

CITY OF PLEASANTVILLE

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2006

SHULL & Co., P.C.
Certified Public Accountants

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CITY OF PLEASANTVILLE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	Before January 2006	
Gary Marcum	Mayor	January 2006
Ruby Warren	Mayor Protem	January 2008
Shawn Breazeale	Council Member	January 2008
Chad DeJoode	Council Member	January 2008
John Franey	Council Member	January 2006
Joe Van Haalen	Council Member	January 2006
	After December 2005	
Joe Van Haalen	Mayor	January 2009
Ruby Warren	Mayor Protem	January 2008
Mark Thompson	Council Member	January 2008
Chad DeJoode	Council Member	January 2008
John Franey	Council Member	January 2009
Nick Mosher	Council Member	January 2009
Dorothy Phipps	City Clerk	Indefinite
Gwen Miller	Deputy City Clerk	Indefinite
Robert Benton	City Attorney	Indefinite

To The Honorable Mayor and
Members of the City Council:

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 Pleasantville, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Pleasantville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Pleasantville as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2006 on our consideration of the City of Pleasantville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing of internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pleasantville's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other 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. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Shull & Co., P.C.

November 10, 2006

CITY OF PLEASANTVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pleasantville 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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 110%, or approximately \$742,000, from fiscal 2005 to fiscal 2006. Bonds proceeds of \$619,000 and special assessments of \$69,000 accounted for most of the increase. In addition, interest on investments increased approximately \$16,000 and local option sales tax increased approximately \$11,000.

Disbursements increased 139%, or approximately \$948,000, in fiscal 2006 from fiscal 2005. Public safety, community and economic development, general government, debt service and capital projects increased approximately \$114,000, \$29,000, 140,000, \$167,000 and \$511,000, respectively. Public works disbursements decreased approximately \$87,000.

The City's total cash basis net assets decreased 7%, or approximately \$128,000, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased approximately \$215,000 and the assets of the business type activities increased by approximately \$87,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

CITY OF PLEASANTVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial 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 Statement of Activities and Net Assets reports information which helps answer this question.

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

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

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

CITY OF PLEASANTVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 and Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide 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 statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer 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 statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased slightly from a year ago, decreasing from \$1,349,542 to \$1,134,179. The analysis that follows focuses on the changes in cash balances for governmental activities.

CITY OF PLEASANTVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30	
	2006	2005
Receipts and transfers		
Program receipts		
Charges for service	\$ 112,808	41,683
Operating grants, contributions and restricted interest	141,601	130,331
General receipts		
Property tax	287,524	286,263
Local option sales tax	134,139	123,226
Utility tax replacement excise tax	12,098	12,404
Unrestricted interest on investments	33,502	17,459
Bond proceeds	619,318	-
Other general receipts	28,187	18,320
Transfers, net	45,140	43,048
Total receipts and transfers	<u>1,414,317</u>	<u>672,734</u>
Disbursements		
Public safety	287,523	173,849
Public works	106,731	127,797
Culture and recreation	26,224	19,035
Community and economic development	226,553	197,485
General government	214,058	73,457
Debt service	257,580	90,196
Capital projects	511,011	-
Total disbursements	<u>1,629,680</u>	<u>681,819</u>
Increase (decrease) in cash basis net assets	(215,363)	(9,085)
Cash basis net assets beginning of year	<u>1,349,542</u>	<u>1,358,627</u>
Cash basis net assets end of year	<u>\$1,134,179</u>	<u>1,349,542</u>

The City's total receipts for governmental activities increased by 110%, or \$741,583. The significant increase in receipts was primarily the result of bond proceeds, special assessment collections and higher local option sales tax receipts. The transfers primarily funded debt payments previously required to be paid from the debt service fund. The total cost of all programs and services increased by approximately \$947,861, or 139%, as a result of refunding a bond issue, purchasing public safety equipment, remodeling city hall and paying for street improvements.

