

CITY OF PLEASANTVILLE

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2007

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

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CITY OF PLEASANTVILLE

OFFICIALS

<u>Name</u>	<u>Title</u> After December 2005	<u>Term Expires</u>
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

INDEPENDENT AUDITORS' REPORT

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, 2007, 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, 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.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2007 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, 2006 (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 9, 2007

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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 41%, or approximately \$580,000, from fiscal 2006 to fiscal 2007. Bonds proceeds of \$619,000 in fiscal 2006 accounted for most of the decrease. In addition, property taxes increased approximately \$34,000 and local option sales tax increased approximately \$22,000.

Disbursements decreased 51%, or approximately \$829,000, in fiscal 2007 from fiscal 2006. Community and economic development, general government, debt service and capital projects decreased approximately \$70,000, \$146,000, 121,000, \$167,000 and \$459,000, respectively.

The City's total cash basis net assets increased 15%, or approximately \$270,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately \$33,000 and the assets of the business type activities increased by approximately \$237,000.

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 increased slightly from a year ago, increasing from \$1,134,179 to \$1,167,416. 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	
	2007	2006
Receipts and transfers		
Program receipts		
Charges for service	\$ 101,178	112,808
Operating grants, contributions and restricted interest	129,101	141,601
General receipts		
Property tax	321,895	287,524
Local option sales tax	156,595	134,139
Utility tax replacement excise tax	10,165	12,098
Unrestricted interest on investments	31,992	33,502
Bond proceeds	-	619,318
Other general receipts	26,990	28,187
Transfers, net	56,275	45,140
Total receipts and transfers	<u>834,191</u>	<u>1,414,317</u>
Disbursements		
Public safety	267,627	287,523
Public works	98,105	106,731
Culture and recreation	21,328	26,224
Community and economic development	156,769	226,553
General government	67,887	214,058
Debt service	137,240	257,580
Capital projects	51,998	511,011
Total disbursements	<u>800,954</u>	<u>1,629,680</u>
Increase (decrease) in cash basis net assets	33,237	(215,363)
Cash basis net assets beginning of year	<u>1,134,179</u>	<u>1,349,542</u>
Cash basis net assets end of year	<u>\$1,167,416</u>	<u>1,134,179</u>

The City's total receipts for governmental activities decreased by 41%, or \$580,126. The significant decrease in receipts was primarily the result of a decrease in bond proceeds from the previous fiscal year, which was offset by higher property tax and 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 decreased by approximately \$828,726, or 51%, as a result of refunding a bond issue, purchasing public safety equipment, remodeling city hall and paying for street improvements in fiscal 2006.

CITY OF PLEASANTVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$800,954 compared to \$1,629,680 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 \$570,675 because some of the cost was paid by those directly benefitting from the programs (\$101,178) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$129,101). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$322,000 in tax (some of which could only be used for certain programs), local option sales tax receipts of approximately \$157,000 and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30	
	2007	2006
Receipts and transfers		
Program receipts		
Charges for service		
Water	\$ 281,929	246,141
Sewer	232,817	206,912
Operating grants, contributions and restricted interest	-	-
General receipts		
Unrestricted interest on investment	40,753	22,699
Bond proceeds	-	-
Other general receipts	-	-
Total receipts	<u>555,499</u>	<u>475,752</u>
Disbursements		
Water	122,907	205,867
Sewer	139,593	137,608
Transfers	<u>56,275</u>	<u>45,140</u>
Total disbursements and transfers	318,775	388,615
Increase in cash balance	236,724	87,137
Cash basis net assets beginning of year	698,620	611,483
Cash basis net assets end of year	<u>\$ 935,344</u>	<u>698,620</u>

Total business type activities receipts for the fiscal year were \$555,499 compared to \$475,752 last year. This increase of \$79,747 was due primarily to raising the water and sewer service rates and increased interest on investments. The cash balance increased by \$236,724. Total disbursements and transfers for the fiscal year decreased by 18% to a total of \$318,775.

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 \$999,139, a decrease of approximately \$2,000 from last year's total of \$997,109. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$20,844 from the prior year to \$517,206.

The Road Use Tax Fund cash balance increased \$17,637 to \$182,572 during the fiscal year.

