewer improvements	1,146,573
Sidewalk project	5,660

Note 11. Deficit Fund Balance

The following funds had deficit balances at June 30, 2017:

Debt Service Fund	\$ 8,819
Capital Projects Fund	173,313

City of Mount Pleasant
Notes to Financial Statements

Note 12. 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 \$183,000. The City's cost related to this reimbursement for the year ended June 30, 2017 was approximately \$25,200.

Note 13. Operating Lease

During the year ended June 30, 2017, the City signed a new lease agreement for computer equipment for the police department. The lease has a three year term, expiring February 2020. Lease payments for the year ended June 30, 2017 totaled \$15,106. Future minimum lease payments are as follows:

Fiscal Year	
<u>Ending</u>	<u>Amount</u>
2018	\$ 20,010
2019	20,010
2020	<u>11,672</u>
	<u>\$ 51,692</u>

Note 14. 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, 2017, services donated by Mount Pleasant Municipal Utilities to the City totaled approximately \$225,900 and \$23,100 for the electric and water funds, respectively.

Note 15. Enhance Henry County Foundation

The Enhance Henry County Foundation (Foundation) is funded by the Iowa Economic Development Authority, which distributes a portion of state gambling funds to each county that does not hold a gambling license. The Foundation distributes 75% of these funds to charitable projects and programs within Henry County and uses the remaining 25% to grow a permanent, unrestricted endowment fund. The unrestricted endowment fund is intended to attract additional donations and provide a source of permanent funding for charitable projects in the county. At June 30, 2017, the endowment fund balance was \$411,333. A City official is one of the eight members of the Board.

City of Mount Pleasant
Notes to Financial Statements

Note 16. 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 \$61,874 in landfill fees and \$122,412 in waste management fees in fiscal year 2017. 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 \$6,664 in annual dues and \$17,491 in grant administration fees in fiscal year 2017. Southeast Iowa Regional Planning Commission's audited financial statements are available at City Hall.

The City is a participant in the Mt. Pleasant Area Development Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to enhance the quality of life for the citizens of Henry County through economic growth. The City currently provides three members of the thirteen-member board. The City paid \$40,000 in annual dues in fiscal year 2017. Mt. Pleasant Area Development Commission's parent's audited financial statements are available at City Hall.

Note 17. 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 18. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$2,569 of property tax under the urban renewal and economic development projects.

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

Note 19. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to:	
General	\$ 2,733
Capital projects	526,114
Debt service	<u>231,426</u>
	<u>\$ 760,273</u>
Transfer from:	
Local option sales tax	\$ 526,114
Urban renewal tax increment	231,426
Nonmajor	<u>2,733</u>
	<u>\$ 760,273</u>

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

Note 20. Cash Basis Fund Balances

The detail of the governmental fund cash basis fund balances for the year ended June 30, 2017 is as follows:

	<u>General</u>	<u>Road Use</u>	<u>Sales Tax</u>	<u>TIF</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental</u>	<u>Total</u>
Nonspendable for cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 155,522	\$ 155,522
Restricted for:								
Health benefits	167,789	-	-	-	-	-	-	167,789
Road use purposes	-	1,031,455	-	-	-	-	-	1,031,455
Tax referendum purposes	-	-	713,883	-	-	-	-	713,883
Urban renewal projects	-	-	-	716,036	-	-	-	716,036
Library acquisitions	-	-	-	-	-	-	534,818	534,818
Assigned to:								
Library acquisitions	31,631	-	-	-	-	-	-	31,631
Other capital projects	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	13,653	13,653
Unassigned	<u>2,830,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,819)</u>	<u>(173,313)</u>	<u>-</u>	<u>2,648,194</u>
Total	<u>\$ 3,029,746</u>	<u>\$ 1,031,455</u>	<u>\$ 713,883</u>	<u>\$ 716,036</u>	<u>\$ (8,819)</u>	<u>\$ (173,313)</u>	<u>\$ 703,993</u>	<u>\$ 6,012,981</u>

City of Mount Pleasant
Notes to Financial Statements

Note 21. New Accounting Pronouncement

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. The statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The notes to the financial statements include information about the City's tax abatements and tax abatements of other entities which impact the City.