CITY OF PLEASANTVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$1,629,680 compared to \$681,819 last year. However, as shown in the Statement of Activities and Net Assets on pages 12-15, the amount taxpayers ultimately financed for these activities was only \$1,375,271 because some of the cost was paid by those directly benefitting from the programs (\$112,808) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$141,601). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$288,000 in tax (some of which could only be used for certain programs), bond proceeds of approximately \$619,000 and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30	
	2006	2005
Receipts and transfers		
Program receipts		
Charges for service		
Water	\$246,141	203,246
Sewer	206,912	205,393
Operating grants, contributions and restricted interest	-	-
General receipts		
Unrestricted interest on investment	22,699	6,212
Bond proceeds	-	-
Other general receipts	-	-
Total receipts	<u>475,752</u>	<u>414,851</u>
Disbursements		
Water	205,867	156,273
Sewer	137,608	134,507
Transfers	45,140	43,048
Total disbursements and transfers	<u>388,615</u>	<u>333,828</u>
Increase in cash balance	87,137	81,023
Cash basis net assets beginning of year	<u>611,483</u>	<u>530,460</u>
Cash basis net assets end of year	<u>\$698,620</u>	<u>611,483</u>

Total business type activities receipts for the fiscal year were \$475,752 compared to \$414,851 last year. This increase of \$60,901 was due primarily to raising the water service rates and increased interest on investments. The cash balance increased by \$87,137. Total disbursements and transfers for the fiscal year decreased by 16% to a total of \$388,615.

CITY OF PLEASANTVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Pleasantville completed the year, its governmental funds reported a combined fund balance of \$997,109, a decrease of approximately \$160,000 from last year's total of \$1,157,252. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The Local Option Sales Tax Fund cash balance decreased \$120,361 from the prior year due to paying for several projects around the city, including the remodel of city hall.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance decreased by \$11,112 to \$116,366, due primarily to water tower maintenance.

The Sewer Fund cash balance increased by \$62,417 to \$345,380.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved June 5, 2006 and resulted in a net increase of \$516,200 in budgeted disbursements. The increase was to provide for additional disbursements in certain City departments.

DEBT ADMINISTRATION

At June 30, 2006, the City had \$1,431,672 in general obligation bonds, capital loan notes, special assessment bonds and other long-term debt, compared to \$1,084,220 last year, as shown below.

CITY OF PLEASANTVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	Outstanding Debt at Year-End	
	June 30,	
	2006	2005
General obligation bonds	\$ 455,000	-
Capital loan notes	791,587	1,073,693
Special assessment bonds	177,000	-
Other long-term debt	8,085	10,527
Total	\$ 1,431,672	1,084,220

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$710,672 is significantly below its constitutional debt limit of \$ 2.5 million.

More detailed information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Pleasantville's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various City activities.

One of those factors is the economy. The City's total assessed valuations have increased slightly. However, funding from the State has decreased due to budget constraints.

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. If you have questions about this report or need additional financial information, contact Dorothy Phipps, City Clerk, 108 West Jackson Street, Pleasantville, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF PLEASANTVILLE

Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2006

	Disbursements	Program Charges for Service
Functions / Programs		
Governmental activities		
Public safety	\$ 287,523	31,891
Public works	106,731	8,779
Culture and recreation	26,224	700
Community and economic development	226,553	-
General government	214,058	2,548
Debt service	257,580	-
Capital projects	511,011	68,890
Total governmental activities	1,629,680	112,808
Business type activities		
Water	205,867	246,141
Sewer	137,608	206,912
Total business type activities	343,475	453,053
Total	\$ 1,973,155	565,861
General Receipts		
Property tax levied for		
General purposes		
Tax increment financing		
Debt service		
Local option sales tax		
Utility tax replacement excise tax		
Unrestricted interest on investments		
Bond proceeds		
Miscellaneous		
Sale of assets		
Transfers		
Total general receipts and transfers		

Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
-	-	(255,632)	-	(255,632)
128,686	-	30,734	-	30,734
12,915	-	(12,609)	-	(12,609)
-	-	(226,553)	-	(226,553)
-	-	(211,510)	-	(211,510)
-	-	(257,580)	-	(257,580)
-	-	(442,121)	-	(442,121)
<u>141,601</u>	<u>-</u>	<u>(1,375,271)</u>	<u>-</u>	<u>(1,375,271)</u>
-	-	-	40,274	40,274
-	-	-	69,304	69,304
-	-	-	109,578	109,578
<u>141,601</u>	<u>-</u>	<u>(1,375,271)</u>	<u>109,578</u>	<u>(1,265,693)</u>
		214,762	-	214,762
		27,932	-	27,932
		44,830	-	44,830
		134,139	-	134,139
		12,098	-	12,098
		33,502	22,699	56,201
		619,318	-	619,318
		28,051	-	28,051
		136	-	136
		<u>45,140</u>	<u>(45,140)</u>	<u>-</u>
		<u>1,159,908</u>	<u>(22,441)</u>	<u>1,137,467</u>

