

City of Danville

**Independent Auditor's Report
Financial Statements and Supplementary Information
Auditor's Report on Compliance
Schedule of Findings and Questioned Costs**

June 30, 2007

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**City of Danville
City Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
LeRoy Lippert	Mayor	December, 2007
Bill McGinnis	Council Member	December, 2007
Clem Steinhoff	Council Member	December, 2007
Duane Worthy	Council Member	December, 2007
Scott Becker	Council Member	December, 2009
Doug Fraise	Council Member	December, 2009
Susan Rogers	City Clerk/Treasurer	Indefinite
Gerald Goddard	Attorney	Indefinite
Allen Schillie	Public Works Superintendent	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and Members of City Council
City of Danville, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Danville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Danville's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, 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 our audit provides a reasonable basis for our opinion.

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 U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2006.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006 as discussed in the preceding paragraph, 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 Danville as of June 30, 2007, 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.

As described in Note 13, during the year ended June 30, 2007, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2007 on our consideration of the City of Danville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or 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.

Budgetary comparison information on pages 13 and 14 is not a required part of the basic financial statements, but is 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.

The City of Danville, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Danville's basic financial statements. Other supplementary information, as listed in the table of contents, is presented for the purpose 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CPA Associates PC

December 28, 2007

City of Danville
Statement of Activities and Net Assets - Cash Basis
Year Ended June 30, 2007

Functions / Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Public safety	\$ 127,389	\$ 634	\$ 31,025	\$ -	\$ (95,730)	\$ -	\$ (95,730)
Public works	60,385	-	-	-	(60,385)	-	(60,385)
Culture and recreation	9,873	2,135	-	-	(7,738)	-	(7,738)
General government	82,319	-	-	-	(82,319)	-	(82,319)
Debt service	70,000	-	-	-	(70,000)	-	(70,000)
Capital projects	35,419	-	-	-	(35,419)	-	(35,419)
Total government activities	<u>385,385</u>	<u>2,769</u>	<u>31,025</u>	<u>-</u>	<u>(351,591)</u>	<u>-</u>	<u>(351,591)</u>
Business type activities							
Water	115,638	126,251	-	-	-	10,613	10,613
Electric	526,067	567,831	16,196	-	-	41,764	41,764
Sewer	65,383	46,071	-	-	-	(19,312)	(19,312)
Sanitation	47,592	44,516	-	-	-	(3,076)	(3,076)
Total business type activities	<u>754,680</u>	<u>784,669</u>	<u>16,196</u>	<u>-</u>	<u>-</u>	<u>29,989</u>	<u>29,989</u>
Total	<u>\$ 1,140,065</u>	<u>\$ 787,438</u>	<u>\$ 47,221</u>	<u>\$ -</u>	<u>(351,591)</u>	<u>29,989</u>	<u>(321,602)</u>
General Receipts:							
Property tax levied for:							
General purposes					193,378	-	193,378
Local option sales tax					109,081	-	109,081
Road use tax					76,177	-	76,177
Unrestricted investment earnings					7,419	12,051	19,470
Transfers					20,000	(20,000)	-
Miscellaneous					24,607	19,616	44,223
Total general receipts and transfers					<u>430,662</u>	<u>11,667</u>	<u>442,329</u>
Change in cash basis net assets					79,071	41,656	120,727
Cash basis net assets beginning of year					<u>238,161</u>	<u>542,995</u>	<u>781,156</u>
Cash basis net assets end of year					<u>\$ 317,232</u>	<u>\$ 584,651</u>	<u>\$ 901,883</u>
Cash Basis Net Assets							
Restricted:							
Road use					\$ 105,622	\$ -	\$ 105,622
Local option tax					64,736	-	64,736
Debt service					365	-	365
Unrestricted					<u>146,509</u>	<u>584,651</u>	<u>731,160</u>
Total cash basis net assets					<u>\$ 317,232</u>	<u>\$ 584,651</u>	<u>\$ 901,883</u>

See notes to financial statements.