The Local Option Sales Tax Fund cash balance increased \$90,221 from the prior year to \$233,555.

The Debt Service Fund cash balance decreased \$11,463 from the prior year to \$7,764.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$85,957 to \$202,323, due primarily to increased water service rates and lower operating disbursements.

The Sewer Fund cash balance increased by \$92,797 to \$438,177, due primarily to increased sewer service rates.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved May 21, 2007 and resulted in a net increase of \$149,800 in budgeted disbursements. The increase was to provide for additional disbursements in certain City departments.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$1,297,896 in general obligation bonds, capital loan notes, special assessment bonds and other long-term debt, compared to \$1,431,672 last year, as shown below.

CITY OF PLEASANTVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	Outstanding Debt at Year-End	
	June 30,	
	2007	2006
General obligation bonds	\$ 405,000	455,000
Capital loan notes	722,376	791,587
Special assessment bonds	165,000	177,000
Other long-term debt	5,520	8,085
Total	\$ 1,297,896	1,431,672

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 \$620,896 is significantly below its constitutional debt limit of \$ 2.6 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 2008 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, 2007

	<u>Disbursements</u>	<u>Program</u> Charges for Service
Functions / Programs		
Governmental activities		
Public safety	\$ 267,627	30,830
Public works	98,105	8,756
Culture and recreation	21,328	500
Community and economic development	156,769	-
General government	67,887	3,673
Debt service	137,240	57,419
Capital projects	51,998	-
Total governmental activities	<u>800,954</u>	<u>101,178</u>
Business type activities		
Water	122,907	281,929
Sewer	139,593	232,817
Total business type activities	<u>262,500</u>	<u>514,746</u>
Total	<u>\$ 1,063,454</u>	<u>615,924</u>
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		
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
-	-	(236,797)	-	(236,797)
128,101	-	38,752	-	38,752
1,000	-	(19,828)	-	(19,828)
-	-	(156,769)	-	(156,769)
-	-	(64,214)	-	(64,214)
-	-	(79,821)	-	(79,821)
-	-	(51,998)	-	(51,998)
<u>129,101</u>	<u>-</u>	<u>(570,675)</u>	<u>-</u>	<u>(570,675)</u>
-	-	-	159,022	159,022
-	-	-	93,224	93,224
-	-	-	252,246	252,246
<u>129,101</u>	<u>-</u>	<u>(570,675)</u>	<u>252,246</u>	<u>(318,429)</u>
		215,675	-	215,675
		60,705	-	60,705
		45,515	-	45,515
		156,595	-	156,595
		10,165	-	10,165
		31,992	40,753	72,745
		26,735	-	26,735
		255	-	255
		<u>56,275</u>	<u>(56,275)</u>	<u>-</u>
		<u>603,912</u>	<u>(15,522)</u>	<u>588,390</u>

CITY OF PLEASANTVILLE

Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2007

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

Governmental Activities	Business Type Activities	Total
33,237	236,724	269,961
<u>1,134,179</u>	<u>698,620</u>	<u>1,832,799</u>
<u><u>1,167,416</u></u>	<u><u>935,344</u></u>	<u><u>2,102,760</u></u>
182,572	-	182,572
233,555	-	233,555
133,873	37,720	171,593
58,042	-	58,042
<u>559,374</u>	<u>897,624</u>	<u>1,456,998</u>
<u><u>1,167,416</u></u>	<u><u>935,344</u></u>	<u><u>2,102,760</u></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, 2007

	<u>General</u>	<u>Special Road Use Tax</u>
Receipts		
Property tax	\$ 215,675	-
Tax increment financing collections	-	-
Other city tax	11,454	-
Licenses and permits	3,673	-
Use of money and property	23,831	-
Intergovernmental	-	128,101
Charges for service	43,086	-
Special assessments	-	-
Miscellaneous	23,455	-
Total receipts	<u>321,174</u>	<u>128,101</u>
Disbursements		
Operating		
Public safety	243,070	-
Public works	4,366	110,464
Culture and recreation	21,328	-
Community and economic development	49,951	-
General government	64,699	-
Debt service	5,559	-
Capital projects	-	-
Total disbursements	<u>388,973</u>	<u>110,464</u>
Excess of receipts over disbursements	<u>(67,799)</u>	<u>17,637</u>
Other financing sources (uses)		
Operating transfers in (out)	<u>(79,154)</u>	<u>-</u>

