

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT  
PLEASANT VALLEY, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2005 Election)		
Deborah Dayman	President	2007
Tana Barsness	Vice President	2005
Kevin O'Hara	Board Member	2005
Pamela Paulsen	Board Member	2005
Kathy Kaminski	Board Member	2005
Dan Schurr	Board Member	2006
Joanne Messman	Board Member	2006
<u>Board of Education</u>		
(After September 2005 Election)		
Deborah Dayman	President	2007
Dan Schurr	Vice President	2006
Joanne Messman	Board Member	2006
Laura Hechtel	Board Member (Resigned June 30, 2006)	2006
Tony Huegel	Board Member	2008
Len Adams	Board Member	2008
Pamela Paulsen	Board Member	2008
<u>School Officials</u>		
Dr. James R. Spelhaug	Superintendent	2009
Cyndy Behrer	Assistant Superintendent	2008
Mike Clingingsmith	Chief Financial Officer	2008
Christine Harvey	District Secretary	2006
Joyce E. Bauwens	District Treasurer	2006
Lane & Waterman	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Pleasant Valley Community School District:

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 Pleasant Valley Community School District, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pleasant Valley Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2006 on our consideration of Pleasant Valley Community School District'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.

The Management's Discussion and Analysis and budgetary comparison information on pages XX through XX and XX through XX are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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 Pleasant Valley Community School District'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 three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

Oskaloosa, Iowa  
September 15, 2006

## Management Discussion and Analysis

This section of the Pleasant Valley Community School District's annual financial report presents its discussion and analysis of the district's financial performance during the fiscal year ending June 30, 2006. The analysis focuses on the district's financial performance as a whole. Please read it in conjunction with the district's financial statements, which immediately follow this section.

### Financial Highlights

- Construction was completed on two major projects early in the 2005-06 fiscal year. One project was an approximately 6,900 square foot classroom addition at Bridgeview Elementary School, LeClaire, Iowa. Construction had started on this project in the spring of 2004. This project also included remodeling of approximately 1,240 square feet of existing building space. Final payment to the contractor was made on October 5, 2005. Final total expenses related to the project were \$ 984,769. The second major project completed during the fiscal year consisted of a music addition and a wellness addition at Pleasant Valley High School, Riverdale, Iowa. Construction had started on this project in the spring of 2004. The total square feet for the music and wellness additions are approximately 15,890 square feet. This project also includes remodeling of approximately 8,070 square feet of existing building space. Final payment to the contractor was made on October 17, 2005. Final total expenses related to this project were \$ 2,626,262. Both the Bridgeview Elementary School and Pleasant Valley High School projects were funded with Physical Plant and Equipment Levy (PPEL) receipts and Local Option Sales and Services Tax for School Infrastructure receipts.
- Construction began on an approximately 6,250 square foot building addition and approximately 3,000 square foot renovation project at Cody Elementary School in August, 2005. Total expenses related to the project through June 30, 2006 were \$ 1,409,952. This project is being funded with proceeds from the Physical Plant and Equipment Levy (PPEL) and Local Option Sales and Services Tax for School Infrastructure funds.
- Interest rates continued to increase during the 2005-06 fiscal year. The district's governmental and business-type activities bank accounts earned \$ 262,565 interest during 2005-06, an increase of \$ 131,596 (100.5%) from the \$ 130,969 that those accounts earned during the 2004-05 fiscal year. Higher average cash balances during 2005-06 also were a contributing factor to the increase in interest income. The average month end cash balance for the total of all of the district's governmental and business-type activities bank accounts for 2005-06 was \$ 7,719,147 compared to \$ 6,097,710 in 2004-05. The district utilizes "sweep" accounts in the General, Management, Physical Plant and Equipment Levy (PPEL) and Nutrition Funds for the purpose of maximizing interest income.
- The fund balance in the Management Fund decreased by \$ 76,978 during 2005-06. There were two major factors in the fund balance decline in the Management Fund. One factor

in the fund balance decline in the Management Fund was a \$ 23,759 increase in unemployment costs during 2005-06 over the previous fiscal year. Much of this increase was due to the district's privatization of transportation services during the 2005-06 fiscal year. The other major factor in the fund balance decline in the Management Fund was the increase of \$ 41,473 (29.1%) in the cost of the district's workers' compensation insurance policy over the previous year.

- The fund balance in the Capital Projects Fund increased by \$ 790,308 during 2005-06. This increase was mainly due to the completion and final payments of the Bridgeview and High School building addition projects occurring early in the fiscal year. Local Option Sales and Services Tax for School Infrastructure payments received during the year exceeded the amounts that were paid out during the year on the Bridgeview Elementary School, Pleasant Valley High School and Cody Elementary School building addition projects during the year.
- The fund balance in the district's General Fund increased by \$ 767,065 from \$ 1,152,959 at June 30, 2005 to \$ 1,920,024 at June 30, 2006. A significant factor in the fund balance increase in the General Fund was the receipt of \$667,430 from the sale of the district's bus fleet to First Student, Inc. as part of the privatization of the district's transportation services.
- The district's 2005-06 certified enrollment (resident headcount) increased by 87.0 students over the 2004-05 certified enrollment. The district's certified enrollment as of September 16, 2005 was 3,295.4 students. A district's certified enrollment is used in determining funding through the state foundation formula in the fiscal year immediately after the fiscal year when the certified enrollment count is taken.
- The district special education deficit for 2005-06 was \$ 238,851. This was a \$ 136,968 decrease from the previous fiscal year's special education deficit of \$ 375,819. One factor contributing to this decrease is that the district began participation in a Medicaid Direct Services Reimbursement program during the 2005-06 fiscal year. This allows the district to bill Medicaid for health related services provided to Medicaid eligible students. Moneys received from this program will help to offset the district's special education deficit. This deficit is a result of services that are required as part of a student's IEP (Individualized Education Program).
- The state of Iowa makes an estimate each year of the dollar amount that will be collected from the local option sales and services tax for school infrastructure for each school district in each county that has passed the tax. Local option sales tax receipts for the year are then based on 95% of that estimate. A reconciliation to the actual amount collected is done once per year each November. In November 2005, Pleasant Valley Community School District received a reconciliation payment of \$ 141,933. The district had a total of \$ 2,654,296 in local option sales and services tax for school infrastructure revenue in 2005-06.

## Overview of the Financial Statements

This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are **district-wide financial statements** that provide both short-term and long-term information about the district’s **overall** financial status.
- The remaining statements are **fund financial statements** that focus on **individual parts** of the district, reporting the district’s operations in more detail than the district-wide statements.
- The **governmental funds statements** tell how basic services such as regular and special education were financed in the **short term** as well as what remains for future spending.
- **Proprietary funds statements** offer **short-term and long-term** financial information about the activities the district operates like businesses, such as food services.
- **Fiduciary funds statements** provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district’s budget for the year. Figure A-1 below shows how the various parts of this annual report are arranged and related to one another.

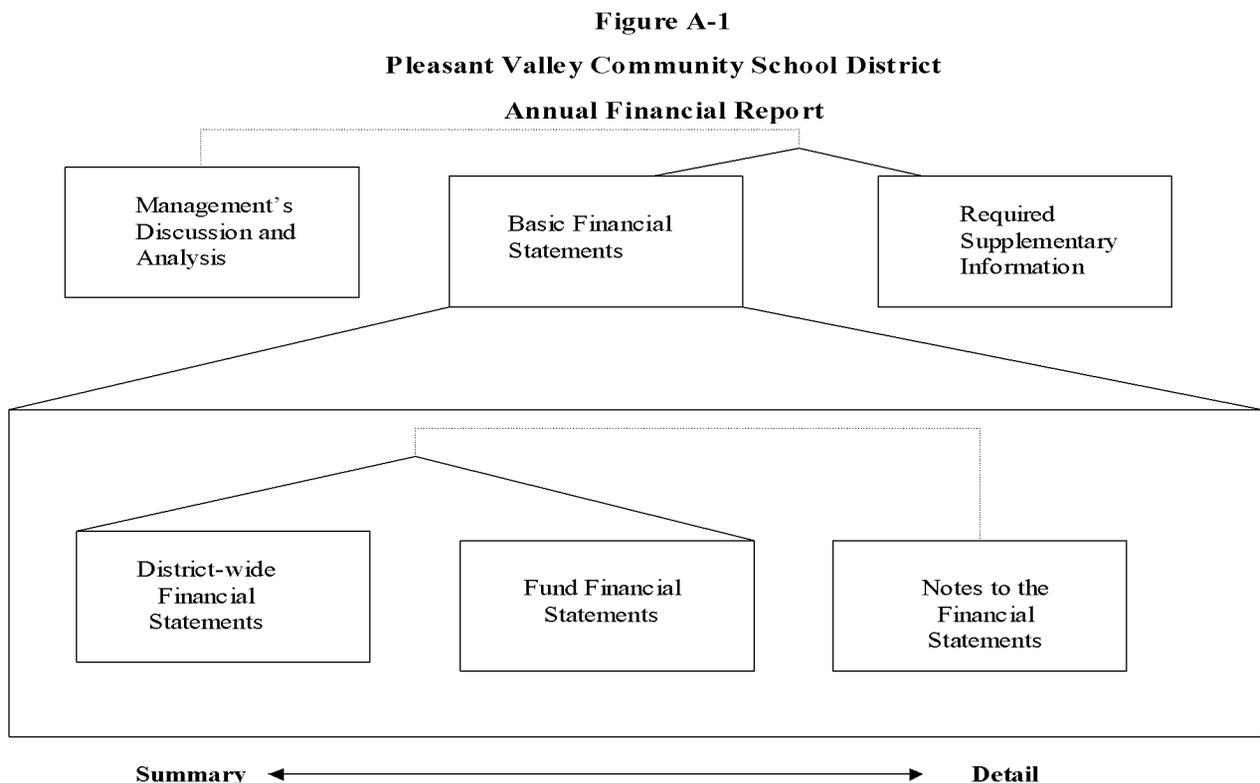


Figure A-2 below summarizes the major features of the district’s financial statements, including the portion of the district’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2: Major Features of the District Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: Food Services program is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and reunion moneys
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can

### District-wide Financial Statements

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the district’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the district's **net assets** and how they have changed. Net assets – the difference between the district's assets and liabilities – is one way to measure the district's financial health or **position**.

- Over time, increases or decreases in the district's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, you need to consider additional non-financial factors such as changes in the district's property tax base and the condition of school building and other facilities.

In the district-wide financial statements, the district's activities are divided into two categories:

- **Governmental activities:** Most of the district's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- **Business-type activities:** The district charges fees to help it cover the costs of certain services it provides. The district's Food Services program would be included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The district has three kinds of funds:

- **Governmental funds:** Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between the two statements. The district's major governmental funds for 2005-06 include the General Fund and the Capital Projects Fund. The Non-major governmental funds include three Special Revenue Funds (the Physical Plant and Equipment Levy (PPEL) Fund, Management Fund and Student Activities Fund).

- **Proprietary funds:** Services for which the district charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The district's **enterprise funds** (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The district currently has one enterprise fund, the Nutrition Fund. The district uses **internal service funds**, the other kind of proprietary fund, to report activities that provide supplies and services for other district programs and activities. The district currently has one internal service fund, which is used to account for the district's self-funded health and dental insurance plans.
- **Fiduciary funds:** The district is the trustee, or **fiduciary**, for assets that belong to others, including two scholarship funds and a reunion fund. The district accounts for outside donations for scholarships for individual students in this fund. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

### Financial Analysis of the District as a Whole

**Net assets.** The district's combined net assets as of June 30, 2006 grew by \$ 2,054,841 (7.5%) over the June 30, 2005 combined net assets. (See Figure A-3) Most of the dollar increase in net assets was from the governmental activities whose net assets grew by \$ 1,972,522 (7.3%). The net assets of the district's business-type activities grew by \$ 82,319 (21.1%).

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2005-06
	@ 6-30-2005	@ 6-30-2006	@ 6-30-2005	@ 6-30-2006	@ 6-30-2005	@ 6-30-2006	
Current and other assets	18,472,577	19,922,535	426,988	487,833	18,899,565	20,410,368	8.0%
Capital assets	22,765,805	23,489,318	49,839	51,477	22,815,644	23,540,795	3.2%
<b>Total Assets</b>	<b>41,238,382</b>	<b>43,411,853</b>	<b>476,827</b>	<b>539,310</b>	<b>41,715,209</b>	<b>43,951,163</b>	<b>5.4%</b>
Long-term liabilities	1,131,903	1,408,501	0	0	1,131,903	1,408,501	24.4%
Other liabilities	13,224,950	13,149,301	85,794	65,958	13,310,744	13,215,259	-0.7%
<b>Total Liabilities</b>	<b>14,356,853</b>	<b>14,557,802</b>	<b>85,794</b>	<b>65,958</b>	<b>14,442,647</b>	<b>14,623,760</b>	<b>1.3%</b>
<b>Net assets</b>							
Invested in capital assets, net of related debt	22,765,805	23,489,318	49,839	51,477	22,815,644	23,540,795	3.2%
Restricted and Designated	3,860,595	4,606,686	0	0	3,860,595	4,606,686	19.3%
Unrestricted	255,129	758,047	341,194	421,875	596,323	1,179,922	97.9%
<b>Total net assets</b>	<b>26,881,529</b>	<b>28,854,051</b>	<b>391,033</b>	<b>473,352</b>	<b>27,272,562</b>	<b>29,327,403</b>	<b>7.5%</b>

There were two major factors for this increase in net assets. One factor was due to the increase in capital assets in the district. As was mentioned in the "Financial Highlights" section of this report, there were expenditures during the fiscal year related to a classroom addition at Bridgeview Elementary School, a music and wellness addition at Pleasant Valley High School

and a classroom addition at Cody Elementary School. All of these building projects were funded with receipts from the Physical Plant and Equipment Levy and Local Option Sales Tax. No long-term debt was incurred to finance these projects. Total capital assets, net of depreciation, grew by \$ 725,151 in 2005-06. The other major factor for the increase in net assets was the increase in the district cash balance restricted for capital projects. This additional cash will be used for future scheduled projects on the district's Five Year Capital Projects Plan.

Total restricted and designated net assets for 2005-06 increased by 19.3% and unrestricted net assets grew by 97.9%. A significant increase in the balance restricted for capital projects during 2005-06 was the main factor in the growth of the restricted and designated net assets. A significant factor in the increase in unrestricted net assets was the receipt of \$667,430 from the sale of the district's bus fleet to First Student, Inc. as part of the privatization of the district's transportation services.

**Changes in net assets.** The district's change in net assets for the years ended June 30, 2005 and June 30, 2006 are presented in Figure A-4 below.

**Figure A-4**  
**Changes in Net Assets from Operating Results**

	Governmental Activities Fiscal Year Ended 6-30-05	Governmental Activities Fiscal Year Ended 6-30-06	Business- type Activities Fiscal Year Ended 6-30-05	Business- type Activities Fiscal Year Ended 6-30-06	Total School District Fiscal Year Ended 6-30-05	Total School District Fiscal Year Ended 6-30-06	Total Percentage Change Fiscal Year Ended 6-30-06
<b>Revenues:</b>							
Program Revenues							
Charges for services	2,608,549	2,636,537	852,143	910,535	3,460,692	3,547,072	2.5%
Operating grants and contributions	2,186,062	2,523,225	219,331	228,627	2,405,393	2,751,852	14.4%
Capital grants and contributions	349,313	99,835	0	0	349,313	99,835	-71.4%
General revenues							
Property taxes	10,014,526	10,555,973	0	0	10,014,526	10,555,973	5.4%
State foundation aid	10,263,066	10,588,740	0	0	10,263,066	10,588,740	3.2%
Local option sales and services tax	2,547,333	2,654,296	0	0	2,547,333	2,654,296	4.2%
Other	196,079	1,023,289	8,368	17,621	204,447	1,040,910	409.1%
<b>Total revenues</b>	<b>28,164,928</b>	<b>30,081,895</b>	<b>1,079,842</b>	<b>1,156,783</b>	<b>29,244,770</b>	<b>31,238,678</b>	<b>6.8%</b>
<b>Expenses:</b>							
Instruction	16,062,598	17,828,084	0	0	16,062,598	17,828,084	11.0%
Support services	7,228,712	7,894,909	0	44,814	7,228,712	7,939,723	9.8%
Non-instructional programs	34,014	4,376	998,209	1,029,650	1,032,223	1,034,026	0.2%
Other	2,137,400	2,382,004	0	0	2,137,400	2,382,004	11.4%
<b>Total expenses</b>	<b>25,462,724</b>	<b>28,109,373</b>	<b>998,209</b>	<b>1,074,464</b>	<b>26,460,933</b>	<b>29,183,837</b>	<b>10.3%</b>
Change in net assets before special item	2,702,204	1,972,522	81,633	82,319	2,783,837	2,054,841	-26.2%
Special item: Gain on disposal of assets	0	0	0	0	0	0	-----
<b>Increase (Decrease) in net assets</b>	<b>2,702,204</b>	<b>1,972,522</b>	<b>81,633</b>	<b>82,319</b>	<b>2,783,837</b>	<b>2,054,841</b>	<b>-26.2%</b>

Total revenue for the district increased by \$ 1,993,908 (6.8%) in the fiscal year ended June 30, 2006. Two of the most significant revenue category changes were in “Capital grants and contributions” under “Program Revenues” and “Other” under “General revenues”. Capital grants and contributions decreased by \$ 249,478 (71.4%) in 2005-06. The majority of the revenues in the “Capital grants and contributions” category were related to the “Reaching for Excellence” fundraiser which was implemented to raise funds to provide equipment for the music and wellness additions at Pleasant Valley High School. During the 2005-06 fiscal year, \$ 66,265 in donations were received from individuals and businesses for the purpose of purchasing equipment for the high school additions. The revenue from these donations was smaller than the previous year as many individuals and businesses completed payments on their pledges during the 2004-05 fiscal year. In addition, another reason for the decrease in capital grants and contributions was that the district had received a \$ 150,000 Scott County Regional Authority Grant during 2004-05 for the project. Revenue in the “Other” category increased by \$ 836,463 (409.1%) during 2005-06. Two significant factors for this were the \$667,430 the district received from the sale of the district’s bus fleet to First Student, Inc. and the increase in interest income received (\$ 131,596 higher) in 2005-06.