City of Danville
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
Year Ended June 30, 2007

	Special Revenue				Other Nonmajor Governmental	Total
	General	Road Use	Local Option Tax	Debt Service		
Receipts:						
Property tax	\$ 114,297	\$ -	\$ -	\$ 20,990	\$ 58,091	\$ 193,378
Tax increment financing collections	-	-	-	-	-	-
Other taxes	2,180	-	-	-	-	2,180
Use of money and property	6,255	-	1,103	-	61	7,419
Licenses and permits	490	-	-	-	-	490
Intergovernmental	7,797	76,177	109,081	-	28,595	221,650
Charges for services	634	-	-	-	-	634
Miscellaneous	2,289	-	-	-	16,416	18,705
Total receipts	<u>133,942</u>	<u>76,177</u>	<u>110,184</u>	<u>20,990</u>	<u>103,163</u>	<u>444,456</u>
Disbursements:						
Operating:						
Public safety	96,404	-	-	-	30,985	127,389
Public works	13,458	45,594	-	-	1,333	60,385
Culture and recreation	6,907	-	-	-	2,966	9,873
General government	31,733	-	-	-	50,586	82,319
Debt service	-	-	-	70,000	-	70,000
Capital projects	-	-	35,419	-	-	35,419
Total disbursements	<u>148,502</u>	<u>45,594</u>	<u>35,419</u>	<u>70,000</u>	<u>85,870</u>	<u>385,385</u>
Excess (deficiency) of receipts over disbursements	(14,560)	30,583	74,765	(49,010)	17,293	59,071
Other financing sources (uses):						
Operating transfers in (out)	<u>32,952</u>	<u>-</u>	<u>(54,815)</u>	<u>48,620</u>	<u>(6,757)</u>	<u>20,000</u>
Net change in cash balances	18,392	30,583	19,950	(390)	10,536	79,071
Cash balances beginning of year	<u>99,713</u>	<u>75,039</u>	<u>44,786</u>	<u>755</u>	<u>17,868</u>	<u>238,161</u>
Cash balances end of year	<u>\$ 118,105</u>	<u>\$ 105,622</u>	<u>\$ 64,736</u>	<u>\$ 365</u>	<u>\$ 28,404</u>	<u>\$ 317,232</u>
Cash Basis Fund Balances						
Reserved:						
Debt service	\$ -	\$ -	\$ -	\$ 365	\$ -	\$ 365
Unreserved:						
General fund	118,105	-	-	-	28,404	146,509
Special revenue fund	<u>-</u>	<u>105,622</u>	<u>64,736</u>	<u>-</u>	<u>-</u>	<u>170,358</u>
Total cash basis fund balances	<u>\$ 118,105</u>	<u>\$ 105,622</u>	<u>\$ 64,736</u>	<u>\$ 365</u>	<u>\$ 28,404</u>	<u>\$ 317,232</u>

See notes to financial statements.

City of Danville
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
Year Ended June 30, 2007