<u>Revenue</u>		<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Local Option Sales Tax</u>	<u>Debt Service</u>		
-	43,584	-	259,259
-	-	60,705	60,705
156,595	2,177	-	170,226
-	-	-	3,673
-	1,454	-	25,285
-	-	-	128,101
-	-	-	43,086
-	-	57,419	57,419
-	-	-	23,455
<u>156,595</u>	<u>47,215</u>	<u>118,124</u>	<u>771,209</u>
-	-	29,557	272,627
-	-	2,775	117,605
-	-	-	21,328
66,374	-	40,444	156,769
-	-	3,188	67,887
-	115,153	16,528	137,240
-	-	51,998	51,998
<u>66,374</u>	<u>115,153</u>	<u>144,490</u>	<u>825,454</u>
<u>90,221</u>	<u>(67,938)</u>	<u>(26,366)</u>	<u>(54,245)</u>
-	72,803	62,626	56,275

CITY OF PLEASANTVILLE

Statement of Cash Receipts, Disbursements
 And Changes in Cash Balances
 Governmental Funds
 As of and for the year ended June 30, 2007

	<u>General</u>	<u>Special Road Use Tax</u>
Net change in cash balances	(146,953)	17,637
Cash balances beginning of year	<u>538,050</u>	<u>164,935</u>
Cash balances end of year	<u>\$ 391,097</u>	<u>182,572</u>
Cash Basis Fund Balances		
Reserved		
Debt service	\$ -	-
Unreserved		
General fund	517,206	-
Special revenue funds	<u>-</u>	<u>182,572</u>
Total cash basis fund balances	<u>\$ 517,206</u>	<u>182,572</u>

See notes to financial statements.

<u>Revenue</u>		Other Nonmajor Governmental Funds	<u>Total</u>
Local Option Sales Tax	<u>Debt Service</u>		
90,221	4,865	36,260	2,030
<u>143,334</u>	<u>19,227</u>	<u>131,563</u>	<u>997,109</u>
<u>233,555</u>	<u>24,092</u>	<u>167,823</u>	<u>999,139</u>
-	24,092	109,781	133,873
-	-	-	517,206
<u>233,555</u>	<u>-</u>	<u>58,042</u>	<u>474,169</u>
<u>233,555</u>	<u>24,092</u>	<u>167,823</u>	<u>1,125,248</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, 2007

Total government funds cash balances	\$ 999,139
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Amounts reported for governmental 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 governmental activities in the Statement of Net Assets.

<u>168,277</u>

Cash basis net assets of governmental activities	\$ <u>1,167,416</u>
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Net change in cash balances	\$ 2,030
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Amounts reported for governmental 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 in net assets of the Internal Service Fund is reported with governmental activities.

<u>31,207</u>

Change in cash balance of governmental activities	\$ <u>33,237</u>
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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, 2007

	Enterprise Funds			Internal Service Funds
	Water	Sewer	Total	Other Nonmajor Equipment Replacement
Operating receipts				
Use of money and property	\$ 9,243	19,740	28,983	18,477
Charges for service	262,060	231,564	493,624	70,700
Miscellaneous	19,869	1,253	21,122	-
Total operating receipts	<u>291,172</u>	<u>252,557</u>	<u>543,729</u>	<u>89,177</u>
Operating disbursements				
Governmental activities				
Public safety	-	-	-	-
General government	-	-	-	-
Business type activities				
Water	158,507	-	158,507	-
Sewer	-	150,193	150,193	-
Total operating disbursements	<u>158,507</u>	<u>150,193</u>	<u>308,700</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>132,665</u>	<u>102,364</u>	<u>235,029</u>	<u>89,177</u>
Other financing sources (uses)				
Operating transfers in (out)	<u>(46,708)</u>	<u>(9,567)</u>	<u>(56,275)</u>	<u>-</u>
Total other financing sources (uses)	<u>(46,708)</u>	<u>(9,567)</u>	<u>(56,275)</u>	<u>-</u>
Net change in cash balances	85,957	92,797	178,754	89,177
Cash balances beginning of year	<u>116,366</u>	<u>345,380</u>	<u>461,746</u>	<u>373,944</u>
Cash balances end of year	<u>\$ 202,323</u>	<u>438,177</u>	<u>640,500</u>	<u>463,121</u>
Cash Basis Fund Balances				
Reserved for debt service	-	37,720	37,720	-
Unreserved	<u>202,323</u>	<u>400,457</u>	<u>602,780</u>	<u>463,121</u>
Total cash basis fund balances	<u>\$ 202,323</u>	<u>438,177</u>	<u>640,500</u>	<u>463,121</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, 2007