CITY OF PLEASANTVILLE

Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2006

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

 Restricted

 Streets

 Urban renewal purposes

 Debt service

 Other purposes

 Unrestricted

 Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(215,363)	87,137	(128,226)
<u>1,349,542</u>	<u>611,483</u>	<u>1,961,025</u>
<u>1,134,179</u>	<u>698,620</u>	<u>1,832,799</u>
164,935	-	164,935
143,334	-	143,334
19,227	67,025	86,252
131,563	-	131,563
<u>675,120</u>	<u>631,595</u>	<u>1,306,715</u>
<u>1,134,179</u>	<u>698,620</u>	<u>1,832,799</u>

CITY OF PLEASANTVILLE

Statement of Cash Receipts, Disbursements
 And Changes in Cash Balances
 Governmental Funds
 As of and for the year ended June 30, 2006

	<u>General</u>	<u>Special Road Use Tax</u>
Receipts		
Property tax	\$ 214,762	-
Tax increment financing collections	-	-
Other city tax	11,632	-
Licenses and permits	2,548	-
Use of money and property	28,403	-
Intergovernmental	-	128,686
Charges for service	44,120	-
Special assessments	-	-
Miscellaneous	36,466	-
Total receipts	<u>337,931</u>	<u>128,686</u>
Disbursements		
Operating		
Public safety	192,258	-
Public works	9,582	108,743
Culture and recreation	26,224	-
Community and economic development	76,293	-
General government	78,953	-
Debt service	5,568	-
Capital projects	-	-
Total disbursements	<u>388,878</u>	<u>108,743</u>
Excess of receipts over disbursements	<u>(50,947)</u>	<u>19,943</u>
Other financing sources (uses)		
Bond proceeds	-	-
Operating transfers in (out)	105,369	-
Total other financing sources (uses)	<u>105,369</u>	<u>-</u>

<u>Revenue</u>		<u>Capital Project</u>	<u>Other</u>	
Local Option Sales Tax	Debt Service	West Street Improvement	Nonmajor Governmental Funds	<u>Total</u>
-	44,830	-	-	259,592
-	-	-	27,932	27,932
134,139	2,352	-	-	148,123
-	-	-	-	2,548
-	1,558	-	-	29,961
-	-	-	-	128,686
-	-	-	-	44,120
-	-	68,890	-	68,890
-	-	-	-	36,466
<u>134,139</u>	<u>48,740</u>	<u>68,890</u>	<u>27,932</u>	<u>746,318</u>
-	-	-	20,591	212,849
-	-	-	7,906	126,231
-	-	-	-	26,224
125,988	-	-	24,272	226,553
128,512	-	-	3,006	210,471
-	252,012	-	-	257,580
-	-	422,354	88,657	511,011
<u>254,500</u>	<u>252,012</u>	<u>422,354</u>	<u>144,432</u>	<u>1,570,919</u>
<u>(120,361)</u>	<u>(203,272)</u>	<u>(353,464)</u>	<u>(116,500)</u>	<u>(824,601)</u>
-	160,485	458,833	-	619,318
-	45,140	(105,369)	-	45,140
-	<u>205,625</u>	<u>353,464</u>	-	<u>664,458</u>

CITY OF PLEASANTVILLE

Statement of Cash Receipts, Disbursements
 And Changes in Cash Balances
 Governmental Funds
 As of and for the year ended June 30, 2006

	<u>General</u>	<u>Special Road Use Tax</u>
Net change in cash balances	54,422	19,943
Cash balances beginning of year	<u>483,628</u>	<u>144,992</u>
Cash balances end of year	<u>\$ 538,050</u>	<u>164,935</u>
Cash Basis Fund Balances		
Reserved		
Debt service	\$ -	-
Unreserved		
General fund	538,050	-
Special revenue funds	-	164,935
Capital projects fund	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 538,050</u>	<u>164,935</u>

See notes to financial statements.