	Enterprise Funds					<u>Total</u>
	<u>Water Revenue</u>	<u>Electric Revenue</u>	<u>Sewer Revenue</u>	<u>Sanitation Revenue</u>	<u>Utility Deposits</u>	
Receipts:						
Use of money and property:						
Charges for services	\$ 126,251	\$ 567,831	\$ 46,071	\$ 44,516	\$ -	\$ 784,669
Interest	2,145	8,320	502	681	403	12,051
Intergovernmental	1,078	14,040	1,078	-	-	16,196
Miscellaneous	1,774	1,293	183	273	9,393	12,916
Total receipts	<u>131,248</u>	<u>591,484</u>	<u>47,834</u>	<u>45,470</u>	<u>9,796</u>	<u>825,832</u>
Disbursements:						
Business type activities						
Operations	115,638	526,067	65,383	47,592	9,496	764,176
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total disbursements	<u>115,638</u>	<u>526,067</u>	<u>65,383</u>	<u>47,592</u>	<u>9,496</u>	<u>764,176</u>
Excess of receipts over disbursements	<u>15,610</u>	<u>65,417</u>	<u>(17,549)</u>	<u>(2,122)</u>	<u>300</u>	<u>61,656</u>
Other financing sources (uses):						
Operating transfers out	-	(20,000)	-	-	-	(20,000)
Total other	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
Net change in cash balances	15,610	45,417	(17,549)	(2,122)	300	41,656
Cash balances, beginning of year	<u>82,686</u>	<u>381,955</u>	<u>37,798</u>	<u>23,646</u>	<u>16,910</u>	<u>542,995</u>
Cash balances, end of year	<u>\$ 98,296</u>	<u>\$ 427,372</u>	<u>\$ 20,249</u>	<u>\$ 21,524</u>	<u>\$ 17,210</u>	<u>\$ 584,651</u>
Cash Basis Fund Balances						
Unreserved	<u>\$ 98,296</u>	<u>\$ 427,372</u>	<u>\$ 20,249</u>	<u>\$ 21,524</u>	<u>\$ 17,210</u>	<u>\$ 584,651</u>
Total cash basis fund balances	<u>\$ 98,296</u>	<u>\$ 427,372</u>	<u>\$ 20,249</u>	<u>\$ 21,524</u>	<u>\$ 17,210</u>	<u>\$ 584,651</u>

See notes to financial statements.

City of Danville
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Danville is a political subdivision of the State of Iowa located in Des Moines County. It was incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, community and economic development and general government services. The City also provides electric, water, refuse collection and sewer utilities for its citizens.

Reporting Entity

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

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 Des Moines County Solid Waste Commission.

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.

City of Danville
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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 funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sale Tax Fund is used to account for local option sales tax collections which are restricted for use on capital improvement projects.

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

City of Danville
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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 Electric Fund accounts for the operation and maintenance of the City owned electric utility system.

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

Measurement Focus and Basis of Accounting

The City of Danville 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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

City of Danville
Notes to Financial Statements

Note 2. Cash and Pooled Investments

The City's deposits at June 30, 2007 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 and the Treasurer of the State of Iowa; 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.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2007 were entirely in certificates of deposit.

Note 3. Bonds and Notes Payable

Annual debt service requirements to maturity for the general obligation notes is as follows:

Year Ended	<u>General Obligation</u>	
	<u>Bonds</u>	
<u>June 30.</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 30,000	\$ 22,500
2009	30,000	21,000
2010	30,000	19,500
2011	30,000	18,000
2012	30,000	16,500
2013-19	<u>200,000</u>	<u>65,300</u>
	<u>\$ 350,000</u>	<u>\$ 162,800</u>

The interest rate on the general obligation capital note is 5%.

City of Danville
Notes to Financial Statements

Note 4. 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 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. Contributions are established by State statute. The City's contribution to IPERS for the year ended June 30, 2007 was \$9,820, equal to the required contribution for the year.

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, 2007, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ <u>6,530</u>

The liability has been computed based on rates of pay as of June 30, 2007.

Note 6. Related Party Transactions

No transactions were noted during the course of the audit between the City and City officials.

Note 7. Major Supplier

The Utilities' power is currently purchased through the Resale Power Group of Iowa. The total amount purchased was \$382,500 which represents 100% of the total kilowatt hours generated and purchased.

Note 8. Joint Venture

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 fifteen-member Board. Financial statements of the Waste Commission are available at the Commission's office, 1818 West Burlington Avenue, West Burlington, Iowa, 52655.

City of Danville
Notes to Financial Statements

Note 9. Commitments

The principal commitments of the City are as follows:

Street resurfacing	\$ 53,000
South Main underground utilities	25,000
Equipment - truck	48,000

Note 10. Franchise Fees

The City receives franchise fees from Mediacom Communications Corporation at 3% of their gross subscriber revenue. The agreement is for 15 years ending in 2021.