Total district expenses increased by 10.3% in 2005-06. The district’s enrollment continued to grow in 2005-06 as its certified enrollment was up by 87.0 students over 2004-05. The costs of serving these additional students, increased costs in salary and benefit packages for employees and increased natural gas and fuel and diesel costs were the main factors for the increase in district expenses.

Figures A-5 and A-6, which follow, show charts reflecting sources of revenue and distribution of expenses for the 2005-06 fiscal year.

Figure A-5

Sources of Revenues for 2005-06 Fiscal Year

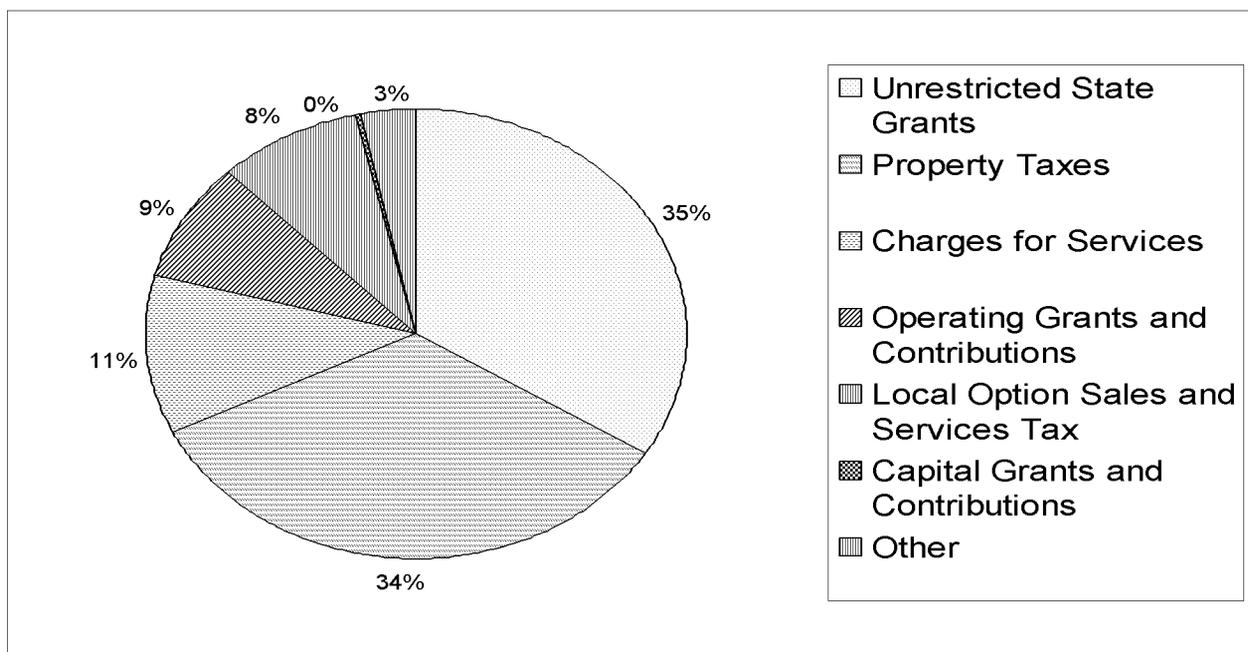
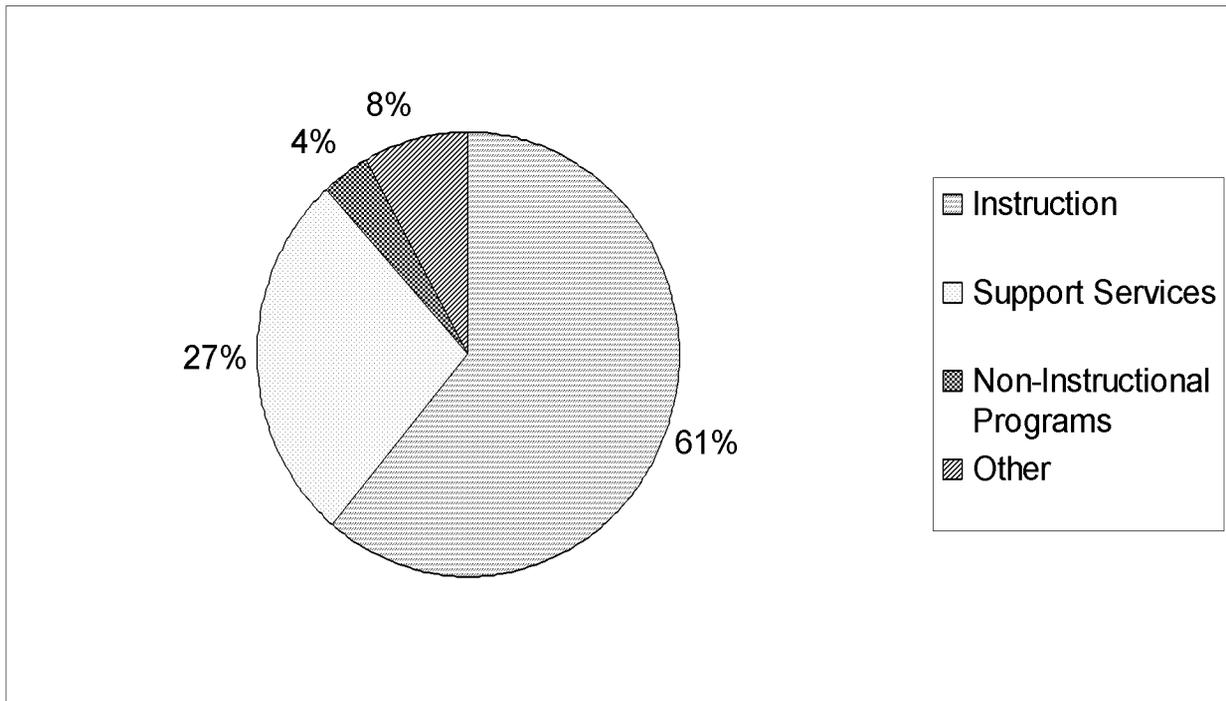


Figure A-6

Expenses for 2005-06 Fiscal Year



### Governmental Activities

Revenue for the district's governmental activities in 2005-06 increased \$ 1,916,967 (6.8%) from the previous year, while total expenses increased by \$ 2,646,649 (10.4%). Governmental activities net assets at June 30, 2006 increased by \$ 1,972,522 (7.3%) over the June 30, 2005 balance.

Figure A-7 presents the cost of four major district activities: instruction, support services, non-instructional and other. The table also shows each activity's **net cost** (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the district's taxpayers by each of these functions.

**Figure A-7  
Net Cost of Governmental Activities**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended
	<u>6/30/2005</u>	<u>6/30/2006</u>	<u>6/30/2006</u>	<u>6/30/2005</u>	<u>6/30/2006</u>	<u>6/30/2006</u>
Instruction	16,062,598	17,828,084	11.0%	12,460,465	14,068,847	12.9%
Support services	7,228,712	7,894,909	9.2%	6,907,595	7,418,652	7.4%
Non-instructional	34,014	4,376	-87.1%	34,014	4,376	-87.1%
Other	2,137,400	2,382,004	11.4%	916,726	1,357,901	48.1%
<b>Total</b>	<b>25,462,724</b>	<b>28,109,373</b>	<b>10.4%</b>	<b>20,318,800</b>	<b>22,849,776</b>	<b>12.5%</b>

- The cost of all governmental activities this year was \$ 28,109,373.
- Some of the cost (\$ 2,636,537) was financed by the users of the district’s programs (see Figure A-4).
- The federal and state governments and some local sources subsidized certain programs with grants and contributions (\$ 2,623,060).
- Most of the district’s costs (\$ 22,849,776), however, were financed by district and state taxpayers.
- This portion of governmental activities was financed with \$ 10,555,973 in property taxes, \$ 10,588,740 of unrestricted state aid based on the statewide finance formula, \$ 2,654,296 in local option sales and services tax revenue, \$ 244,944 in investment earnings and \$ 778,345 in miscellaneous revenues.

### **Business-Type Activities**

Revenues of the district’s business-type activities were \$ 1,156,783, an increase of 7.1% over 2004-05. Expenses were \$ 1,074,464, an increase of 7.6% over 2004-05. (Refer to Figure A-4.) Factors contributing to these results included:

- The total of lunch, breakfast and ala carte sales continue to grow significantly. These sales increased by 8.8% in 2005-06. An increase in students served and convenience of the state of the art point of sale cashiering system are contributing factors in this revenue growth.
- Food Service prices are adjusted periodically with the intent of “breaking even” in the Nutrition Fund. However, no adjustment was made in 2005-06.