Total enterprise funds cash balances	\$	640,500
--------------------------------------	----	---------

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.	<u>294,844</u>
--	----------------

Cash basis net assets of business type activities	\$	<u>935,344</u>
---	----	----------------

Net change in cash balances	\$	178,754
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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.	<u>57,970</u>
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Change in cash balance of business type activities	\$	<u>236,724</u>
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See notes to financial statements.

CITY OF PLEASANTVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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, 2007

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, 2007

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 Local Option Sales Tax Fund is used to account for community projects financed by local option sales tax.

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, 2007, disbursements exceeded the amounts budgeted in the community and economic development and capital projects functions.

CITY OF PLEASANTVILLE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

2. CASH AND INVESTMENTS

The City's deposits in banks 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; 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
2008	150,321	47,940	15,000	7,470	2,693	276	168,014	55,686
2009	162,438	41,928	15,000	6,855	2,827	141	180,265	48,924
2010	101,617	35,324	15,000	6,225	-	-	116,617	41,549
2011	107,000	30,993	20,000	5,580	-	-	127,000	36,573
2012	114,000	26,336	20,000	4,700	-	-	134,000	31,036
2013	70,000	21,293	20,000	3,800	-	-	90,000	25,093
2014	73,000	18,316	20,000	2,880	-	-	93,000	21,196
2015	74,000	15,181	20,000	1,940	-	-	94,000	17,121
2016	81,000	11,973	20,000	980	-	-	101,000	12,953
2017	83,000	8,423	-	-	-	-	83,000	8,423
2018	50,000	4,753	-	-	-	-	50,000	4,753
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>1,127,376</u>	<u>267,749</u>	<u>165,000</u>	<u>40,430</u>	<u>5,520</u>	<u>417</u>	<u>1,297,896</u>	<u>308,596</u>

CITY OF PLEASANTVILLE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2007

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	108,991	April 2010
May 2002	167,050	139,569	May 2012 (may be extended to May 2014)
May 2002	231,805	218,968	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, 2007

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, 2007, 2006 and 2005 were \$15,810, \$13,508 and \$13,785, 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, 2007, primarily relating to the General Fund, is as follows:

TYPE OF BENEFIT	AMOUNT
Vacation, holiday and compensating time	\$ 11,546
Sick leave	<u>15,975</u>
Total	<u>\$ 27,521</u>