Note 11. Risk Management

The City of Danville is 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.

Note 12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to:	
General fund	\$ 32,952
Debt service	<u>48,620</u>
	<u>\$ 81,572</u>
Transfer from:	
Local option tax	\$ 54,815
Electric revenue	20,000
Various nonmajor funds	<u>6,757</u>
	<u>\$ 81,572</u>

Note 13. Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences were implemented for the year ended June 30, 2007. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation of these standards had no effect on the beginning balances of the City.

City of Danville
Required Supplementary Information
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Year Ended June 30, 2007

	Governmental Funds <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Net</u>	<u>Budgeted Amounts</u>		Final to Net <u>Variance</u>
					<u>Original</u>	<u>Final</u>	
Receipts:							
Property tax	\$ 193,378	\$ -	\$ -	\$ 193,378	\$ 191,469	\$ 191,469	\$ 1,909
Tax increment financing collections	-	-	-	-	-	-	-
Other city taxes	2,180	-	-	2,180	99,378	99,378	(97,198)
Use of money and property	7,419	12,051	-	19,470	15,170	15,170	4,300
Licenses and permits	490	-	-	490	700	700	(210)
Intergovernmental	221,650	16,196	-	237,846	78,365	109,350	128,496
Charges for service	634	784,669	-	785,303	706,100	706,100	79,203
Miscellaneous	<u>18,705</u>	<u>12,916</u>	<u>-</u>	<u>31,621</u>	<u>22,420</u>	<u>37,620</u>	<u>(5,999)</u>
Total receipts	<u>444,456</u>	<u>825,832</u>	<u>-</u>	<u>1,270,288</u>	<u>1,113,602</u>	<u>1,159,787</u>	<u>110,501</u>
Disbursements:							
Public safety	127,389	-	-	127,389	107,055	138,440	11,051
Public works	60,385	-	-	60,385	97,872	97,872	37,487
Culture and recreation	9,873	-	-	9,873	8,668	18,668	8,795
General government	82,319	-	-	82,319	95,550	92,750	10,431
Debt service	70,000	-	-	70,000	71,000	70,000	-
Capital projects	35,419	-	-	35,419	60,000	60,000	24,581
Business type activities	-	<u>764,176</u>	<u>-</u>	<u>764,176</u>	<u>809,385</u>	<u>809,385</u>	<u>45,209</u>
Total disbursements	<u>385,385</u>	<u>764,176</u>	<u>-</u>	<u>1,149,561</u>	<u>1,249,530</u>	<u>1,287,115</u>	<u>137,554</u>
Excess (deficiency) of receipts over disbursements	59,071	61,656	-	120,727	(135,928)	(127,328)	248,055
Other financing sources	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	79,071	41,656	-	120,727	(135,928)	(127,328)	248,055
Balances beginning of year	<u>238,161</u>	<u>542,995</u>	<u>-</u>	<u>781,156</u>	<u>605,380</u>	<u>605,380</u>	<u>175,776</u>
Balances end of year	<u>\$ 317,232</u>	<u>\$ 584,651</u>	<u>\$ -</u>	<u>\$ 901,883</u>	<u>\$ 469,452</u>	<u>\$ 478,052</u>	<u>\$ 423,831</u>

See accompanying independent auditor's report.

City of Danville
Required Supplementary Information
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2007

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 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 Funds, and Fiduciary 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 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, budget amendments increased budgeted disbursements by \$37,600. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