Note 22. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, 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, 2017**

	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	\$ 3,575,865	\$ -	\$ -	\$ 3,575,865	\$ 3,379,250	\$ 3,629,084	\$ (53,219)
Tax increment financing	586,939	-	-	586,939	583,500	583,500	3,439
Other city taxes	1,192,859	-	-	1,192,859	963,262	1,056,442	136,417
Use of money and property	73,239	151	4,397	68,993	53,650	54,025	14,968
Licenses and permits	99,622	-	-	99,622	47,000	62,880	36,742
Intergovernmental	1,833,731	-	-	1,833,731	2,384,765	3,238,065	(1,404,334)
Charges for service	146,403	2,244,257	39,254	2,351,406	2,332,310	2,273,064	78,342
Miscellaneous	280,564	28,278	9,921	298,921	224,400	241,151	57,770
Total receipts	<u>7,789,222</u>	<u>2,272,686</u>	<u>53,572</u>	<u>10,008,336</u>	<u>9,968,137</u>	<u>11,138,211</u>	<u>(1,129,875)</u>
Disbursements:							
Public safety	1,779,379	12,053	12,053	1,779,379	1,889,902	1,890,135	110,756
Public works	755,216	4,468	4,468	755,216	867,299	955,652	200,436
Culture and recreation	1,193,883	3,490	23,226	1,174,147	1,260,194	1,386,665	212,518
Community and economic development	187,312	-	-	187,312	140,894	468,699	281,387
General government	867,838	5,236	5,236	867,838	802,831	882,318	14,480
Debt service	1,232,865	-	-	1,232,865	1,233,866	1,259,538	26,673
Capital projects	1,938,314	-	-	1,938,314	1,300,000	2,612,092	673,778
Business type activities	-	2,632,474	-	2,632,474	7,763,053	3,829,168	1,196,694
Total disbursements	<u>7,954,807</u>	<u>2,657,721</u>	<u>44,983</u>	<u>10,567,545</u>	<u>15,258,039</u>	<u>13,284,267</u>	<u>2,716,722</u>
Excess (deficiency) of receipts over (under) disbursements	(165,585)	(385,035)	8,589	(559,209)	(5,289,902)	(2,146,056)	(1,586,847)
Other financing sources (uses), net	-	-	(2,733)	2,733	5,505,000	3,500,000	(3,497,267)
Change in cash balances	(165,585)	(385,035)	5,856	(556,476)	215,098	1,353,944	(1,910,420)
Cash balances beginning of year	<u>6,178,566</u>	<u>795,507</u>	<u>571,403</u>	<u>6,402,670</u>	<u>3,764,754</u>	<u>3,764,754</u>	<u>2,637,916</u>
Cash balances end of year	<u>\$ 6,012,981</u>	<u>\$ 410,472</u>	<u>\$ 577,259</u>	<u>\$ 5,846,194</u>	<u>\$ 3,979,852</u>	<u>\$ 5,118,698</u>	<u>\$ 727,496</u>

See accompanying independent auditor's report.

City of Mount Pleasant
Notes to Other Information - Budgetary Reporting
June 30, 2017

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 decreased budgeted disbursements by \$(1,973,772). The budget amendments are reflected in the final budgeted amounts.

City of Mount Pleasant
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Three Years*
(In Thousands)
Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.0133190%	0.0105714%	0.0084162%
City's proportionate share of the net pension liability	\$ 838	\$ 522	\$ 334
City's covered-employee payroll	\$ 1,694	\$ 1,628	\$ 1,587
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.47 %	32.06 %	21.05 %
Plan fiduciary net position as a percentage of the total pension liability	81.82 %	85.19 %	87.61 %

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

**City of Mount Pleasant
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)
Other Information**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily required contribution	\$ 162	\$ 158	\$ 155	\$ 151	\$ 148	\$ 144	\$ 131	\$ 121	\$ 111	\$ 103
Contributions in relation to the statutorily required contribution	<u>(162)</u>	<u>(158)</u>	<u>(155)</u>	<u>(151)</u>	<u>(148)</u>	<u>(144)</u>	<u>(131)</u>	<u>(121)</u>	<u>(111)</u>	<u>(103)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered-employee payroll	\$ 1,728	\$ 1,694	\$ 1,628	\$ 1,587	\$ 1,572	\$ 1,609	\$ 1,573	\$ 1,551	\$ 1,511	\$ 1,432
Contributions as a percentage of covered-employee payroll	9.38 %	9.33 %	9.52 %	9.51 %	9.41 %	8.95 %	8.33 %	7.80 %	7.35 %	7.19 %

See accompanying independent auditor's report.

City of Mount Pleasant
Notes to Other Information – Pension Liability
Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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, 2017

	<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	\$ 4,397	\$ -	\$ -	\$ 4,397
Miscellaneous	<u>5,097</u>	<u>4,824</u>	<u>2,050</u>	<u>11,971</u>
Total receipts	<u>9,494</u>	<u>4,824</u>	<u>2,050</u>	<u>16,368</u>
Disbursements:				
Culture and recreation	<u>16,068</u>	<u>3,668</u>	<u>-</u>	<u>19,736</u>
Total disbursements	<u>16,068</u>	<u>3,668</u>	<u>-</u>	<u>19,736</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(6,574)</u>	<u>1,156</u>	<u>2,050</u>	<u>(3,368)</u>
Other financing sources (uses):				
Operating transfers in (out)	<u>(2,733)</u>	<u>-</u>	<u>-</u>	<u>(2,733)</u>
Total other	<u>(2,733)</u>	<u>-</u>	<u>-</u>	<u>(2,733)</u>
Change in cash balances	(9,307)	1,156	2,050	(6,101)
Cash balances beginning of year	<u>544,125</u>	<u>12,497</u>	<u>153,472</u>	<u>710,094</u>
Cash balances end of year	<u>\$ 534,818</u>	<u>\$ 13,653</u>	<u>\$ 155,522</u>	<u>\$ 703,993</u>
Cash Basis Fund Balances				
Nonspendable	\$ -	\$ -	\$ 155,522	\$ 155,522
Restricted	534,818	-	-	534,818
Assigned	<u>-</u>	<u>13,653</u>	<u>-</u>	<u>13,653</u>
Total cash basis fund balances	<u>\$ 534,818</u>	<u>\$ 13,653</u>	<u>\$ 155,522</u>	<u>\$ 703,993</u>

See accompanying independent auditor's report.

**City of Mount Pleasant
Statement of Indebtedness
Year Ended June 30, 2017**

<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 2010A	5/01/10	2.00-3.60%	\$ 1,970,000	\$ 975,000	\$ -	\$ 200,000	\$ 775,000	\$ 31,425	\$ -
General purpose, Capital Loan Note	1/11/12	2.50%	200,000	94,000	-	31,000	63,000	2,350	-
General purpose, Series 2015A Refunding Note	5/20/15	1.50-2.25%	3,800,000	3,800,000	-	815,000	2,985,000	68,363	-
General purpose, Series 2015B Capital Loan Note	5/20/15	2.00-3.20%	2,150,000	<u>2,150,000</u>	<u>-</u>	<u>-</u>	<u>2,150,000</u>	<u>57,555</u>	<u>-</u>
				<u>7,019,000</u>	<u>-</u>	<u>1,046,000</u>	<u>5,973,000</u>	<u>159,693</u>	<u>-</u>
Revenue bonds/notes:									
Sewer Revenue Improvement & Refunding Bonds	3/07/12	2.48%	9,611,000	<u>6,373,000</u>	<u>-</u>	<u>697,000</u>	<u>5,676,000</u>	<u>153,735</u>	<u>-</u>
Other debt and capital loans:									
Street Sweeper Lease/Purchase Agreement	7/10/14	3.42%	204,882	134,095	-	21,510	112,585	4,662	-
Computer Equipment Lease/Purchase Agreement	10/1/16	9.60%	14,470	<u>-</u>	<u>14,470</u>	<u>2,867</u>	<u>11,603</u>	<u>847</u>	<u>-</u>
				<u>134,095</u>	<u>14,470</u>	<u>24,377</u>	<u>124,188</u>	<u>5,509</u>	<u>-</u>
Total				<u>\$ 13,526,095</u>	<u>\$ 14,470</u>	<u>\$ 1,767,377</u>	<u>\$ 11,773,188</u>	<u>\$ 318,937</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**City of Mount Pleasant
Bond and Note Maturities
June 30, 2017**