## **Financial Analysis of the District's Funds**

As previously noted, the Pleasant Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the district completed the year, its governmental funds reported combined fund balances of \$ 5,228,283. This was an increase of \$ 1,413,789 from the previous year's combined fund balances. The main reason for the increase in the combined fund balances was due to the fund balance in the Capital Projects Fund increasing by \$ 790,308 to a balance of \$ 2,132,614 at June 30, 2006. This increase was mainly due to the completion and final payments of the Bridgeview and High School building addition projects occurring early in the fiscal year. Local Option Sales and Services Tax for School Infrastructure payments received during the year exceeded the amounts that were paid out during the year on the Bridgeview Elementary School, Pleasant Valley High School and Cody Elementary School building addition projects during the year. Another reason for the increase in the combined fund balances was due to the fund balance in the General Fund increasing by \$ 767,065 to a balance of \$ 1,920,024 at June 30, 2006. As was noted earlier, a significant factor in the fund balance increase in the General Fund was the receipt of \$667,430 from the sale of the district's bus fleet to First Student, Inc. as part of the privatization of the district's transportation services. Rising expenses related to salary and benefit settlements and inflation for supply costs, utilities costs, fuel costs, etc., continue to exert pressure on the fund balance in the General Fund. The fund balance in the Physical Plant and Equipment Levy (PPEL) Fund decreased during the year by \$ 76,467. The fund balance in the Student Activities Fund increased by \$ 9,861 during the fiscal year. The fund balance in the district's Management Fund decreased by \$ 76,978 during the fiscal year.

As was mentioned previously, the district's business-type activities did well financially during the year. The net assets in the Nutrition Fund increased during the year by \$ 82,319, ending the year with net assets of \$ 473,352.

### **Budgetary Highlights**

A schedule showing the original and final budget amounts compared to the district's actual financial activity is included in the required supplementary information section of this report.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The district uses the GAAP (Generally Accepted Accounting Principles) method of accounting for budgeting purposes. All other audited financial information was already being reported on the GAAP basis of accounting. Over the course of the year, the district amended its certified budget one time.

Pleasant Valley Community School District's normal practice is to amend the certified budget one time during each fiscal year. Iowa law requires that actual spending in each functional area of the budget does not exceed the amount budgeted to be spent in that functional area at any time during the fiscal year. The district's practice is to amend the budget each year prior to expenses going over budget in any of the functional areas. The district's practice is also to amend the

budget to reflect all of the fund balances in each of the various budgeted funds being spent down to a zero balance at the end of the fiscal year. This is the most significant reason for the amended budget showing \$ 5,400,132 more in expenditures than the original certified budget for the 2005-06 fiscal year. The other main reasons for the differences between the original budget and the amended budget are:

- The budget is amended to reflect additional allowed expenditures due to receipt of grant money and other miscellaneous income during the year that was not possible to predict when the certified budget was adopted.

It should also be noted that school districts have two levels of budgetary control. One form of budgetary control exists through the “certified budget”, which includes all funds of the district as noted above. This budget is certified with the County Auditor and the Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the “unspent (maximum) authorized budget” and pertains only to the General Fund of the district. The maximum authorized budget is the total “spending authority” in the General Fund of the district. The unspent balance is a budgetary concept and does not mean the “actual General Fund cash”. It is imperative for users of district financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the district.

## **Capital Asset and Debt Administration**

### **Capital Assets**

By the end of the 2005-06 fiscal year, the district had invested \$ 23,540,795 (net of accumulated depreciation of \$ 22,135,508) in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (See Figure A-8). This amount represents a net increase of \$ 725,151 or 3.2% from last year. **More detailed information about capital assets can be found in Note 4 to the financial statements.** Total depreciation expense for the year was \$ 1,680,916.

**Figure A-8**  
**Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total School District		Total Percent Change
	@ 6-30-2005	@ 6-30-2006	@ 6-30-2005	@ 6-30-2006	@ 6-30-2005	@ 6-30-2006	2005-06
Land	591,160	591,160	0	0	591,160	591,160	0.0%
Buildings	16,750,560	19,801,600	0	0	16,750,560	19,801,600	18.2%
Improvements other than buildings	353,054	463,604	0	0	353,054	463,604	31.3%
Furniture and equipment	1,330,714	788,872	49,839	51,477	1,380,553	840,349	-39.1%
Construction in progress	3,740,317	1,844,082	0	0	3,740,317	1,844,082	-50.7%
<b>Total</b>	<b>22,765,805</b>	<b>23,489,318</b>	<b>49,839</b>	<b>51,477</b>	<b>22,815,644</b>	<b>23,540,795</b>	<b>3.2%</b>

As mentioned earlier in this report, construction was completed during 2005-06 on a classroom addition at Bridgeview Elementary School and music and wellness addition at Pleasant Valley High School. In addition, construction began on an approximately 6,250 square foot building addition and approximately 3,000 square foot renovation project at Cody Elementary School in August, 2005. Total expenses related to the Cody project through June 30, 2006 were \$ 1,409,952. All of these projects were financed using Physical Plant and Equipment Levy (PPEL) funds and Local Option Sales and Services Tax for School Infrastructure funds.

Several other major “construction in progress” activities at June 30, 2006 include:

- Architectural work and soil testing had begun on a 14,264 square foot building addition and 2,080 square foot building renovation at Pleasant Valley Junior High School
- Continued work on the new district-wide IP telephone system

### **Long-Term Liabilities**

At June 30, 2006, the district had \$ 233,225 in early retirement long-term liabilities with \$ 161,989 due within one year and \$ 964,744 in total compensated absence liabilities with \$ 247,443 in compensated absences due within one year.

At June 30, 2005, the district had \$ 209,359 in early retirement long term liabilities with \$ 118,605 due within one year and \$ 922,544 in total compensated absence liabilities with \$ 209,342 in compensated absences due within one year.

In addition, the district entered into a capital lease for the acquisition of an early reader software package during the 2005-06 fiscal year. At June 30, 2006, the district had \$ 210,532 in capital lease liabilities with \$ 94,271 due within one year.

Payments of early retirement benefits come out of the district’s Management Fund. Payments of compensated absences and capital lease payments come out of the district’s General Fund. More detailed information about the district’s long-term liabilities is available in Note 5 to the financial statements.

## Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the district was aware of several existing circumstances that could significantly affect its financial health in the future:

- A fund-raising campaign began in spring, 2004 with the goal of raising \$ 200,000 in donations from individuals and businesses to help with the purchase of equipment for the music and wellness additions at Pleasant Valley High School. The fund-raiser was titled the "Reaching for Excellence" campaign. At the end of the 2005-06 fiscal year, \$ 277,867 had been pledged and \$ 245,582 received on the Reaching for Excellence campaign. As of February 28, 2007, the fund-raiser had received \$ 277,867 in pledges and \$ 270,624 of those pledges had been received. Those who pledged were given the option of paying their pledges as a one-time gift or paying their pledge over two or three tax years. In addition to the fund-raiser, the district is paying \$100,000 in Physical Plant and Equipment Levy funds towards the purchase of equipment for these additions and the district has also received \$150,000 in grants from the Scott County Regional Authority for the purchase of equipment for the high school music and wellness additions. If those who have made pledges towards this project do not make full payment on their pledges, the district's financial health would be negatively affected.
- Fiscal year 2006-07 salary and benefit package settlements were reached during the 2005-06 fiscal year. The settlement for fiscal year 2006-07 marked the fifth year in a row that the district had settlements with one or more employee groups in which the total package increase exceeded the state allowable growth rate. The Iowa Legislature for each fiscal year sets an allowable growth rate. If a district has increasing enrollment, that district's "new money" percentage will be larger than the state allowable growth percentage. It is financially prudent for a district to spend the difference between its new money and state allowable growth (if new money is greater than state allowable growth) on costs related to dealing with those growth issues. The district has shown enrollment growth each of the last five years. Settlements with Pleasant Valley Education Association (non-administrative certified employees) exceeded state allowable growth **and** district new money from fiscal year 2002-03 to fiscal year 2004-05. For 2005-06 and 2006-07, the settlement with Pleasant Valley Education Association was larger than state allowable growth, but less than district new money. State allowable growth for 2005-06 and 2006-07 was 4.00% each year and the settlements with Pleasant Valley Education Association were 4.47% and 4.63%, respectively. District new money for 2005-06 was 5.34% and for 2006-07 was 6.70%. All other employee groups total package increases have exceeded state allowable growth also in 2002-03, 2003-04 and 2004-05. For 2005-06 and 2006-07, the total package increase for all non-teaching staff was equal to the state allowable growth percentage of 4.0% and less than district new money of 5.34% and 6.70%, respectively. Employee salaries and benefits make up approximately 75 – 80 % of General Fund expenditures. Salary and benefit settlements, with any employee group, exceeding the state allowable growth rate will have an adverse impact upon the district's General Fund budget.