City of Danville
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007

	<u>Grants</u>	<u>Employee Benefit</u>	<u>Museum Fund</u>	<u>Safety Programs</u>	<u>FICA/IPERS Workmen's Comp</u>	<u>Total</u>
Receipts:						
Property taxes	\$ -	\$ 50,139	\$ -	\$ -	\$ 7,952	\$ 58,091
Interest	-	-	6	44	11	61
Miscellaneous	1,195	-	7,576	2,246	5,399	16,416
FEMA Grant	<u>28,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,595</u>
Total receipts	<u>29,790</u>	<u>50,139</u>	<u>7,582</u>	<u>2,290</u>	<u>13,362</u>	<u>103,163</u>
Disbursements:						
Public safety	30,985	-	-	-	-	30,985
Public works	-	-	-	1,333	-	1,333
Culture and recreation	-	-	2,966	-	-	2,966
General government	<u>-</u>	<u>45,179</u>	<u>-</u>	<u>-</u>	<u>5,407</u>	<u>50,586</u>
Total disbursements	<u>30,985</u>	<u>45,179</u>	<u>2,966</u>	<u>1,333</u>	<u>5,407</u>	<u>85,870</u>
Excess (deficiency) of receipts over disbursements	(1,195)	4,960	4,616	957	7,955	17,293
Other financing sources (uses):						
Operating transfers in	1,195	-	-	-	-	1,195
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,952</u>	<u>(7,952)</u>
Total other	<u>1,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,952)</u>	<u>(6,757)</u>
Net change in cash balances	-	4,960	4,616	957	3	10,536
Cash balances, beginning of year	<u>-</u>	<u>14,605</u>	<u>-</u>	<u>3,263</u>	<u>-</u>	<u>17,868</u>
Cash balances, end of year	<u>\$ -</u>	<u>\$ 19,565</u>	<u>\$ 4,616</u>	<u>\$ 4,220</u>	<u>\$ 3</u>	<u>\$ 28,404</u>

See accompanying independent auditor's report.

**City of Danville
Statement of Indebtedness
Year Ended June 30, 2007**

<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>
General obligation bonds: Capital loan note	11/01/01	5.00%	\$ 600,000	\$ <u>400,000</u>	\$ <u>-</u>	\$ <u>50,000</u>	\$ <u>350,000</u>	\$ <u>20,000</u>

See accompanying independent auditor's report.

City of Danville
Bond and Note Maturities
June 30, 2007

<u>General Obligation Bonds</u>		
<u>Capital Loan Note</u>		
<u>Issued November 1, 2001</u>		
<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
2008	5.00%	\$ 30,000
2009	5.00%	30,000
2010	5.00%	30,000
2011	5.00%	30,000
2012	5.00%	30,000
2013	5.00%	33,000
2014	5.00%	33,000
2015	5.00%	33,000
2016	5.00%	33,000
2017	5.00%	33,000
2018	5.00%	33,750
2019	5.00%	<u>1,250</u>
		<u>\$ 350,000</u>

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:

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 City of Danville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 28, 2007. Our report expressed an unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 City of Danville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Danville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Danville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Danville's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Danville's financial statements that is more than inconsequential will not be prevented or detected by City of Danville's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Danville's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Danville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II 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, 2007 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 of Danville's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Danville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Danville and other parties to whom City of Danville may report, including federal awarding agencies and pass-through entities. 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 City of Danville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

December 28, 2007

City of Danville
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 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.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part II: Other Findings Related to Required Statutory Reporting

II-A-07 Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2007.

II-B-07 Certified Budget - The City published a notice of public hearing on the budget including a summary of the proposed budget as required by Chapter 384.16 of the Code of Iowa.

City of Danville
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

II-C-07 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. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Holiday Inn	Lodging	\$ 78.11
I Wireless	Cellular phone bill	185.35

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be 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. In the instances of employer-provided cell phones, the employer should include the value of the employee's use of a cell phone in the employee's wages unless some method of requiring the employee to keep records that distinguish business from personal use have been established.

Response - We will review our policies and comply with this recommendation.

Conclusion - Response accepted.

II-D-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-07 Business Transactions - We noted no evidence of business transactions between the City and City officials or employees which we believed to be in violation of statutory provisions.

II-F-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-07 Bonds and Revenue Notes - The City has complied with the revenue bond and note resolutions.

II-I-07 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION