

**CITY OF PLEASANTVILLE**

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2012**



**Shull**  
and Co. P.C.  
certified public accountants

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CITY OF PLEASANTVILLE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Before November 2011		
Jason Anthony	Mayor	January 2012
Chad DeJoode	Mayor Protem	January 2012
Jason Hinners	Council Member	January 2012
Aaron Hurt	Council Member	January 2012
John Franey	Council Member	January 2014
Jordan Van Ness	Council Member	January 2014
Joe Mrstik	City Administrator	Indefinite
Dorothy Phipps	City Clerk	Indefinite
Jean McCormick	Deputy City Clerk	Indefinite
Robert Benton	City Attorney	Indefinite
After December 2011		
Jason Anthony	Mayor	January 2014
Aaron Hurt	Mayor Protem	January 2016
Matt Dabb	Council Member	January 2016
Nick Ellis	Council Member	January 2016
John Franey	Council Member	January 2014
Jordan Van Ness	Council Member	January 2014
Joe Mrstik	City Administrator	Indefinite
Dorothy Phipps	City Clerk	Indefinite
Jean McCormick	Deputy City Clerk	Indefinite
Robert Benton	City Attorney	Indefinite



# Shull

and Co. P.C.  
certified public accountants

## 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, 2012, 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, 2012, 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 August 17, 2012 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 and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and

should be considered in assessing the results of our audit.

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 ten years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 32 through 34 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Stull & Co., P.C.*

August 17, 2012

## 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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

#### **2012 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities increased 7%, or approximately \$63,000, from fiscal 2011 to fiscal 2012.

Disbursements increased 4%, or approximately \$38,000, in fiscal 2012 from fiscal 2011. Culture and recreation and community and economic development increased approximately \$48,000 and \$77,000, respectively. Capital projects decreased approximately \$84,000.

The City's total cash basis net assets decreased 14%, or approximately \$296,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$22,000 and the assets of the business type activities decreased by approximately \$318,000.

#### **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.

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

### **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**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, increasing from \$834,338 to \$856,660. 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	
	2012	2011
Receipts and transfers		
Program receipts		
Charges for service	\$ 92,320	64,506
Operating grants, contributions and restricted interest	162,565	146,856
General receipts		
Property tax	454,993	464,901
Local option sales tax	181,762	149,137
Utility tax replacement excise tax	13,741	13,035
Unrestricted interest on investments	5,154	8,926
Other general receipts	8,277	8,522
Total receipts	<u>918,812</u>	<u>855,883</u>
Disbursements		
Public safety	211,885	219,790
Public works	196,428	191,520
Culture and recreation	110,067	62,089
Community and economic development	217,113	140,329
General government	74,979	76,519
Debt service	86,018	83,600
Capital projects	-	84,471
Total disbursements	<u>896,490</u>	<u>858,318</u>
Change in cash basis net assets before transfers	22,322	(2,435)
Transfers, net	-	-
Change in cash basis net assets	22,322	(2,435)
Cash basis net assets beginning of year	<u>834,338</u>	<u>836,773</u>
Cash basis net assets end of year	<u>\$ 856,660</u>	<u>834,338</u>

The City's total receipts for governmental activities increased by 7%, or \$62,929. The total cost of all programs and services increased by \$38,172, or 4%.

CITY OF PLEASANTVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$896,490 compared to \$858,318 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 \$641,605 because some of the cost was paid by those directly benefitting from the programs (\$92,320) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$162,565). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$455,000 in tax (some of which could only be used for certain programs), local option sales tax receipts of approximately \$182,000 and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30	
	2012	2011
Receipts and transfers		
Program receipts		
Charges for service		
Water	\$ 274,269	260,140
Sewer	268,408	257,728
Operating grants, contributions and restricted interest	131	2,883
Capital grants, contributions and restricted interest	-	532,105
General receipts		
Unrestricted interest on investment	8,742	8,242
Capital loan note proceeds	-	290,190
Total receipts	<u>551,550</u>	<u>1,351,288</u>
Disbursements		
Water	287,965	261,991
Sewer	<u>581,788</u>	<u>833,752</u>
Total disbursements	<u>869,753</u>	<u>1,095,743</u>
Change in cash basis net assets	(318,203)	255,545
Cash basis net assets beginning of year	<u>1,175,101</u>	<u>919,556</u>
Cash basis net assets end of year	<u>\$ 856,898</u>	<u>1,175,101</u>

Total business type activities receipts for the fiscal year were \$551,550 compared to \$1,351,288 last year. The cash balance decreased by \$318,203. Total disbursements for the fiscal year decreased by 21% to a total of \$869,753.

## 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 \$705,674, an increase of approximately \$53,000 from last year's total of \$652,259. 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 \$10,759 from the prior year to \$261,974.

The Road Use Tax Fund cash balance decreased \$3,127 to \$74,923 during the fiscal year.

The Local Option Sales Tax Fund cash balance increased \$45,533 from the prior year to \$246,252.

The TIF Levy Fund cash balance increased \$22,064 from the prior year to \$61,378.

The Debt Service Fund cash balance decreased \$296 from the prior year to \$27,855.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balance increased by \$5,637 to \$243,073 during the fiscal year.

The Sewer Fund cash balance decreased by \$292,274 from the prior year to \$294,140.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved April 18, 2011 and resulted in a net increase of \$432,823 in budgeted disbursements. The increase was to provide for additional disbursements in certain City departments.

The City exceeded the amounts budgeted in the culture and recreation function for the year ended June 30, 2012.

#### **DEBT ADMINISTRATION**

At June 30, 2012, the City had \$764,000 in general obligation bonds, capital loan notes, and special assessment bonds, compared to \$889,000 last year, as shown below.

CITY OF PLEASANTVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	Outstanding Debt at Year-End	
	June 30,	
	2011	2011
General obligation bonds	\$ 160,000	190,000
Capital loan notes	604,000	699,000
Total	\$ 764,000	889,000

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 \$160,000 is significantly below its constitutional debt limit of \$ 3.4 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 2013 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, 2012

	<u>Disbursements</u>	<u>Program</u> Charges for Service
Functions / Programs		
Governmental activities		
Public safety	\$ 211,885	1,491
Public works	196,428	9,153
Culture and recreation	110,067	76,482
Community and economic development	217,113	-
General government	74,979	5,194
Debt service	86,018	-
Total governmental activities	<u>896,490</u>	<u>92,320</u>
Business type activities		
Water	287,965	274,269
Sewer	581,788	268,408
Total business type activities	<u>869,753</u>	<u>542,677</u>
Total	<u>\$ 1,766,243</u>	<u>634,997</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		
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
-	-	(210,394)	-	(210,394)
162,565	-	(24,710)	-	(24,710)
-	-	(33,585)	-	(33,585)
-	-	(217,113)	-	(217,113)
-	-	(69,785)	-	(69,785)
-	-	(86,018)	-	(86,018)
<u>162,565</u>	-	<u>(641,605)</u>	-	<u>(641,605)</u>
131	-	-	(13,565)	(13,565)
-	-	-	(313,380)	(313,380)
<u>131</u>	-	-	<u>(326,945)</u>	<u>(326,945)</u>
<u>162,696</u>	-	<u>(641,605)</u>	<u>(326,945)</u>	<u>(968,550)</u>
		285,744	-	285,744
		86,829	-	86,829
		82,420	-	82,420
		181,762	-	181,762
		13,741	-	13,741
		5,154	8,742	13,896
		<u>8,277</u>	-	<u>8,277</u>
		<u>663,927</u>	<u>8,742</u>	<u>672,669</u>