- Due to changes made to Iowa Code by the 2003 Iowa Legislature, the state replacement funds for machinery and equipment, which were originally scheduled to be paid through the 2005-06 fiscal year, were now only paid through the 2003-04 fiscal year. In addition, the state only paid 34% of the calculated amount due to districts for the 2003-04 fiscal year. As a result of these changes, this revenue, which was being provided by the state, must now be paid by local property taxpayers. This will exert great pressure on the district's ability to maintain a level property tax levy rate in future years.
- The district has not levied taxpayers for the board-approved Physical Plant and Equipment Levy (PPEL) in the 2005-06 and 2006-07 fiscal years. District's have the authority to levy up to \$ 0.33 per \$ 1,000 taxable valuation for the board approved PPEL. Not levying the board-approved PPEL will bring in approximately \$ 276,000 less in PPEL property tax revenue than would be brought in if the board did levy for the board-approved PPEL. Continuation of not levying for the board-approved PPEL will have a significant negative impact on the financial health of the district. The PPEL Fund is used to pay for items such as building construction, renovation and repairs, significant equipment purchases and leases, technology related purchases, etc.
- On February 13, 2007, district voters overwhelmingly voted "Yes" in a referendum to extend the district's voted Physical Plant and Equipment Levy (PPEL) for another ten year period beyond the previous expiration date of June 30, 2008. The levy will now be in place through June 30, 2018. The amount of the levy is \$ 1.34 per \$ 1,000 taxable valuation and the renewal of the levy continued to give the district authority to levy up to \$ 1.34 per \$ 1,000 taxable valuation. The district brings in approximately \$ 1,150,000 each year from the voter approved PPEL. Passage of this referendum will have a very significant positive effect on the district's financial future.
- The ten-year local option sales and services tax for school infrastructure is scheduled to expire at the end of the 2008-09 fiscal year. During the 2003 Iowa legislative session, lawmakers voted to approve a statewide local option sales tax pool. The statewide average local option sales tax per pupil is \$ 575. At the current time, the Scott County per pupil amount is \$ 824. The district will continue to receive the taxes generated by Scott County until the ten-year period expires. At that time, the district will receive only the statewide average set by the legislature if the tax is renewed. All Ninety-nine counties in Iowa currently have approved and implemented the local option sales and services tax for school infrastructure. There are discussions around the state of making the tax an automatic statewide tax. If this is done, a vote would not be necessary to renew the tax. Placement of our district into the statewide pool would lower revenue, which would have a negative impact on the financial health of the district. Non-renewal of the local option sales and services tax for school infrastructure (if it does not become state-wide) would have an even more significantly negative impact on the financial health of the district as all revenue from this tax would be gone, rather than just receiving a lower amount of revenue.

- The Federal government has mandated that each school district in the nation adopt a school wellness policy. Over the past year, representatives from each of the school districts in Scott County have met to research policy requirements, explore policies from other states, and develop a uniform school wellness policy for Scott County. There could be a financial impact as guidelines are established for the appropriateness of items to be sold to students as part of the ala carte menu and also for items that students typically sell during fund raising activities.
- Effective July 1, 2007 an incremental increase in the employees' and employers' share of the Iowa Public Employees Retirement System (IPERS) contributions will go into effect. The employees' share will increase 0.20% per year each of the next four fiscal years and the employers' share will increase 0.30% per year each of the next four fiscal years. The increase in the employers' share of IPERS will negatively impact the budget.

### **Contacting the District's Financial Management**

This financial report is designed to provide the district's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mike Clingingsmith, Chief Financial Officer, Pleasant Valley Community School District, P.O. Box 332, Pleasant Valley, IA 52767-0332.

## Basic Financial Statements

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 9,206,644	\$ 480,217	\$ 9,686,861
Receivables:			
Property tax:			
Current year	54,395	-	54,395
Succeeding year	9,389,000	-	9,389,000
Accounts	385,126	3,232	388,358
Due from other governments	866,196	-	866,196
Inventories	-	4,384	4,384
Prepaid expenses	21,174	-	21,174
Capital assets, net of accumulated depreciation (note 4)	23,489,318	51,477	23,540,795
	<hr/>	<hr/>	<hr/>
Total assets	43,411,853	539,310	43,951,163
<b>Liabilities</b>			
Accounts payable	406,488	1,244	407,732
Salaries and benefits payable	2,474,578	42,551	2,517,129
Due to other governments	317,777	-	317,777
Incurred but not reported claims	320,237	-	320,237
Deferred revenue:			
Succeeding year property tax	9,389,000	-	9,389,000
Other	241,221	22,163	263,384
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	161,989	-	161,989
Capital lease payable	94,271	-	94,271
Compensated absences	247,443	-	247,443
Portion due after one year:			
Early retirement	71,236	-	71,236
Capital lease payable	116,261	-	116,261
Compensated absences	717,301	-	717,301
	<hr/>	<hr/>	<hr/>
Total liabilities	14,557,802	65,958	14,623,760

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 23,489,318	\$ 51,477	\$ 23,540,795
Restricted for:			
Management levy	267,112	-	267,112
Physical plant and equipment levy	276,486	-	276,486
Other special revenue purposes	398,822	-	398,822
Capital projects	2,132,614	-	2,132,614
Unrestricted, designated for future catastrophic losses	1,531,652	-	1,531,652
Unrestricted	<u>758,047</u>	<u>421,875</u>	<u>1,179,922</u>
Total net assets	<u>\$ 28,854,051</u>	<u>\$ 473,352</u>	<u>\$ 29,327,403</u>

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 12,828,459	\$ 1,865,273	\$ 663,116	\$ -
Special instruction	2,784,283	79,905	420,728	-
Other instruction	2,215,342	670,613	59,602	-
	<u>17,828,084</u>	<u>2,615,791</u>	<u>1,143,446</u>	<u>-</u>
Support services:				
Student services	791,453	-	-	-
Instructional staff services	1,184,163	-	416,834	-
Administration services	2,603,279	-	-	-
Operation and maintenance of plant services	2,238,812	20,746	-	-
Transportation services	1,077,202	-	38,677	-
	<u>7,894,909</u>	<u>20,746</u>	<u>455,511</u>	<u>-</u>
Non-instructional programs	<u>4,376</u>	-	-	-
Other expenditures:				
Facilities acquisition	498,582	-	-	99,835
Long-term debt interest and fiscal charges	10,086	-	-	-
AEA flowthrough	924,268	-	924,268	-
Depreciation (unallocated) *	949,068	-	-	-
	<u>2,382,004</u>	<u>-</u>	<u>924,268</u>	<u>99,835</u>
Total governmental activities	<u>28,109,373</u>	<u>2,636,537</u>	<u>2,523,225</u>	<u>99,835</u>
<b>Business-Type Activities:</b>				
Support services:				
Food service operations	44,814	-	-	-
Non-instructional programs:				
Food service operations	1,029,650	910,535	228,627	-
	<u>1,074,464</u>	<u>910,535</u>	<u>228,627</u>	<u>-</u>
Total	<u>\$ 29,183,837</u>	<u>\$ 3,547,072</u>	<u>\$ 2,751,852</u>	<u>\$ 99,835</u>

Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
\$ (10,300,070)	\$ -	\$ (10,300,070)
(2,283,650)	-	(2,283,650)
(1,485,127)	-	(1,485,127)
(14,068,847)	-	(14,068,847)
(791,453)	-	(791,453)
(767,329)	-	(767,329)
(2,603,279)	-	(2,603,279)
(2,218,066)	-	(2,218,066)
(1,038,525)	-	(1,038,525)
(7,418,652)	-	(7,418,652)
(4,376)	-	(4,376)
(398,747)	-	(398,747)
(10,086)	-	(10,086)
-	-	-
(949,068)	-	(949,068)
(1,357,901)	-	(1,357,901)
(22,849,776)	-	(22,849,776)
-	(44,814)	(44,814)
-	109,512	109,512
-	64,698	64,698
(22,849,776)	64,698	(22,785,078)

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Functions/Programs

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General Revenues:

Property tax levied for:

General purposes

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation that is included  
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
\$ 9,461,522	\$ -	\$ 9,461,522
1,094,451	-	1,094,451
2,654,296	-	2,654,296
10,588,740	-	10,588,740
244,944	17,621	262,565
778,345	-	778,345
24,822,298	17,621	24,839,919
1,972,522	82,319	2,054,841
26,881,529	391,033	27,272,562
\$ 28,854,051	\$ 473,352	\$ 29,327,403

## PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and pooled investments	\$ 4,895,980	\$ 1,827,943	\$ 1,308,260	\$ 8,032,183
Receivables:				
Property tax:				
Current year	46,670	-	7,725	54,395
Succeeding year	7,942,000	-	1,447,000	9,389,000
Accounts	39,012	-	26,489	65,501
Due from other governments	446,330	419,866	-	866,196
Prepaid expenses	21,174	-	-	21,174
	<hr/>			
Total assets	<u>\$ 13,391,166</u>	<u>\$ 2,247,809</u>	<u>\$ 2,789,474</u>	<u>\$ 18,428,449</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Excess of warrants issued over bank balance	\$ 363,504	\$ -	\$ -	\$ 363,504
Accounts payable	195,641	115,195	89,951	400,787
Salaries and benefits payable	2,474,578	-	-	2,474,578
Due to other governments	309,146	-	8,631	317,777
Deferred revenue:				
Succeeding year property tax	7,942,000	-	1,447,000	9,389,000
Other	186,273	-	68,247	254,520
Total liabilities	<u>11,471,142</u>	<u>115,195</u>	<u>1,613,829</u>	<u>13,200,166</u>
<b>Fund balance:</b>				
<b>Unreserved:</b>				
Reported in nonmajor Special Revenue Funds	-	-	1,175,645	1,175,645
Undesignated	1,920,024	2,132,614	-	4,052,638
Total fund balances	<u>1,920,024</u>	<u>2,132,614</u>	<u>1,175,645</u>	<u>5,228,283</u>
	<hr/>			
Total liabilities and fund balances	<u>\$ 13,391,166</u>	<u>\$ 2,247,809</u>	<u>\$ 2,789,474</u>	<u>\$ 18,428,449</u>