<u>Revenue</u>		<u>Capital Project</u>	<u>Other</u>	
Local Option Sales Tax	Debt Service	West Street Improvement	Nonmajor Governmental Funds	<u>Total</u>
(120,361)	2,353	-	(116,500)	(160,143)
<u>263,695</u>	<u>16,874</u>	<u>-</u>	<u>248,063</u>	<u>1,157,252</u>
<u>143,334</u>	<u>19,227</u>	<u>-</u>	<u>131,563</u>	<u>997,109</u>
-	19,227	-	-	19,227
-	-	-	-	538,050
143,334	-	-	73,301	381,570
<u>-</u>	<u>-</u>	<u>-</u>	<u>58,262</u>	<u>58,262</u>
<u>143,334</u>	<u>19,227</u>	<u>-</u>	<u>131,563</u>	<u>997,109</u>

CITY OF PLEASANTVILLE

Exhibit C

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash
Balances to the Statement of Activities and Net Assets -
Governmental Funds
As of and for the year ended June 30, 2006

Total government funds cash balances	\$ 997,109
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of major equipment replacement. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	<u>137,070</u>
Cash basis net assets of governmental activities	<u>\$ 1,134,179</u>
Net change in cash balances	\$ (160,143)
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of major equipment replacement to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	<u>(55,220)</u>
Change in cash balance of governmental activities	<u>\$ (215,363)</u>

See notes to financial statements.

CITY OF PLEASANTVILLE

Exhibit D

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Proprietary Funds
As of and for the year ended June 30, 2006

	Enterprise Funds			Internal Service Funds
	Water	Sewer	Total	Other Nonmajor Equipment Replacement
Operating receipts				
Use of money and property	\$ 5,180	11,387	16,567	9,673
Charges for service	228,490	205,728	434,218	57,700
Miscellaneous	<u>17,651</u>	<u>1,184</u>	<u>18,835</u>	<u>-</u>
Total operating receipts	<u>251,321</u>	<u>218,299</u>	<u>469,620</u>	<u>67,373</u>
Operating disbursements				
Governmental activities				
Public safety	-	-	-	82,174
General government	-	-	-	4,587
Business type activities				
Water	224,967	-	224,967	-
Sewer	<u>-</u>	<u>148,208</u>	<u>148,208</u>	<u>-</u>
Total operating disbursements	<u>224,967</u>	<u>148,208</u>	<u>373,175</u>	<u>86,761</u>
Excess (deficiency) of receipts over (under) disbursements	<u>26,354</u>	<u>70,091</u>	<u>96,445</u>	<u>(19,388)</u>
Other financing sources (uses)				
Operating transfers in (out)	<u>(37,466)</u>	<u>(7,674)</u>	<u>(45,140)</u>	<u>#REF!</u>
Total other financing sources (uses)	<u>(37,466)</u>	<u>(7,674)</u>	<u>(45,140)</u>	<u>#REF!</u>
Net change in cash balances	(11,112)	62,417	51,305	#REF!
Cash balances beginning of year	<u>127,478</u>	<u>282,963</u>	<u>410,441</u>	<u>337,458</u>
Cash balances end of year	<u>\$ 116,366</u>	<u>345,380</u>	<u>461,746</u>	<u>#REF!</u>
Cash Basis Fund Balances				
Reserved for debt service	29,275	37,750	67,025	-
Unreserved	<u>87,091</u>	<u>307,630</u>	<u>394,721</u>	<u>#REF!</u>
Total cash basis fund balances	<u>\$ 116,366</u>	<u>345,380</u>	<u>461,746</u>	<u>#REF!</u>

See notes to financial statements.

CITY OF PLEASANTVILLE

Exhibit E

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash
Balances to the Statement of Activities and Net Assets -
Proprietary Funds
As of and for the year ended June 30, 2006

Total enterprise funds cash balances	\$	461,746
--------------------------------------	----	---------

Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of major equipment replacement. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

236,874

Cash basis net assets of business type activities	\$	<u>698,620</u>
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Net change in cash balances	\$	51,305
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of major equipment replacement to individual funds. The change on net assets of the Internal Service Fund is reported with business type activities.