CITY OF PLEASANTVILLE

Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2012

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted

Streets

Urban renewal purposes

Debt service

Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
22,322	(318,203)	(295,881)
<u>834,338</u>	<u>1,175,101</u>	<u>2,009,439</u>
<u>856,660</u>	<u>856,898</u>	<u>1,713,558</u>
74,923	-	74,923
61,378	-	61,378
27,855	38,912	66,767
33,292	-	33,292
<u>659,212</u>	<u>817,986</u>	<u>1,477,198</u>
<u>856,660</u>	<u>856,898</u>	<u>1,713,558</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, 2012

	General	Special Road Use Tax
<b>Receipts</b>		
Property tax	\$ 285,744	-
Tax increment financing collections	-	-
Other city tax	11,933	-
Licenses and permits	3,813	-
Use of money and property	4,073	-
Intergovernmental	-	162,565
Charges for service	71,743	-
Miscellaneous	23,547	-
Total receipts	<u>400,853</u>	<u>162,565</u>
<b>Disbursements</b>		
Operating		
Public safety	207,855	-
Public works	5,437	165,692
Culture and recreation	110,067	-
Community and economic development	16,119	-
General government	72,134	-
Debt service	-	-
Total disbursements	<u>411,612</u>	<u>165,692</u>
Excess of receipts over disbursements	<u>(10,759)</u>	<u>(3,127)</u>

Revenue			Other		
Local			Nonmajor		
Option	TIF	Debt	Governmental		
Sales Tax	Levy	Service	Funds		Total
-	-	82,430	-	-	368,174
-	86,829	-	-	-	86,829
181,762	-	3,292	-	-	196,987
-	-	-	-	-	3,813
-	-	-	-	-	4,073
-	-	-	-	-	162,565
-	-	-	-	-	71,743
-	-	-	-	-	23,547
<u>181,762</u>	<u>86,829</u>	<u>85,722</u>	<u>-</u>	<u>-</u>	<u>917,731</u>
-	-	-	-	-	207,855
-	-	-	-	-	171,129
-	-	-	-	-	110,067
136,229	64,765	-	-	-	217,113
-	-	-	-	-	72,134
-	-	86,018	-	-	86,018
<u>136,229</u>	<u>64,765</u>	<u>86,018</u>	<u>-</u>	<u>-</u>	<u>864,316</u>
<u>45,533</u>	<u>22,064</u>	<u>(296)</u>	<u>-</u>	<u>-</u>	<u>53,415</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, 2012

	<u>General</u>	<u>Special Road Use Tax</u>
Cash balances beginning of year	<u>272,733</u>	<u>78,050</u>
Cash balances end of year	<u>\$ 261,974</u>	<u>74,923</u>
 Cash Basis Fund Balances		
Restricted for:		
Streets	\$ -	74,923
Urban renewal purposes	-	-
Debt service	-	-
Other purposes	-	-
Assigned for other purposes	-	-
Unassigned	<u>261,974</u>	<u>-</u>
 Total cash basis fund balances	 <u>\$ 261,974</u>	 <u>74,923</u>

See notes to financial statements.

Revenue			Other	
Local	TIF	Debt	Nonmajor	
Option	Levy	Service	Governmental	Total
Sales Tax			Funds	
200,719	39,314	28,151	33,292	652,259
246,252	61,378	27,855	33,292	705,674
-	-	-	-	74,923
-	61,378	-	-	61,378
-	-	27,855	-	27,855
-	-	-	33,292	33,292
246,252	-	-	-	246,252
-	-	-	-	261,974
246,252	61,378	27,855	33,292	705,674

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, 2012

Total government funds cash balances	\$ 705,674
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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>150,986</u>
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Cash basis net assets of governmental activities	\$ <u>856,660</u>
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Net change in cash balances	\$ 53,415
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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>(31,093)</u>
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Change in cash balance of governmental activities	\$ <u>22,322</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, 2012

	Enterprise Funds			Internal Service Funds
	Water	Sewer	Total	Other Nonmajor Equipment Replacement
Operating receipts				
Use of money and property	\$ 1,769	3,672	5,441	4,382
Charges for service	258,838	266,498	525,336	-
Miscellaneous	15,562	1,910	17,472	-
Total operating receipts	<u>276,169</u>	<u>272,080</u>	<u>548,249</u>	<u>4,382</u>
Operating disbursements				
Governmental activities				
Public safety	-	-	-	4,030
Public works	-	-	-	25,299
General government	-	-	-	2,845
Business type activities				
Water	270,532	-	270,532	17,433
Sewer	-	564,354	564,354	17,434
Total operating disbursements	<u>270,532</u>	<u>564,354</u>	<u>834,886</u>	<u>67,041</u>
Excess (deficiency) of receipts over (under) disbursements	<u>5,637</u>	<u>(292,274)</u>	<u>(286,637)</u>	<u>(62,659)</u>
Cash balances beginning of year	<u>237,436</u>	<u>586,414</u>	<u>823,850</u>	<u>533,330</u>
Cash balances end of year	<u>\$ 243,073</u>	<u>294,140</u>	<u>537,213</u>	<u>470,671</u>
Cash Basis Fund Balances				
Restricted for debt service	-	38,912	38,912	-
Unrestricted	<u>243,073</u>	<u>255,228</u>	<u>498,301</u>	<u>470,671</u>
Total cash basis fund balances	<u>\$ 243,073</u>	<u>294,140</u>	<u>537,213</u>	<u>470,671</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, 2012

Total enterprise funds cash balances	\$ 537,213
--------------------------------------	------------

*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>319,685</u>
--	----------------

Cash basis net assets of business type activities	\$ <u>856,898</u>
---	-------------------

Net change in cash balances	\$ (286,637)
-----------------------------	--------------

*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>(31,566)</u>
--	-----------------

Change in cash balance of business type activities	\$ <u>(318,203)</u>
--	---------------------

See notes to financial statements.

## CITY OF PLEASANTVILLE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

#### 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, 2012

**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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable 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.

CITY OF PLEASANTVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (Continued)**

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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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

The TIF Levy Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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

The City reports the following major proprietary funds:

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

The Enterprise, 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.

CITY OF PLEASANTVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

CITY OF PLEASANTVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the culture and recreation function.

**2. CASH AND INVESTMENTS**

The City's deposits in banks at June 30, 2012 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.

As of June 30, 2012, the City had no investments subject to interest rate risk or credit risk disclosure requirements.

CITY OF PLEASANTVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

**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 LOAN NOTES	
	PRINCIPAL	INTEREST
2013	\$ 81,000	26,210
2014	85,000	23,406
2015	86,000	20,450
2016	93,000	17,436
2017	96,000	14,103
2018	63,000	10,645
2019	34,000	7,800
2020	34,000	6,780
2021	36,000	5,760
2022	15,000	4,680
2023	16,000	4,230
2024	16,000	3,750
2025	17,000	3,270
2026	17,000	2,760
2027	18,000	2,250
2028	18,000	1,710
2029	19,000	1,170
2030	20,000	600
Total	\$ 764,000	157,010

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.

CITY OF PLEASANTVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

**3. BONDS AND NOTES PAYABLE (CONTINUED)**

- (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.