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2006

Total fund balances of governmental funds	\$ 5,228,283
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	23,489,318
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	13,299
The Internal Service Fund is used to charge the cost of the District's self-funded insurance plan to the governmental funds. The net assets of the Internal Service Fund are therefore included under governmental activities.	1,531,652
Long-term liabilities, including capital leases payable, early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,408,501)</u>
Net assets of governmental activities	<u>\$ 28,854,051</u>

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 9,074,468	\$ 2,654,296	\$ 1,474,497	\$ 13,203,261
Tuition	1,713,736	-	-	1,713,736
Other	655,090	54,035	866,389	1,575,514
State sources	12,431,457	-	962	12,432,419
Federal sources	476,591	-	12,006	488,597
Total revenues	<u>24,351,342</u>	<u>2,708,331</u>	<u>2,353,854</u>	<u>29,413,527</u>
<b>Expenditures:</b>				
Current:				
Instruction	16,494,092	-	967,077	17,461,169
Support services:				
Student services	784,274	-	7,178	791,452
Instructional staff services	1,013,303	-	170,861	1,184,164
Administration services	2,468,868	-	88,744	2,557,612
Operation and maintenance of plant services	1,924,821	-	241,899	2,166,720
Transportation services	854,213	-	222,988	1,077,201
	<u>7,045,479</u>	<u>-</u>	<u>731,670</u>	<u>7,777,149</u>
Non-instructional programs	667	-	3,709	4,376
Other expenditures:				
Facilities acquisition	-	1,618,023	1,094,982	2,713,005
Long term debt:				
Principal	-	-	110,645	110,645
Interest and fiscal charges	-	-	10,086	10,086
AEA flowthrough	924,268	-	-	924,268
	<u>924,268</u>	<u>1,618,023</u>	<u>1,215,713</u>	<u>3,758,004</u>
Total expenditures	<u>24,464,506</u>	<u>1,618,023</u>	<u>2,918,169</u>	<u>29,000,698</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(113,164)</u>	<u>1,090,308</u>	<u>(564,315)</u>	<u>412,829</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 679,783	\$ -	\$ -	\$ 679,783
Interfund transfers in (note 3)	-	-	420,731	420,731
Interfund transfers out (note 3)	(120,731)	(300,000)	-	(420,731)
Capital lease proceeds	321,177	-	-	321,177
Total other financing sources (uses)	<u>880,229</u>	<u>(300,000)</u>	<u>420,731</u>	<u>1,000,960</u>
Net change in fund balances	767,065	790,308	(143,584)	1,413,789
Fund balances beginning of year	<u>1,152,959</u>	<u>1,342,306</u>	<u>1,319,229</u>	<u>3,814,494</u>
Fund balances end of year	<u>\$ 1,920,024</u>	<u>\$ 2,132,614</u>	<u>\$ 1,175,645</u>	<u>\$ 5,228,283</u>

See notes to financial statements.

## PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ 1,413,789

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 2,393,917	
Depreciation expense	<u>(1,670,404)</u>	723,513

Certain grant revenues are not considered available revenue in the governmental funds and are deferred. It is, however, recorded as revenue in the Statement of Activities. (11,415)

The increase in net assets of the Internal Service Fund represents an overcharge to governmental funds and is incorporated into the change in net assets of governmental activities. 123,233

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 110,645

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (66,066)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the Statement of Net Assets and do not affect the Statement of Activities. (321,177)

Change in net assets of governmental activities \$ 1,972,522

See notes to financial statements.

## PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2006

	Non-major Enterprise Fund	Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
Assets		
Cash and cash equivalents	\$ 480,217	\$ 1,537,965
Accounts receivable	3,232	319,625
Inventories	4,384	-
Capital assets, net of accumulated depreciation	51,477	-
Total assets	<u>539,310</u>	<u>1,857,590</u>
Liabilities		
Accounts payable	1,244	5,701
Salaries and benefits payable	42,551	-
Incurred but not reported claims (note 8)	-	320,237
Deferred revenue:		
Other	22,163	-
Total liabilities	<u>65,958</u>	<u>325,938</u>
Net Assets		
Invested in capital assets	51,477	-
Unrestricted	421,875	1,531,652
Total net assets	<u>\$ 473,352</u>	<u>\$ 1,531,652</u>

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2006

	Non-major Enterprise Fund	Internal Service Fund
	<u>          </u>	<u>          </u>
Operating revenues:		
Local sources:		
Charges for services	\$ 910,535	\$ 2,349,104
Operating expenses:		
Support services:		
Salaries	17,621	-
Benefits	2,355	-
Purchased services	9,458	-
Supplies	15,380	-
	<u>44,814</u>	<u>-</u>
Non-instructional programs:		
Salaries	303,081	-
Benefits	59,779	2,247,705
Purchased services	1,243	-
Supplies	655,035	-
Depreciation	10,512	-
	<u>1,029,650</u>	<u>2,247,705</u>
	<u>1,074,464</u>	<u>2,247,705</u>
Operating income (loss)	<u>(163,929)</u>	<u>101,399</u>
Non-operating revenues:		
Interest on investments	17,621	21,834
State sources	11,387	-
Federal sources	217,240	-
Total non-operating revenues	<u>246,248</u>	<u>21,834</u>
Change in net assets	82,319	123,233
Net assets beginning of year	<u>391,033</u>	<u>1,408,419</u>
Net assets end of year	<u>\$ 473,352</u>	<u>\$ 1,531,652</u>

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2006

	Non-major Enterprise Fund	Internal Service Fund
	<u>        </u>	<u>        </u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 897,236	\$ -
Cash received from miscellaneous operating activities	14,771	2,376,251
Cash payments to employees for services	(380,957)	-
Cash payments to suppliers for goods or services	<u>(661,133)</u>	<u>(2,210,774)</u>
Net cash provided by (used in) operating activities	<u>(130,083)</u>	<u>165,477</u>
Cash flows from non-capital financing activities:		
State grants received	11,387	-
Federal grants received	<u>177,222</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>188,609</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(12,150)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>17,621</u>	<u>21,834</u>
Net increase in cash and cash equivalents	63,997	187,311
Cash and cash equivalents beginning of year	<u>416,220</u>	<u>1,350,654</u>
Cash and cash equivalents end of year	<u>\$ 480,217</u>	<u>\$ 1,537,965</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2006

	Non-major Enterprise Fund	Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (163,929)	\$ 101,399
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	10,512	-
Commodities used	40,018	-
(Increase) decrease in accounts receivable	(972)	27,147
Decrease in inventories	4,124	-
Increase (decrease) in accounts payable	(24,159)	(6,575)
Increase in salaries and benefits payable	1,879	-
Increase in deferred revenues	2,444	-
Increase in incurred but not reported claims	<u>-</u>	<u>43,506</u>
Net cash provided by (used in) operating activities	<u>\$ (130,083)</u>	<u>\$ 165,477</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$40,018 of federal commodities.

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2006

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>3,316</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>3,316</u></u>

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2006

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 2,936	
Interest	<u>100</u>	
Total additions		<u>3,036</u>
Deductions:		
Support services:		
Scholarships awarded		<u>10,038</u>
Change in net assets		(7,002)
Net assets beginning of year		<u>10,318</u>
Net assets end of year	\$	<u><u>3,316</u></u>
See notes to financial statements.		

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

Pleasant Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Township of Pleasant Valley, Iowa, the City of Le Claire, Iowa, portions of the City of Bettendorf, Iowa, and portions of the rural territory in Scott County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Pleasant Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District 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 District are such that exclusion would cause the District'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 District 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 District. Pleasant Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Scott County Assessor's Conference Board.

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

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.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are 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 expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds are the Enterprise, School Nutrition Fund, used to account for the food service operations of the district, and the Internal Service Fund, Self-funded Insurance, used to account of the district's self-funded health and dental insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1
Buildings	25,000
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	20-40 years
Improvements other than buildings	15-40 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned registration fees, and unearned meal revenue.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave benefits payable to employees. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue Fund, Management Levy.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures/expenses did not exceed the amounts budgeted in any of the four functions.

Note 2. Cash and Pooled Investments

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

The District 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 Board of Education; 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.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 120,731
Special Revenue:		
Physical Plant and Equipment Levy	Capital Projects	<u>300,000</u>
	Total	<u>\$ 420,731</u>

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

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 591,160	\$ -	\$ -	\$ 591,160
Construction in progress	<u>3,740,317</u>	<u>1,818,385</u>	<u>3,714,620</u>	<u>1,844,082</u>
Total capital assets not being depreciated	<u>4,331,477</u>	<u>1,818,385</u>	<u>3,714,620</u>	<u>2,435,242</u>
Capital assets being depreciated:				
Buildings	30,853,889	3,944,607	-	34,798,496
Improvements other than buildings	1,449,991	166,051	-	1,616,042
Furniture and equipment	<u>7,936,348</u>	<u>179,494</u>	<u>1,731,708</u>	<u>6,384,134</u>
Total capital assets being depreciated	<u>40,240,228</u>	<u>4,290,152</u>	<u>1,731,708</u>	<u>42,798,672</u>
Less accumulated depreciation for:				
Buildings	14,103,329	893,567	-	14,996,896
Improvements other than buildings	1,096,937	55,501	-	1,152,438
Furniture and equipment	<u>6,605,634</u>	<u>721,336</u>	<u>1,731,708</u>	<u>5,595,262</u>
Total accumulated depreciation	<u>21,805,900</u>	<u>1,670,404</u>	<u>1,731,708</u>	<u>21,744,596</u>
Total capital assets being depreciated, net	<u>18,434,328</u>	<u>2,619,748</u>	<u>-</u>	<u>21,054,076</u>
Governmental activities capital assets, net	<u>\$ 22,765,805</u>	<u>\$ 4,438,133</u>	<u>\$ 3,714,620</u>	<u>\$ 23,489,318</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 443,448	\$ 12,150	\$ 13,209	\$ 442,389
Less accumulated depreciation	393,609	10,512	13,209	390,912
Business-type activities capital assets, net	<u>\$ 49,839</u>	<u>\$ 1,638</u>	<u>\$ -</u>	<u>\$ 51,477</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