35,832

Change in cash balance of business type activities	\$	<u>87,137</u>
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See notes to financial statements.

CITY OF PLEASANTVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pleasantville is a political subdivision of the State of Iowa located in Marion County. It was first incorporated in 1872 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 water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Pleasantville 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 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. The City of Pleasantville has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also 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: Marion County Assessor's Conference Board, Marion County Joint E911 Service Board, and Marion County Emergency Management Commission.

The City also participates in the Pleasant Grove Township Fire Department which is a jointly governed organization established pursuant to Chapter 28E of the code of Iowa.

CITY OF PLEASANTVILLE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

CITY OF PLEASANTVILLE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Pleasantville 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 U.S. generally accepted accounting principles.

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.

D. Budgets and Budgetary Accounting (Continued)

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the community and economic development, general government, debt service and capital projects functions.

CITY OF PLEASANTVILLE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2006

2. CASH AND INVESTMENTS

The City's deposits in banks at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities, certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

3. BONDS AND NOTES PAYABLE

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

YEAR ENDING JUNE 30,	BONDS AND CAPITAL		SPECIAL ASSESSMENT		OTHER		TOTAL	
	LOAN NOTES		BONDS		LONG-TERM DEBT			
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2007	119,211	53,512	12,000	4,328	2,565	404	133,776	58,244
2008	150,321	47,939	15,000	7,470	2,693	276	168,014	55,685
2009	162,438	41,926	15,000	6,855	2,827	141	180,265	48,922
2010	101,617	35,322	15,000	6,225	-	-	116,617	41,547
2011	107,000	30,992	20,000	5,580	-	-	127,000	36,572
2012	114,000	26,335	20,000	4,700	-	-	134,000	31,035
2013	70,000	21,292	20,000	3,800	-	-	90,000	25,092
2014	73,000	18,315	20,000	2,880	-	-	93,000	21,195
2015	74,000	15,179	20,000	1,940	-	-	94,000	17,119
2016	81,000	11,972	20,000	980	-	-	101,000	12,952
2017	83,000	8,422	-	-	-	-	83,000	8,422
2018	50,000	4,751	-	-	-	-	50,000	4,751
2019	20,000	2,623	-	-	-	-	20,000	2,623
2020	20,000	1,763	-	-	-	-	20,000	1,763
2021	21,000	903	-	-	-	-	21,000	903
Total	<u>1,246,587</u>	<u>321,246</u>	<u>177,000</u>	<u>44,758</u>	<u>8,085</u>	<u>821</u>	<u>1,431,672</u>	<u>366,825</u>

CITY OF PLEASANTVILLE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2006

3. BONDS AND NOTES PAYABLE (CONTINUED)

The resolutions providing for the issuance of the sewer revenue capital loan notes include the following provisions:

- (1) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (3) Additional monthly transfers shall be made to a separate sewer reserve account until a specific minimum balance has been accumulated. These accounts are restricted for the purpose of paying note principal and interest payments when insufficient money is available in the sinking account.
- (4) User rates shall 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 notes falling due in the same year.

4. TAX INCREMENT FINANCING AGREEMENTS

The City has entered into various tax increment financing development agreements. Under the terms of the agreements the developers agreed to provide minimum specified dollar amounts of improvements and infrastructure in urban renewal areas of the City prior to specified dates. The City agreed to pay certain costs to the developer under the terms of non-interest bearing tax increment revenue financing bonds which generally provide for payments equal to the incremental taxes collected on the developer improvements for a period of ten to twelve years. Commitments under the agreements are summarized as follows:

<u>DATE</u>	<u>AMOUNT</u>	<u>REMAINING COMMITMENT</u>	<u>EXPIRATION DATE</u>
August 1996	\$ 9,949	\$ -	August 2006
April 1998	150,000	124,145	April 2010
May 2002	167,050	157,483	May 2012 (may be extended to May 2014)
May 2002	231,805	226,344	May 2012 (may be extended to May 2015)
December 2003	32,080	32,080	December 2013
November 2005	125,600	125,600	November 2015

CITY OF PLEASANTVILLE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2006

5. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$13,508, \$13,785 and \$11,504, respectively, equal to the required contributions for each year.

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, sick leave, holiday and compensatory hours for subsequent use or for payment upon termination, retirement or death. However, sick leave hours are lost upon resignation or termination. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

TYPE OF BENEFIT	AMOUNT
Vacation, holiday and compensating time	\$ 8,600
Sick leave	<u>12,040</u>
Total	<u>\$ 20,640</u>

This liability has been computed based on rates of pay as of June 30, 2006.

CITY OF PLEASANTVILLE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2006

7. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects: West Street Improvements	<u>\$ 105,369</u>
Debt Service	Enterprise: Water Sewer	<u>37,466</u> <u>7,674</u>
		<u><u>\$ 150,509</u></u>

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

8. RISK MANAGEMENT

The City of Pleasantville exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PLEASANTVILLE

Budgetary Comparison Schedule of Receipts, Disbursements
and Changes in Balances – Budget and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to to be Budgeted
Receipts			
Property tax	\$ 259,592	-	-
Tax increment financing collections	27,932	-	-
Other city tax	148,123	-	-
Licenses and permits	2,548	-	-
Use of money and property	29,961	26,240	9,673
Intergovernmental	128,686	-	-
Charges for service	44,120	491,918	57,700
Special assessments	68,890	-	-
Miscellaneous	<u>36,466</u>	<u>18,835</u>	<u>-</u>
Total receipts	<u>746,318</u>	<u>536,993</u>	<u>67,373</u>
Disbursements			
Public safety	212,849	82,174	82,174
Public works	126,231	-	-
Culture and recreation	26,224	-	-
Community and economic development	226,553	-	-
General government	210,471	4,587	4,587
Debt service	257,580	-	-
Capital projects	511,011	-	-
Business type activities	-	373,175	-
Total disbursements	<u>1,570,919</u>	<u>459,936</u>	<u>86,761</u>
Excess of receipts over disbursements	(824,601)	77,057	(19,388)
Other financing sources, net	<u>664,458</u>	<u>(45,140)</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(160,143)	31,917	(19,388)
Balances beginning of year	<u>1,157,252</u>	<u>747,899</u>	<u>337,458</u>
Balances end of year	<u>997,109</u>	<u>779,816</u>	<u>318,070</u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
259,592	258,790	261,247	(1,655)
27,932	15,000	25,914	2,018
148,123	132,380	132,380	15,743
2,548	4,100	4,300	(1,752)
46,528	-	14,000	32,528
128,686	130,796	130,796	(2,110)
478,338	502,000	502,000	(23,662)
68,890	-	236,572	(167,682)
55,301	-	-	55,301
<u>1,215,938</u>	<u>1,043,066</u>	<u>1,307,209</u>	<u>(91,271)</u>
212,849	196,889	353,889	141,040
126,231	155,615	155,615	29,384
26,224	22,669	35,669	9,445
226,553	178,900	178,900	(47,653)
210,471	78,459	78,459	(132,012)
257,580	168,157	168,157	(89,423)
511,011	-	346,200	(164,811)
373,175	384,279	384,279	11,104
<u>1,944,094</u>	<u>1,184,968</u>	<u>1,701,168</u>	<u>(242,926)</u>
(728,156)	(141,902)	(393,959)	(334,197)
<u>619,318</u>	<u>-</u>	<u>445,792</u>	<u>173,526</u>
(108,838)	(141,902)	51,833	(160,671)
<u>1,567,693</u>	<u>2,170,317</u>	<u>2,170,317</u>	<u>(602,624)</u>
<u>1,458,855</u>	<u>2,028,415</u>	<u>2,222,150</u>	<u>(763,295)</u>

CITY OF PLEASANTVILLE

Notes to Required Supplementary Information – Budgetary Reporting June 30, 2006

The budgetary comparison is presented as Required Supplementary Information 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 Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds 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, one budget amendment increased budgeted disbursements by \$516,200. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the community and economic development, general government, debt service and capital projects functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF PLEASANTVILLE