Year Ending June 30,	General Obligation Bonds Series 2010A Issued May 1, 2010		General Obligation Bonds Series 2010B Issued May 1, 2010		General Obligation Bonds Refunding Notes Issued May 20, 2015		General Obligation Bonds Capital Loan Note Issued May 20, 2015		Total General Obligation Bonds
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2018	3.10%	\$ 225,000	2.50%	\$ 32,000	1.50%	\$ 825,000		\$ -	\$ 1,082,000
2019	3.25%	150,000	2.50%	31,000	2.00%	860,000		-	1,041,000
2020	3.40%	150,000	-	-	2.00%	850,000		-	1,000,000
2021	3.50%	125,000	-	-	2.00%	225,000	2.00%	160,000	510,000
2022	3.60%	125,000	-	-	2.25%	225,000	2.00%	165,000	515,000
2023	-	-	-	-	-	-	2.25%	165,000	165,000
2024	-	-	-	-	-	-	2.25%	165,000	165,000
2025	-	-	-	-	-	-	2.40%	165,000	165,000
2026	-	-	-	-	-	-	2.50%	165,000	165,000
2027	-	-	-	-	-	-	2.85%	165,000	165,000
2028	-	-	-	-	-	-	3.00%	165,000	165,000
2029	-	-	-	-	-	-	3.00%	165,000	165,000
2030	-	-	-	-	-	-	3.05%	165,000	165,000
2031	-	-	-	-	-	-	3.10%	165,000	165,000
2032	-	-	-	-	-	-	3.15%	170,000	170,000
2033	-	-	-	-	-	-	3.20%	170,000	170,000
		<u>\$ 775,000</u>		<u>\$ 63,000</u>		<u>\$ 2,985,000</u>		<u>\$ 2,150,000</u>	<u>\$ 5,973,000</u>
Year Ending June 30,	Sewer Revenue Improvement and Refunding Bonds Issued March 7, 2012		Street Sweeper Lease/Purchase Agreement Issued July 10, 2014		Computer Equipment Lease/Purchase Agreement Issued October 1, 2016				
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount			
2018	2.48%	\$ 714,000	3.42%	\$ 22,257	9.60%	\$ 4,658			
2019	2.48%	731,000	3.42%	23,031	9.60%	5,125			
2020	2.48%	677,000	3.42%	23,832	9.60%	1,820			
2021	2.48%	691,000	3.42%	43,465		-			
2022	2.48%	725,000		-		-			
2023	2.48%	717,000		-		-			
2024	2.48%	722,000		-		-			
2025	2.48%	699,000		-		-			
		<u>\$ 5,676,000</u>		<u>\$ 112,585</u>		<u>\$ 11,603</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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Receipts:										
Property tax	\$ 3,575,865	\$ 3,479,190	\$ 3,426,710	\$ 3,364,135	\$ 3,274,180	\$ 3,077,983	\$ 3,060,743	\$ 2,939,424	\$ 2,790,275	\$ 2,666,464
Tax increment financing collections	586,939	579,811	584,670	585,985	579,570	581,770	553,205	524,959	520,920	508,792
Other city taxes	1,192,859	1,131,674	1,034,018	1,029,120	940,937	1,015,133	931,881	834,409	1,001,581	966,396
Use of money and property	73,239	110,907	109,827	109,316	104,442	103,976	100,298	163,228	366,187	612,916
Licenses and permits	99,622	55,054	59,187	46,192	55,717	53,979	34,265	47,230	30,457	37,470
Intergovernmental	1,833,731	2,089,694	1,859,241	1,792,156	2,179,214	2,590,650	1,668,046	1,873,067	1,609,754	1,276,027
Charges for service	146,403	197,204	173,731	195,959	182,803	199,009	179,311	188,876	193,861	217,261
Special assessments	-	-	-	-	-	-	-	-	217	4,421
Miscellaneous	280,564	633,344	389,055	264,060	297,463	620,877	808,673	386,064	509,840	554,115
Total	\$ 7,789,222	\$ 8,276,878	\$ 7,636,439	\$ 7,386,923	\$ 7,614,326	\$ 8,243,377	\$ 7,336,422	\$ 6,957,257	\$ 7,023,092	\$ 6,843,862
Disbursements:										
Operating:										
Public safety	\$ 1,779,379	\$ 1,418,864	\$ 1,269,853	\$ 1,234,664	\$ 1,233,338	\$ 1,438,158	\$ 1,204,558	\$ 1,160,064	\$ 1,226,576	\$ 1,091,768
Public works	755,216	654,258	830,741	918,340	660,253	507,254	535,728	551,662	544,929	761,693
Culture and recreation	1,193,883	1,455,027	1,182,426	1,045,796	1,085,160	1,087,718	1,129,310	1,037,576	1,126,608	1,112,108
Community and economic development	187,312	137,968	184,341	327,441	178,793	363,231	384,593	341,160	739,541	294,961
General government	867,838	734,241	760,780	709,822	743,548	729,552	709,500	773,056	713,633	615,915
Debt service	1,232,865	1,178,371	1,375,289	1,233,136	1,215,365	1,205,597	1,240,854	4,161,475	8,877,801	1,534,138
Capital projects	1,938,314	2,269,810	1,969,087	2,897,750	3,472,177	3,315,282	2,596,740	3,518,036	2,864,662	1,745,042
Total	\$ 7,954,807	\$ 7,848,539	\$ 7,572,517	\$ 8,366,949	\$ 8,588,634	\$ 8,646,792	\$ 7,801,283	\$ 11,543,029	\$ 16,093,750	\$ 7,155,625

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, 2017, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 27, 2017. 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, 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 I of the accompanying Schedule of Findings as item I-A-17 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 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. 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.

CPA Associates PC

December 27, 2017

**City of Mount Pleasant
Schedule of Findings
Year Ended June 30, 2017**

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCY

I-A-17 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal.

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

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

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-17 Certified Budget - Disbursements during the year ended June 30, 2017, did not exceed the amount budgeted in any function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

II-B-17 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-C-17 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
Year Ended June 30, 2017**

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

II-D-17 City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not.

Minutes of one City Council proceeding were not published as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 372.13(6) of the Code of Iowa and should publish minutes as required.

Response - We will publish minutes as required.

Conclusion - Response accepted.

II-E-17 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-F-17 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. This disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Card Center	Late fee and interest	\$ 13

According to the opinion, it is possible for such a disbursement 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.

II-G-17 Capital Projects - Two capital projects did not have final change orders. Therefore, the final contract amount did not agree to the approved contract amount.

Recommendation - The City should ensure change orders are approved by Council before making payments to the contractor.

Response - The City will comply with this recommendation.

Conclusion - Response accepted.

**City of Mount Pleasant
Schedule of Findings
Year Ended June 30, 2017**

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

II-H-17 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, 2017, 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.

II-I-17 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	\$ 14,535
Derek Wellington, Firefighter owns Wellington Electric	Electrical services	1,778
Stewart Kinney, Fire Chief owns Kinney Masonry	Masonry services	18,184

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 electrical and 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.

**City of Mount Pleasant
Schedule of Findings
Year Ended June 30, 2017**

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

II-J-17 Financial Condition - The following funds had deficit balances at June 30, 2017:

Debt Service Fund	\$ 8,819
Capital Projects Fund	173,313

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

Response - We will monitor and review.

Conclusion - Response accepted.