    Instruction:

        Regular

\$ 551,359

    Support services:

        Administration

73,963

        Operation and maintenance of plant services

96,014

721,336

Unallocated depreciation

949,068

Total governmental activities depreciation expense

\$ 1,670,404

Business-type activities:

    Food service operations

\$ 10,512

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Early Retirement	Capital Lease Payable	Compensated Absences	Total
Balance beginning of year	\$ 209,359	\$ -	\$ 922,544	\$ 1,131,903
Additions	142,471	321,177	339,503	803,151
Reductions	118,605	110,645	297,303	526,553
Balance end of year	<u>\$ 233,225</u>	<u>\$ 210,532</u>	<u>\$ 964,744</u>	<u>\$ 1,408,501</u>
Due within one year	<u>\$ 161,989</u>	<u>\$ 94,271</u>	<u>\$ 247,443</u>	<u>\$ 503,703</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified, administrative, and classified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. For administrators and certified personnel, the early retirement incentive for each eligible employee is equal to 50% of employee's base salary calculated by using the current year regular salary schedule. For classified personnel, the early retirement incentive for each eligible employee is the product of 50% of the number of unused sick leave days (limited to a maximum number of days in the employee's letter of assignment) times the employee's hourly wage rate on the last day of employment times the daily hours worked. Early retirement benefits paid during the year ended June 30, 2006, totaled \$118,605. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Capital Lease

During the year ended June 30, 2006, the District entered into a capital lease for the purchase of educational software. The lease required a down payment of \$35,000 and 36 monthly payments of \$8,573, with an effective annual interest rate of 3.644%.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Long-Term Liabilities (continued)

Capital Lease (continued)

Details of the Districts future minimum capital lease payments at June 30, 2006 are as follows:

Year Ending June 30,	Minimum Lease Payments
2007	\$ 102,877
2008	102,877
2009	<u>17,147</u>
	222,901
Less amount representing interest	<u>(12,369)</u>
	<u>\$ 210,532</u>

Note 6. Transportation Contract

The District entered into a transportation contract/equipment lease for equipment and services for the bussing of all District students. Under the agreement, the District sold all District buses to the lessor. In turn, the District is leasing 29 buses for student transportation at varying rates per bus, depending on size, number of routes, and hours of use. All services are provided by the lessor. The lease runs for three years, through June 30, 2008, and calls for annual lease payments totaling \$200,970 for the equipment portion of the contract, plus additional fees for special trips and outings and all labor costs. The District has the option to extend the contract for one three-year period if the election is made by December 1, 2007. The District's total fees paid for the year ended June 30, 2006, under the transportation contract was \$811,737. Details of the District's transportation contract at June 30, 2006, are as follows:

Year Ending June 30,	Estimated Future Contract Payments
2007	\$ 846,814
2008	<u>872,219</u>
	<u>\$ 1,719,033</u>

Note 7. Pension and Retirement Benefits

The District 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.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 7. Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$848,735, \$827,356, and \$786,424 respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District has a self-funded health and dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settled claims have not exceeded the aggregate stop loss coverage for the past three fiscal years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for incurred but unpaid claims. The reserve was \$1,531,652 at June 30, 2006 and is recorded in the Internal Service Fund. The incurred but not reported claims of \$320,237 are reported as liabilities at June 30, 2006.

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$924,268 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into various contracts totaling \$1,718,349, including change orders, for various projects. As of June 30, 2006, costs of \$1,331,156 had been incurred against the contracts. The balance of \$387,193 remaining at June 30, 2006 will be paid as work on the projects progresses.

Note 11. Contingent Liability

At June 30, 2006, the District was involved in ongoing litigation alleging discrimination against a District student. The outcome of this litigation cannot be determined at this time. The District's insurance carrier is affording coverage for this case.

Note 12. Subsequent Event

On July 17, 2006, the District entered into construction contracts totaling \$2,075,000 for a junior high addition and remodeling contract.

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Required Supplementary Information

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
 Budget and Actual – All Governmental Funds  
 and Proprietary Fund  
 Required Supplementary Information  
 Year Ended June 30, 2006

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 16,492,511	\$ 928,156	\$ 17,420,667	\$ 17,163,649	\$ 17,163,649	\$ 257,018
State sources	12,432,419	11,387	12,443,806	12,298,135	12,298,135	145,671
Federal sources	488,597	217,240	705,837	496,845	496,845	208,992
<b>Total revenues</b>	<b>29,413,527</b>	<b>1,156,783</b>	<b>30,570,310</b>	<b>29,958,629</b>	<b>29,958,629</b>	<b>611,681</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	17,461,169	-	17,461,169	18,538,648	19,572,684	2,111,515
Support services	7,777,149	44,813	7,821,962	6,819,873	8,887,174	1,065,212
Non-instructional programs	4,376	1,029,651	1,034,027	1,007,075	1,475,752	441,725
Other expenditures	3,758,004	-	3,758,004	4,064,195	5,894,313	2,136,309
<b>Total expenditures/expenses</b>	<b>29,000,698</b>	<b>1,074,464</b>	<b>30,075,162</b>	<b>30,429,791</b>	<b>35,829,923</b>	<b>5,754,761</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	412,829	82,319	495,148	(471,162)	(5,871,294)	6,366,442
Other financing sources, net	1,000,960	-	1,000,960	-	-	1,000,960
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,413,789	82,319	1,496,108	(471,162)	(5,871,294)	7,367,402
Balance beginning of year	3,814,494	391,033	4,205,527	2,662,939	2,662,939	1,542,588
Balance end of year	\$ <u>5,228,283</u>	\$ <u>473,352</u>	\$ <u>5,701,635</u>	\$ <u>2,191,777</u>	\$ <u>(3,208,355)</u>	\$ <u>8,909,990</u>

See accompanying independent auditor's report.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

This 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 Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis. Encumbrances are not recognized on the budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$5,400,132.

During the year ended June 30, 2006, expenditures/expenses did not exceed the amounts budgeted in any of the four functions.

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Other Supplementary Information

## PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2006

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 496,518	\$ 466,881	\$ 344,861	\$ 1,308,260
Receivables:				
Property tax:				
Current year	1,958	-	5,767	7,725
Succeeding year	485,000	-	962,000	1,447,000
Accounts	5,600	20,623	266	26,489
Total assets	\$ 989,076	\$ 487,504	\$ 1,312,894	\$ 2,789,474
<b>Liabilities and Fund Equity</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 768	\$ 20,435	\$ 68,748	\$ 89,951
Due to other governments	2,971	-	5,660	8,631
Deferred revenue:				
Succeeding year property tax	485,000	-	962,000	1,447,000
Other	-	68,247	-	68,247
Total liabilities	488,739	88,682	1,036,408	1,613,829
<b>Fund equity:</b>				
Fund balances:				
Unreserved:				
Undesignated	500,337	398,822	276,486	1,175,645
Total liabilities and fund equity	\$ 989,076	\$ 487,504	\$ 1,312,894	\$ 2,789,474

See accompanying independent auditor's report.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 380,755	\$ -	\$ 1,093,742	\$ -	\$ 1,474,497
Other	34,816	730,057	101,516	-	866,389
State sources	253	-	709	-	962
Federal sources	-	-	12,006	-	12,006
Total revenues	<u>415,824</u>	<u>730,057</u>	<u>1,207,973</u>	<u>-</u>	<u>2,353,854</u>
Expenditures:					
Current:					
Instruction	224,975	720,166	21,936	-	967,077
Support services:					
Student services	7,178	-	-	-	7,178
Instructional staff services	7,300	-	163,561	-	170,861
Administration services	32,011	-	56,733	-	88,744
Operation and maintenance of plant services	174,821	30	67,048	-	241,899
Transportation services	42,808	-	180,180	-	222,988
Non instructional programs	3,709	-	-	-	3,709
Other expenditures:					
Facilities acquisition	-	-	1,094,982	-	1,094,982
Long term debt:					
Principal	-	-	-	110,645	110,645
Interest and fiscal charges	-	-	-	10,086	10,086
Total expenditures	<u>492,802</u>	<u>720,196</u>	<u>1,584,440</u>	<u>120,731</u>	<u>2,918,169</u>
Excess (deficiency) of revenues over (under) expenditures	(76,978)	9,861	(376,467)	(120,731)	(564,315)
Other financing sources (uses):					
Interfund transfers in	-	-	300,000	120,731	420,731

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ (76,978)	\$ 9,861	\$ (76,467)	\$ -	\$ (143,584)
Fund balances beginning of year	577,315	388,961	352,953	-	1,319,229
Fund balances end of year	\$ 500,337	\$ 398,822	\$ 276,486	\$ -	\$ 1,175,645