In February 2010, the City entered into a \$381,000 loan and disbursement agreement and a \$95,000 forgivable loan and disbursement agreement with the Iowa Water Pollution Control Works Financing Program of the Iowa Finance Authority. Proceeds from the loan agreements will be used to finance sewer system improvements. Advances on the loans become Sewer Revenue Bonds payable in varying amounts over 20 years plus interest at 3% per annum. The forgivable loan is forgivable upon completion of the improvement project and issuance of a certificate of completion. There was \$389,000 advanced on the loan agreements during the year ended June 30, 2011. In June 2011, the forgivable loan amount of \$95,000 was forgiven

**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>
April 1998	\$ 150,000	\$ 5,713	April 2010
May 2002	231,805	123,101	May 2012 (may be extended to May 2015)
December 2003	32,080	32,080	December 2013
November 2005	125,600	121,429	June 2016
October 2007	123,000	84,820	June 2018

CITY OF PLEASANTVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

**5. PENSION AND RETIREMENT BENEFITS**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$28,017, \$20,685 and \$17,489, 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, 2012, primarily relating to the General Fund, is as follows:

<u>TYPE OF BENEFIT</u>	<u>AMOUNT</u>
Vacation, holiday and compensating time	\$ 18,632
Sick leave	<u>34,258</u>
Total	<u>\$ 52,890</u>

This liability has been computed based on rates of pay as of June 30, 2012.

CITY OF PLEASANTVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

**7. 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.

**8. CONSTRUCTION AND OTHER COMMITMENTS**

The City has entered into contracts totaling \$70,850 for aeration and GIS mapping projects. At June 30, 2012, \$14,690 of the contracts were completed. The remaining amount of the contracts will be paid as work on the projects progress.

**OTHER 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  
Other Information  
Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to to be Budgeted
Receipts			
Property tax	\$ 368,174	-	-
Tax increment financing collections	86,829	-	-
Other city tax	196,987	-	-
Licenses and permits	3,813	-	-
Use of money and property	4,073	9,823	4,382
Intergovernmental	162,565	-	-
Charges for service	71,743	525,336	-
Miscellaneous	<u>23,547</u>	<u>17,472</u>	<u>-</u>
Total receipts	<u>917,731</u>	<u>552,631</u>	<u>4,382</u>
Disbursements			
Public safety	207,855	4,030	4,030
Public works	171,129	25,299	25,299
Culture and recreation	110,067	-	-
Community and economic development	217,113	-	-
General government	72,134	2,845	2,845
Debt service	86,018	-	-
Business type activities	<u>-</u>	<u>869,753</u>	<u>34,867</u>
Total disbursements	<u>864,316</u>	<u>901,927</u>	<u>67,041</u>
Excess of receipts over disbursements	53,415	(349,296)	(62,659)
Balances beginning of year	<u>652,259</u>	<u>1,357,180</u>	<u>533,330</u>
Balances end of year	<u><u>705,674</u></u>	<u><u>1,007,884</u></u>	<u><u>470,671</u></u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
368,174	357,611	357,611	10,563
86,829	92,517	92,517	(5,688)
196,987	186,821	186,821	10,166
3,813	4,950	4,950	(1,137)
9,514	137,440	566,440	(556,926)
162,565	151,000	151,000	11,565
597,079	672,000	672,000	(74,921)
41,019	-	4,050	36,969
<u>1,465,980</u>	<u>1,602,339</u>	<u>2,035,389</u>	<u>(569,409)</u>
207,855	253,219	253,219	45,364
171,129	198,885	198,885	27,756
110,067	71,900	105,950	(4,117)
217,113	285,056	285,056	67,943
72,134	90,503	90,503	18,369
86,018	85,600	119,373	33,355
834,886	651,300	1,016,300	181,414
<u>1,699,202</u>	<u>1,636,463</u>	<u>2,069,286</u>	<u>370,084</u>
(233,222)	(34,124)	(33,897)	(199,325)
<u>1,476,109</u>	<u>1,100,635</u>	<u>1,100,635</u>	<u>375,474</u>
<u>1,242,887</u>	<u>1,066,511</u>	<u>1,066,738</u>	<u>176,149</u>

## CITY OF PLEASANTVILLE

### Notes to Other Information – Budgetary Reporting June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise 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 \$432,823. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the culture and recreation function.