Schedule 1

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2006

	Special Revenue				Total
	Employee	Emergency	TIF	Capital	
	Benefits				
Levy	Levy	Levy	Projects		
Receipts					
Property tax	\$ -	-	-	-	-
Tax increment financing collections	-	-	27,932	-	27,932
Other city tax	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>27,932</u>	<u>-</u>	<u>27,932</u>
Disbursements					
Operating					
Public safety	20,591	-	-	-	20,591
Public works	7,906	-	-	-	7,906
Community and economic development	-	-	24,272	-	24,272
General government	3,006	-	-	-	3,006
Capital projects	-	-	-	88,657	88,657
Total disbursements	<u>31,503</u>	<u>-</u>	<u>24,272</u>	<u>88,657</u>	<u>144,432</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(31,503)</u>	<u>-</u>	<u>3,660</u>	<u>(88,657)</u>	<u>(116,500)</u>
Other financing uses					
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(31,503)	-	3,660	(88,657)	(116,500)
Cash balances beginning of year	<u>68,384</u>	<u>27,792</u>	<u>4,968</u>	<u>146,919</u>	<u>248,063</u>
Cash balances end of year	<u>\$ 36,881</u>	<u>27,792</u>	<u>8,628</u>	<u>58,262</u>	<u>131,563</u>
Cash Basis Fund Balances					
Unreserved					
Special revenue funds	\$ 36,881	27,792	8,628	-	73,301
Capital project fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,262</u>	<u>58,262</u>
Total cash basis fund balances	<u>\$ 36,881</u>	<u>27,792</u>	<u>8,628</u>	<u>58,262</u>	<u>131,563</u>

See accompanying independent auditor's report.

CITY OF PLEASANTVILLE

Schedule of Indebtedness
Year ended June 30, 2006

<u>OBLIGATION</u>	<u>DATE OF ISSUE</u>	<u>INTEREST RATES</u>	<u>AMOUNT ORIGINALLY ISSUED</u>	<u>BALANCE BEGINNING OF YEAR</u>
General Obligation Bonds				
2006 Street Improvement and Refunding	5/15/06	3.75-4.65%	\$ 455,000	\$ <u>-</u>
Capital Loan Notes				
1991 Water Revenue	04/01/91	6.75-7.00%	210,000	20,000
1993 Essential Corporate Purpose	05/01/93	5.00-5.20%	475,000	195,000
1998 Sewer Revenue	02/01/98	4.23%	436,000	322,000
1999 Essential Corporate Purpose	05/20/99	5.00%	15,000	6,889
2000 Essential Corporate Purpose	07/20/99	5.00%	5,000	2,804
2001 Sewer Revenue	08/21/01	4.30%	440,000	252,000
2002 Streets and Utilities	03/01/02	3.00-4.75%	360,000	<u>275,000</u>
				<u>1,073,693</u>
Special Assessment Bonds				
2006 Street Improvement	5/15/06	4.00-4.90%	177,000	<u>-</u>
Other Long-Term Debt				
1994 Ball Fields Loan	12/13/93	5.00%	30,815	<u>10,527</u>
				<u>\$ 1,084,220</u>

See accompanying independent auditor's report.

<u>ISSUED DURING YEAR</u>	<u>REDEEMED DURING YEAR</u>	<u>BALANCE END YEAR</u>	<u>INTEREST PAID</u>	<u>INTEREST DUE AND UNPAID</u>
<u>455,000</u>	<u>-</u>	<u>455,000</u>	<u>-</u>	<u>-</u>
-	20,000	-	1,400	-
-	195,000	-	10,140	-
-	19,000	303,000	13,621	-
-	1,598	5,291	354	-
-	508	2,296	140	-
-	11,000	241,000	10,836	-
-	35,000	240,000	11,873	-
<u>-</u>	<u>282,106</u>	<u>791,587</u>	<u>48,364</u>	<u>-</u>
<u>177,000</u>	<u>-</u>	<u>177,000</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>2,442</u>	<u>8,085</u>	<u>526</u>	<u>-</u>
<u>632,000</u>	<u>284,548</u>	<u>1,431,672</u>	<u>48,890</u>	<u>-</u>

CITY OF PLEASANTVILLE

Bond and Note Maturities
June 30, 2006

YEAR ENDING JUNE 30,	SEWER REVENUE		CAPITAL ESSENTIAL CORPORATE PURPOSE	
	ISSUED FEBRUARY 1, 1998		ISSUED MAY 20, 1999	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
	2007	4.23	\$ 20,000	5.00
2008	4.23	21,000	5.00	1,762
2009	4.23	22,000	5.00	1,851
2010	4.23	23,000		-
2011	4.23	23,000		-
2012	4.23	24,000		-
2013	4.23	25,000		-
2014	4.23	27,000		-
2015	4.23	28,000		-
2016	4.23	29,000		-
2017	4.23	30,000		-
2018	4.23	31,000		-
2019		-		-
2020		-		-
2021		-		-
TOTAL		<u>\$ 303,000</u>		<u>\$ 5,291</u>

YEAR ENDING JUNE 30,	GENERAL OBLIGATION BONDS		SPECIAL ASSESSMENTS	
	STREET IMPROVEMENT AND REFUNDING		STREET IMPROVEMENT	
	ISSUED MAY 15, 2006		ISSUED MAY 15, 2006	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2007	3.75	\$ 50,000	4.00	\$ 12,000
2008	3.85	80,000	4.10	15,000
2009	3.90	85,000	4.20	15,000
2010	3.95	25,000	4.30	15,000
2011	4.05	25,000	4.40	20,000
2012	4.10	30,000	4.50	20,000
2013	4.15	30,000	4.60	20,000
2014	4.25	30,000	4.70	20,000
2015	4.30	30,000	4.80	20,000
2016	4.40	35,000	4.90	20,000
2017	4.50	35,000		-
		<u>\$ 455,000</u>		<u>\$ 177,000</u>

See accompanying independent auditor's report.

CITY OF PLEASANTVILLE

Schedule 4

Statement of Receipts By Source
and Disbursements By Function -
All Governmental Funds
For the Last Four Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts				
Property tax	\$ 259,592	265,847	304,899	325,522
Tax increment financing collections	27,932	18,829	8,565	3,531
Other city tax	148,123	137,503	165,211	162,795
Licenses and permits	2,548	3,405	2,768	3,341
Use of money and property	29,961	20,190	20,504	11,536
Intergovernmental	128,686	128,513	131,611	377,170
Charges for service	44,120	41,528	45,183	39,051
Special assessments	68,890	-	-	-
Miscellaneous	36,466	11,601	42,757	9,236
Total	<u>\$ 746,318</u>	<u>627,416</u>	<u>721,498</u>	<u>932,182</u>
Disbursements				
Operating				
Public safety	212,849	181,349	167,159	134,370
Public works	126,231	144,215	123,171	93,870
Culture and recreation	26,224	19,035	39,459	16,078
Community and economic development	226,553	197,485	94,583	64,493
General government	210,471	73,457	60,627	61,454
Debt service	257,580	90,196	164,675	197,811
Capital projects	511,011	-	-	10,341
Total	<u>\$ 1,570,919</u>	<u>705,737</u>	<u>649,674</u>	<u>578,417</u>

See accompanying independent auditor's report.

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

To the Honorable Mayor and
Members of the City Council:

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 Pleasantville, Iowa as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 10, 2006. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Pleasantville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Pleasantville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pleasantville'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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Pleasantville and other parties to whom the City of Pleasantville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Pleasantville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Shull & Co., P.C.

November 10, 2006

CITY OF PLEASANTVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2006

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

- (A) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and cash disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles of the United States of America.
- (B) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (C) The audit did not disclose any noncompliance which is material to the financial statements.
- (D) There were no major federal programs.
- (E) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (F) The City of Pleasantville did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank deposits and the posting of the cash receipts to the general ledger and to the utility billing system are all done by the same person.

Recommendation - We realize that with a limited staff, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. In addition, the Mayor and Council should periodically review cash receipts information to detect errors or irregularities.

Response - We will consider this.

Conclusion - Response acknowledged.

CITY OF PLEASANTVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, exceeded the amounts budgeted in the community and economic development, general government, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.20 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion – Response accepted.

IV-B-06 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-06 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-06 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-06 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 coverage is adequate for current operations.

CITY OF PLEASANTVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2006

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

IV-F-06 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation - The City should publish annual individual salaries as required.

Response - We will publish salaries as required.

Conclusion - Response accepted.

IV-G-06 Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.

IV-H-06 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.