See accompanying independent auditor's report.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary & Junior High Activities:				
P.V. J.H. Art	\$ 655	\$ -	\$ 655	\$ -
P.V. J.H. Athletics	2,710	3,922	3,719	2,913
P.V. J.H. Band	403	767	825	345
P.V. J.H. Vocal Music	1,634	-	-	1,634
Junior High Library	829	-	568	261
Boundry Waters	-	7,740	7,740	-
Junior High Drama	2,744	-	433	2,311
P.V. J.H. Chorus	1,254	-	-	1,254
P.V. J.H. General Activities	8,970	7,668	6,240	10,398
Junior High PTA	1,211	1,733	1,730	1,214
P.V. J.H. Home Economics	1,933	-	1,933	-
P.V. J.H. Industrial Arts	1,517	-	1,517	-
P.V. J.H. Quest Program	1,733	-	744	989
P.V. J.H. Science	2,824	-	1,495	1,329
P.V. J.H. Special Olympics	197	-	-	197
P.V. J.H. Student Council	2,221	914	1,523	1,612
P.V. J.H. Yearbook	2,973	7,767	8,811	1,929
Bridgeview General Activities	10,615	15,980	15,593	11,002
Bridgeview Home Economics	-	-	-	-
Bridgeview Quest	-	-	-	-
Bridgeview PTA	(574)	1,000	-	426
Bridgeview Technology Walk	-	-	-	-
Bridgeview Vocal Music	-	-	-	-
Cody Band	74	44	51	67
Cody Book Club	6	445	55	396
Cody Bookstore	265	261	316	210
Cody Candy Sales	2,958	448	904	2,502
Cody General Activities	14,313	9,119	7,372	16,060
Cody PTA	2,224	8,179	6,462	3,941
Cody Jump for Heart	-	-	-	-
Cody Technology Walk	-	-	-	-
Cody Student Fund	824	156	82	898
Cody Vocal Music	56	419	131	344
Cody Writing Center	-	-	-	-
Cody Yearbook	1,832	1,438	976	2,294
Cody Student Council	-	-	-	-
Cody Science	-	-	-	-
Pleasant View Bookstore	1,411	-	-	1,411
Pleasant View General Activities	19,396	9,752	10,491	18,657
Pleasant View PTA	(4,799)	23,440	18,641	-

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary & Junior High Activities (continued):				
Pleasant View Band	\$ 117	\$ -	\$ -	117
Riverdale Book Club	1,826	750	986	1,590
Riverdale Bookstore	-	300	189	111
Riverdale Jump for Heart	42	-	-	42
Riverdale General Activities	10,669	9,497	10,279	9,887
Riverdale PTA	5,664	25,250	11,104	19,810
Riverdale Student Council	1,741	-	150	1,591
Riverdale Science	2,870	270	620	2,520
Riverdale Band	2,372	155	154	2,373
Riverdale Vocal Music	129	-	-	129
District-Wide Garage Sale	1,465	9,904	9,845	1,524
District-Wide Wellness	219	-	-	219
Interest	19,274	2,341	87	21,528
High School Activities:				
General Administrative	8,571	32,670	35,061	6,180
Book Club	661	2,208	2,455	414
Clubs and Organizations	13,534	37,778	34,037	17,275
Drama	10,578	28,099	38,911	(234)
Student Phone	243	691	752	182
High School Athletics	74,801	140,362	141,116	74,047
Pre-School	2,041	1,119	1,945	1,215
Library/Media Activities	4,977	3,273	1,908	6,342
Music Clubs	24,825	32,724	23,751	33,798
Other Miscellaneous	10,359	2,430	10,956	1,833
Publications	17,844	51,801	54,778	14,867
Academic Resale	17,938	13,962	15,783	16,117
Athletic Support Groups	45,280	226,215	214,416	57,079
Interest	28,124	2,949	8,656	22,417
PV Spirit Gear	388	4,117	3,250	1,255
<b>Total</b>	<b>\$ 388,961</b>	<b>\$ 730,057</b>	<b>\$ 720,196</b>	<b>\$ 398,822</b>

See accompanying independent auditor's report.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2006	2005	2004	2003
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 13,203,261	\$ 12,554,703	\$ 12,514,026	\$ 13,141,740
Tuition	1,713,736	1,399,116	1,230,012	1,062,284
Other	1,575,514	1,886,916	1,645,656	1,391,123
Intermediate sources	-	-	5,362	-
State sources	12,432,419	11,960,868	10,420,014	10,400,645
Federal sources	488,597	338,066	397,878	363,682
<b>Total revenues</b>	<b>\$ 29,413,527</b>	<b>\$ 28,139,669</b>	<b>\$ 26,212,948</b>	<b>\$ 26,359,474</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 12,442,169	\$ 11,629,536	\$ 11,442,672	\$ 11,286,209
Special instruction	2,803,690	2,744,496	3,195,175	2,803,988
Other instruction	2,215,310	2,260,245	1,873,470	1,616,000
Support services:				
Student services	791,452	834,507	704,749	683,297
Instructional staff services	1,184,164	1,404,326	688,197	602,646
Administration services	2,557,612	2,183,842	2,008,349	2,093,533
Operation and maintenance of plant services	2,166,720	1,991,262	1,690,047	1,652,511
Transportation services	1,077,201	951,153	905,464	880,229
Central and other support services	-	-	5,220	5,220
Non-instructional programs	4,376	34,014	31,111	-
Other expenditures:				
Facilities acquisition	2,713,005	3,796,019	2,320,548	2,839,573
Long-term debt:				
Principal	110,645	-	-	5,500,000
Interest and fiscal charges	10,086	-	-	309,628
AEA flowthrough	924,268	871,361	849,410	887,314
<b>Total expenditures</b>	<b>\$ 29,000,698</b>	<b>\$ 28,700,761</b>	<b>\$ 25,714,412</b>	<b>\$ 31,160,148</b>

See accompanying independent auditor's report.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2006

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>Direct:</b>			
U.S. Department of Education:			
Safe and Drug Free Schools and Communities -			
National Programs	84.184	FY 06	\$ <u>3,701</u>
<b>Indirect:</b>			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 06	<u>40,018</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 06	15,938
National School Lunch Program	10.555	FY 06	<u>161,284</u>
			<u>177,222</u>
			<u>217,240</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	5250-G-06	<u>93,378</u>
Improving Teacher Quality State Grants	84.367	FY 06	<u>69,483</u>
State Grants for Innovative Programs	84.298	FY 06	<u>7,180</u>
Grants for Assessments and Related Activities	84.369	FY 05	17,684
Grants for Assessments and Related Activities	84.369	FY 06	<u>8,237</u>
			<u>25,921</u>
Vocational Education - Basic Grants to States	84.048	FY 05	731
Vocational Education - Basic Grants to States	84.048	FY 06	<u>16,765</u>
			<u>17,496</u>
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 06	<u>8,863</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2006

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Mississippi Bend Area Education Agency:			
Special Education - Grants to States	84.027	FY 05	\$ 1,451
Special Education - Grants to States	84.027	FY 06	<u>154,638</u>
			<u>156,089</u>
 Federal Hurricane Relief Funding	 84.938	 FY 06	 <u>39,000</u>
Fund for the Improvement of Education	84.215	FY 06	<u>4,466</u>
Tech-Prep Education	84.243	FY 06	<u>595</u>
Title III - English Language Acquisition State Grants	84.365	FY 06	<u>1,433</u>
			<u>423,904</u>
Department of the Army, Office of the Chief of Engineers:			
Scott County:			
Flood Control Projects	12.106	FY 06	<u>12,006</u>
U.S. Department of Health and Human Services:			
Mississippi Bend AEA:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	FY 06	<u>713</u>
 Total indirect			 <u>653,863</u>
 Total			 \$ <u><u>657,564</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Pleasant Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 Board of Education of  
Pleasant Valley Community School District:

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 Pleasant Valley Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pleasant Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Pleasant Valley Community School District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pleasant Valley Community School District and other parties to whom Pleasant Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pleasant Valley Community School District 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.

Oskaloosa, Iowa  
September 15, 2006

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

To the Board of Education of  
Pleasant Valley Community School District:

Compliance

We have audited the compliance of Pleasant Valley Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Pleasant Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Pleasant Valley Community School District's management. Our responsibility is to express an opinion on Pleasant Valley Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pleasant Valley Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pleasant Valley Community School District's compliance with those requirements.

In our opinion, Pleasant Valley Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Pleasant Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Pleasant Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Pleasant Valley Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pleasant Valley Community School District and other parties to whom Pleasant Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
September 15, 2006

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses 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) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Pleasant Valley Community School District qualified as a low-risk auditee.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

No matters were reported.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

No matters were reported.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-06 Certified Budget – Expenditures/expenses for the year ended June 30, 2006, did not exceed the amount budgeted in any of the four functions.
- IV-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-06 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy. However, the interest rate on one certificate of deposit from the High School Activity Fund did not meet the minimum rate set by the State committee.
- Recommendation – The District should contact the bank and obtain the correct minimum rate as determined by the State. The District should seek reimbursement for the difference in the adjusted interest rate.
- Response – We have contacted the bank and have now resolved this situation.
- Conclusion – Response accepted.
- IV-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.