**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, 2012

	<u>Special Revenue</u>		
	<u>Emergency Levy</u>	<u>Ballfield Lighting</u>	<u>Total</u>
Net change in cash balances	-	-	-
Cash balances beginning of year	<u>27,792</u>	<u>5,500</u>	<u>33,292</u>
Cash balances end of year	<u>\$ 27,792</u>	<u>5,500</u>	<u>33,292</u>
 Cash Basis Fund Balances			
Restricted for:			
Other purposes	<u>\$ 27,792</u>	<u>5,500</u>	<u>33,292</u>
Total cash basis fund balances	<u>\$ 27,792</u>	<u>5,500</u>	<u>33,292</u>

See accompanying independent auditor's report.

CITY OF PLEASANTVILLE

Schedule of Indebtedness  
Year ended June 30, 2012

<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>190,000</u>
Capital Loan Notes				
1998 Sewer Revenue	02/01/98	4.23%	436,000	194,000
2001 Sewer Revenue	08/21/01	4.30%	440,000	177,000
2002 Streets and Utilities	03/01/02	3.00-4.75%	360,000	45,000
2010 Sewer Revenue	2/15/10	3.00%	294,000	<u>283,000</u>
				<u>699,000</u>
				<u>\$ 889,000</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>30,000</u>	<u>160,000</u>	<u>8,380</u>	<u>-</u>
-	24,000	170,000	5,820	-
-	15,000	162,000	6,461	-
-	45,000	-	2,138	-
<u>-</u>	<u>11,000</u>	<u>272,000</u>	<u>8,490</u>	<u>-</u>
<u>-</u>	<u>95,000</u>	<u>604,000</u>	<u>22,909</u>	<u>-</u>
<u>-</u>	<u>125,000</u>	<u>764,000</u>	<u>31,289</u>	<u>-</u>

CITY OF PLEASANTVILLE

Bond and Note Maturities  
June 30, 2012

YEAR ENDING JUNE 30,	SEWER REVENUE		SEWER REVENUE		CAPITAL
	ISSUED FEBRUARY 1, 1998		ISSUED AUGUST 21, 2001		
	INTEREST		INTEREST		
	RATE	AMOUNT	RATE	AMOUNT	
2013	3.00	\$ 25,000	4.30	\$ 15,000	
2014	3.00	27,000	4.30	16,000	
2015	3.00	28,000	4.30	16,000	
2016	3.00	29,000	4.30	17,000	
2017	3.00	30,000	4.30	18,000	
2018	3.00	31,000	4.30	19,000	
2019		-	4.30	20,000	
2020		-	4.30	20,000	
2021		-	4.30	21,000	
2022		-		-	
2023		-		-	
2024		-		-	
2025		-		-	
2026		-		-	
2027		-		-	
2028		-		-	
2029		-		-	
2030		-		-	
TOTAL		\$ 170,000		\$ 162,000	

YEAR ENDING JUNE 30,	GENERAL OBLIGATION BONDS	
	STREET IMPROVEMENT AND REFUNDING	
	ISSUED MAY 15, 2006	
	INTEREST	
RATE	AMOUNT	
2013	4.15	\$ 30,000
2014	4.25	30,000
2015	4.30	30,000
2016	4.40	35,000
2017	4.50	35,000
		\$ 160,000

See accompanying independent auditor's report.

## LOAN NOTES

SEWER REVENUE		
ISSUED FEBRUARY 15, 2010		
INTEREST		
RATE	AMOUNT	TOTAL
3.00	\$ 11,000	\$ 51,000
3.00	12,000	55,000
3.00	12,000	56,000
3.00	12,000	58,000
3.00	13,000	61,000
3.00	13,000	63,000
3.00	14,000	34,000
3.00	14,000	34,000
3.00	15,000	36,000
3.00	15,000	15,000
3.00	16,000	16,000
3.00	16,000	16,000
3.00	17,000	17,000
3.00	17,000	17,000
3.00	18,000	18,000
3.00	18,000	18,000
3.00	19,000	19,000
3.00	20,000	20,000
	<u>\$ 272,000</u>	<u>\$ 604,000</u>