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

CITY OF PLEASANTVILLE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2007

7. INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects	\$ <u>6,264</u>
Debt Service	General	16,528
	Enterprise:	
	Water	46,708
	Sewer	<u>9,567</u>
		<u>\$ 79,067</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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to to be Budgeted
Receipts			
Property tax	\$ 259,259	-	-
Tax increment financing collections	60,705	-	-
Other city tax	170,226	-	-
Licenses and permits	3,673	-	-
Use of money and property	25,285	47,460	18,477
Intergovernmental	128,101	-	-
Charges for service	43,086	564,324	70,700
Special assessments	57,419	-	-
Miscellaneous	<u>23,455</u>	<u>21,122</u>	<u>-</u>
Total receipts	<u>771,209</u>	<u>632,906</u>	<u>89,177</u>
Disbursements			
Public safety	272,627	-	-
Public works	117,605	-	-
Culture and recreation	21,328	-	-
Community and economic development	156,769	-	-
General government	67,887	-	-
Debt service	137,240	-	-
Capital projects	51,998	-	-
Business type activities	-	308,700	-
Total disbursements	<u>825,454</u>	<u>308,700</u>	<u>-</u>
Excess of receipts over disbursements	(54,245)	324,206	89,177
Other financing sources, net	<u>56,275</u>	<u>(56,275)</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	2,030	267,931	89,177
Balances beginning of year	<u>997,109</u>	<u>835,690</u>	<u>373,944</u>
Balances end of year	<u><u>999,139</u></u>	<u><u>1,103,621</u></u>	<u><u>463,121</u></u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
259,259	266,579	266,579	(7,320)
60,705	58,725	58,725	1,980
170,226	151,779	201,229	(31,003)
3,673	2,735	3,235	438
54,268	34,085	43,085	11,183
128,101	188,800	188,800	(60,699)
536,710	629,700	629,700	(92,990)
57,419	-	44,000	13,419
44,577	-	11,500	33,077
<u>1,314,938</u>	<u>1,332,403</u>	<u>1,446,853</u>	<u>(131,915)</u>
272,627	219,834	276,934	4,307
117,605	167,170	167,170	49,565
21,328	22,369	34,369	13,041
156,769	58,725	89,425	(67,344)
67,887	85,027	85,027	17,140
137,240	159,990	159,990	22,750
51,998	-	50,000	(1,998)
<u>308,700</u>	<u>351,035</u>	<u>351,035</u>	<u>42,335</u>
<u>1,134,154</u>	<u>1,064,150</u>	<u>1,213,950</u>	<u>79,796</u>
180,784	268,253	232,903	(52,119)
-	-	-	-
180,784	268,253	232,903	(52,119)
<u>1,458,855</u>	<u>1,458,855</u>	<u>1,458,855</u>	<u>-</u>
<u>1,639,639</u>	<u>1,727,108</u>	<u>1,691,758</u>	<u>(52,119)</u>

CITY OF PLEASANTVILLE

Notes to Required Supplementary Information –
Budgetary Reporting
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 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 \$149,800. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the community and economic development 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, 2007

	Special Revenue			Debt Service
	Employee Benefits Levy	Emergency Levy	TIF Levy	West Street Paving Assessment Project Bond Fund
Receipts				
Tax increment financing collections	\$ -	-	60,705	
Special assessments	-	-	-	57,419
Total receipts	-	-	60,705	57,419
Disbursements				
Operating				
Public safety	29,557	-	-	-
Public works	2,775	-	-	-
Community and economic development	-	-	40,444	-
General government	3,188	-	-	-
Debt service	-	-	-	16,528
Capital projects	-	-	-	-
Total disbursements	35,520	-	40,444	16,528
Excess (deficiency) of receipts over (under) disbursements	(35,520)	-	20,261	40,891
Other financing uses				
Operating transfers in (out)	-	-	-	68,890
Net change in cash balances	(35,520)	-	20,261	109,781
Cash balances beginning of year	36,881	27,792	8,628	-
Cash balances end of year	\$ 1,361	27,792	28,889	109,781
Cash Basis Fund Balances				
Reserved				
Debt service	\$ -	-	-	109,781
Unreserved				
Special revenue funds	1,361	27,792	28,889	-
Capital project fund	-	-	-	-
Total cash basis fund balances	\$ 1,361	27,792	28,889	109,781

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
	60,705
-	<u>57,419</u>
-	<u>118,124</u>
-	29,557
-	2,775
-	40,444
-	3,188
-	16,528
<u>51,998</u>	<u>51,998</u>
<u>51,998</u>	<u>144,490</u>
<u>(51,998)</u>	<u>(26,366)</u>
<u>(6,264)</u>	<u>62,626</u>
(58,262)	36,260
<u>58,262</u>	<u>131,563</u>
<u>-</u>	<u>167,823</u>
-	109,781
-	58,042
<u>-</u>	<u>-</u>
<u>-</u>	<u>167,823</u>

CITY OF PLEASANTVILLE

Schedule of Indebtedness
Year ended June 30, 2007

<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>455,000</u>
Capital Loan Notes				
1998 Sewer Revenue	02/01/98	4.23%	436,000	303,000
1999 Essential Corporate Purpose	05/20/99	5.00%	15,000	5,291
2000 Essential Corporate Purpose	07/20/99	5.00%	5,000	2,296
2001 Sewer Revenue	08/21/01	4.30%	440,000	241,000
2002 Streets and Utilities	03/01/02	3.00-4.75%	360,000	<u>240,000</u>
				<u>791,587</u>
Special Assessment Bonds				
2006 Street Improvement	5/15/06	4.00-4.90%	177,000	<u>177,000</u>
Other Long-Term Debt				
1994 Ball Fields Loan	12/13/93	5.00%	30,815	<u>8,085</u>
				<u>\$ 1,431,672</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>-</u>	<u>50,000</u>	<u>405,000</u>	<u>19,393</u>	<u>-</u>
-	20,000	283,000	12,819	-
-	1,678	3,613	265	-
-	533	1,763	115	-
-	12,000	229,000	10,364	-
<u>-</u>	<u>35,000</u>	<u>205,000</u>	<u>10,560</u>	<u>-</u>
<u>-</u>	<u>69,211</u>	<u>722,376</u>	<u>34,123</u>	<u>-</u>
<u>-</u>	<u>12,000</u>	<u>165,000</u>	<u>4,328</u>	<u>-</u>
<u>-</u>	<u>2,565</u>	<u>5,520</u>	<u>404</u>	<u>-</u>
<u>-</u>	<u>133,776</u>	<u>1,297,896</u>	<u>58,248</u>	<u>-</u>

CITY OF PLEASANTVILLE

Bond and Note Maturities
June 30, 2007

YEAR ENDING JUNE 30,	SEWER REVENUE		CAPITAL ESSENTIAL CORPORATE PURPOSE	
	ISSUED FEBRUARY 1, 1998		ISSUED MAY 20, 1999	
	INTEREST		INTEREST	
	RATE	AMOUNT	RATE	AMOUNT
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>\$ 283,000</u>		<u>\$ 3,613</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		INTEREST	
RATE	AMOUNT	RATE	AMOUNT	
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>\$ 405,000</u>		<u>\$ 165,000</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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts				
Property tax	\$ 259,259	259,592	265,847	304,899
Tax increment financing collections	60,705	27,932	18,829	8,565
Other city tax	170,226	148,123	137,503	165,211
Licenses and permits	3,673	2,548	3,405	2,768
Use of money and property	25,285	29,961	20,190	20,504
Intergovernmental	128,101	128,686	128,513	131,611
Charges for service	43,086	44,120	41,528	45,183
Special assessments	57,419	68,890	-	-
Miscellaneous	23,455	36,466	11,601	42,757
Total	<u>\$ 771,209</u>	<u>746,318</u>	<u>627,416</u>	<u>721,498</u>
Disbursements				
Operating				
Public safety	272,627	212,849	181,349	167,159
Public works	117,605	126,231	144,215	123,171
Culture and recreation	21,328	26,224	19,035	39,459
Community and economic development	156,769	226,553	197,485	94,583
General government	67,887	210,471	73,457	60,627
Debt service	137,240	257,580	90,196	164,675
Capital projects	51,998	511,011	-	-
Total	<u>\$ 825,454</u>	<u>1,570,919</u>	<u>705,737</u>	<u>649,674</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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 9, 2007. Our report expressed 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 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 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 Pleasantville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Pleasantville'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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

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 the City of Pleasantville'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 the City of Pleasantville's financial statements that is more than inconsequential will not be prevented or detected by the City of Pleasantville's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency 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 the City of Pleasantville'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 considered that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 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 or other matters 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, 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.

The City of Pleasantville'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 the City of Pleasantville'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 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.

November 9, 2007

CITY OF PLEASANTVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2007

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) Significant deficiencies 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.

SIGNIFICANT DEFICIENCY:

II-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. 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, 2007

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the community and economic development and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation”.

Recommendation – The budget should have been amended in accordance with Chapter 384.20 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-07 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-07 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

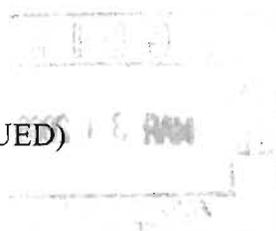
IV-D-07 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-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 ensure that coverage is adequate for current operations.

CITY OF PLEASANTVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended June 30, 2007



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

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

- IV-G-07 Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.

- IV-H-07 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.