CITY OF PLEASANTVILLE

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts				
Property tax	\$ 368,174	356,495	335,292	328,356
Tax increment financing collections	86,829	108,406	97,839	69,702
Other city tax	196,987	164,320	177,664	165,228
Licenses and permits	3,813	2,493	4,769	2,455
Use of money and property	4,073	7,026	8,071	19,122
Intergovernmental	162,565	146,856	142,575	147,046
Charges for service	71,743	38,034	9,619	10,690
Special assessments	-	646	14,765	36,149
Miscellaneous	23,547	28,707	20,667	10,572
Total	<u>\$ 917,731</u>	<u>852,983</u>	<u>811,261</u>	<u>789,320</u>
Disbursements				
Operating				
Public safety	207,855	196,856	187,173	226,867
Public works	171,129	182,263	167,872	168,138
Culture and recreation	110,067	62,089	10,090	9,703
Community and economic development	217,113	140,329	145,254	165,939
General government	72,134	74,169	77,283	72,113
Debt service	86,018	83,600	224,963	169,015
Capital projects	-	84,471	245,054	157,486
Total	<u>\$ 864,316</u>	<u>823,777</u>	<u>1,057,689</u>	<u>969,261</u>

See accompanying independent auditor's report.

## Schedule 4

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
292,017	259,259	259,592	265,847	304,899	325,522
49,782	60,705	27,932	18,829	8,565	3,531
153,769	170,226	148,123	137,503	165,211	162,795
5,247	3,673	2,548	3,405	2,768	3,341
55,556	25,285	29,961	20,190	20,504	11,536
147,561	128,101	128,686	128,513	131,611	377,170
35,338	43,086	44,120	41,528	45,183	39,051
24,435	57,419	68,890	-	-	
<u>79,309</u>	<u>23,455</u>	<u>36,466</u>	<u>11,601</u>	<u>42,757</u>	<u>9,236</u>
<u>843,014</u>	<u>771,209</u>	<u>746,318</u>	<u>627,416</u>	<u>721,498</u>	<u>932,182</u>
287,830	272,627	212,849	181,349	167,159	134,370
169,784	117,605	126,231	144,215	123,171	93,870
10,105	21,328	26,224	19,035	39,459	16,078
151,558	156,769	226,553	197,485	94,583	64,493
72,927	67,887	210,471	73,457	60,627	61,454
175,079	137,240	257,580	90,196	164,675	197,811
<u>51,998</u>	<u>51,998</u>	<u>511,011</u>	<u>-</u>	<u>-</u>	<u>10,341</u>
<u>919,281</u>	<u>825,454</u>	<u>1,570,919</u>	<u>705,737</u>	<u>649,674</u>	<u>578,417</u>



# Shull

and Co. P.C.  
certified public accountants

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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 5, 2011. Our report expressed unqualified opinions on the financial statements, which were prepared in conformity with another 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

The management of the City of Pleasantville is responsible for establishing and maintaining effective 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Pleasantville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

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A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City 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, 2012 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.

*Shull & Co., P.C.*

August 17, 2012

CITY OF PLEASANTVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2012

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

- (A) Unqualified opinions were 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) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance 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:**

**INTERNAL CONTROL DEFICIENCY:**

II-A-12 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.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

CITY OF PLEASANTVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year ended June 30, 2012

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012, exceeded the amounts budgeted in the culture and recreation function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation”.

Recommendation – The budget should have been amended in accordance with Chapter 384.20 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-12 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-12 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-11 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, 2012

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

IV-F-12 City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should publish minutes and annual individual salaries as required.

Response – We will publish minutes and salaries as required.

Conclusion – Response accepted.

IV-G-12 Revenue Bonds – No violations of provisions of revenue bond resolution requirements were noted.

IV-H-12 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.