

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, 2007

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PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2006 Election)		
Deborah Dayman	President	2007
Dan Schurr	Vice President	2006
Joanne Messman	Board Member	2006
Heather Witters	Board Member (Appointed August 7, 2006)	2006
Tony Huegel	Board Member	2008
Len Adams	Board Member	2008
Pamela Paulsen	Board Member	2008

<u>Board of Education</u>		
(After September 2006 Election)		
Deborah Dayman	President	2007
Dan Schurr	Vice President	2009
Heather Witters	Board Member	2007
Joanne Messman	Board Member (Resigned March 19, 2007)	2007
Joe Adam	Board Member (Appointed April 9, 2007)	2007
Tony Huegel	Board Member	2008
Pamela Paulsen	Board Member	2008
Len Adams	Board Member (Resigned June 18, 2007)	2007

<u>School Officials</u>		
Dr. James R. Spelhaug	Superintendent	2010
Cyndy Behrer	Assistant Superintendent	2009
Mike Clingingsmith	Chief Financial Officer	2009
Christine Harvey	District Secretary	2007
Joyce E. Bauwens	District Treasurer	2007
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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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 the 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 at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2007 on our consideration of Pleasant Valley Community School District's internal control over financial reporting and on 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 7 through 21 and 54 through 55 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, 2006 (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 the 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
October 10, 2007

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, 2007. 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 an approximately 6,250 square foot building addition and approximately 3,000 square foot renovation project at Cody Elementary School during the 2006-07 fiscal year. The final total cost of the project was \$ 1,756,658. This project was funded with proceeds from the Physical Plant and Equipment Levy (PPEL) and Local Option Sales and Services Tax for School Infrastructure funds.
- Construction began on an approximately 14,264 square foot wellness addition and approximately 2,080 square foot kitchen remodeling project at Pleasant Valley Junior High School in July, 2006. The costs incurred on the project through June 30, 2007 were \$ 1,374,676. The total construction cost of the project is projected to be approximately \$ 2,225,000. The construction portion of this project is being funded by Local Option Sales and Services Tax for School Infrastructure funds. The equipment portion of this project is being funded with proceeds from the Physical Plant and Equipment Levy (PPEL) and also from other sources such as grants from the Scott County Regional Authority, contributions from the Pleasant Valley Athletic Boosters organization, contributions from the District's Nutrition Fund and a portion of the remaining funds from the District's "Reaching for Excellence" fundraising campaign that was initiated in the 2004-05 fiscal year.
- Interest rates continued to increase during the 2006-07 fiscal year. The district's governmental and business-type activities bank accounts earned \$ 386,524 interest during 2006-07, an increase of \$ 123,959 (47.2%) from the \$ 262,565 that those accounts earned during the 2005-06 fiscal year. Higher average cash balances during 2006-07 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 2006-07 was \$ 8,666,360 compared to \$ 7,719,147 in 2005-06. 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 district's General Fund decreased by \$ 135,025 from \$ 1,920,024 at June 30, 2006 to \$ 1,784,999 at June 30, 2007. While General Fund revenues and other financing sources increased from the previous year by 1.7%, expenditures increased by a larger margin of 5.5%.

- The fund balance in the Management Fund increased by \$ 77,650 during 2006-07. The main reason for the increase in the fund balance in the Management Fund was due to the District increasing the property tax levy rate in the Management Fund from \$ 0.50 per \$ 1,000 taxable valuation in 2005-06 to \$ 0.72 per \$1,000 taxable valuation in 2006-07. This brought in an additional \$ 182,733 in property tax revenue in the Management Fund over the 2005-06 property tax revenue in Management Fund. Increased costs for early retirement expenses and insurance expenses offset part of the increased revenue in property taxes.
- The fund balance in the Capital Projects Fund increased by \$ 1,167,824 during 2006-07. 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 Cody Elementary School and Pleasant Valley Junior High School building addition projects during the year. In addition, revenue from the Local Option Sales and Services Tax for School Infrastructure increased by 10.4% during 2006-07 and interest income in the Capital Projects Fund increased by 123.9% in 2006-07.
- The fund balance in the Nutrition Fund increased by \$ 91,546 during 2006-07. Sales remained strong in 2006-07, with a 5.1% increase over sales in 2005-06.
- The fund balance in the Internal Service Fund decreased by \$ 62,742 during 2006-07. This was mainly due to a 17.4% increase in health insurance claims and administrative fees compared to the 2005-06 fiscal year.
- The district's 2006-07 certified enrollment (resident headcount) increased by 76.4 students over the 2005-06 certified enrollment. The district's certified enrollment as of October 2, 2006 was 3,371.8 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 2006-07 was \$ 301,560. This was a \$ 62,709 increase from the previous fiscal year's special education deficit of \$ 238,851. 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 2006, Pleasant Valley Community School District received a reconciliation payment of \$ 210,427. The district had a total of \$ 2,930,887 in local option sales and services tax for school infrastructure revenue in 2006-07.

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.

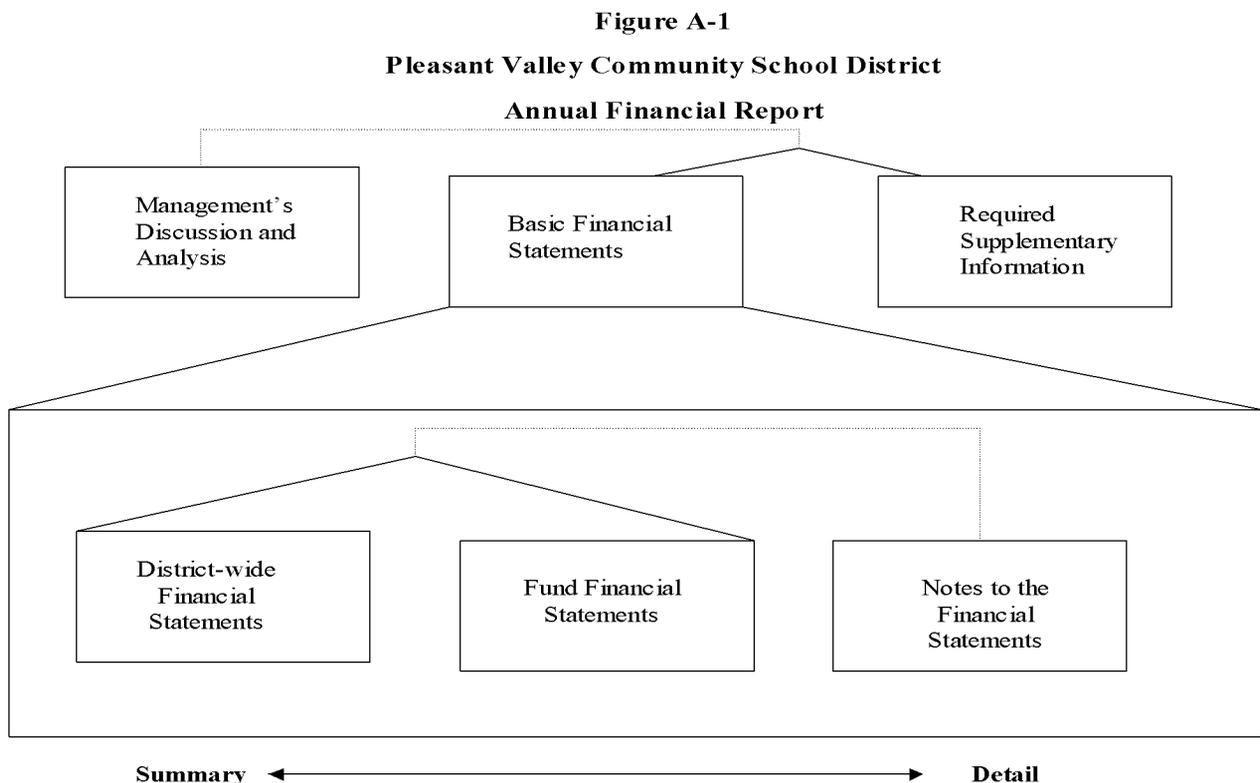


Figure A-2 below summarizes the major features of the district’s financial statements, including the portion of the district’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

Figure A-2: Major Features of the District Wide and Fund Financial Statements				
	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 2006-07 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, 2007 grew by \$ 2,185,324 (7.5%) over the June 30, 2006 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 \$ 2,093,778 (7.3%). The net assets of the district's business-type activities grew by \$ 91,546 (19.3%).

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2006-07
	@ 6-30-2006	@ 6-30-2007	@ 6-30-2006	@ 6-30-2007	@ 6-30-2006	@ 6-30-2007	
Current and other assets	19,922,535	22,339,966	487,833	523,379	20,410,368	22,863,345	12.0%
Capital assets	23,489,318	24,652,692	51,477	74,499	23,540,795	24,727,191	5.0%
Total Assets	43,411,853	46,992,658	539,310	597,878	43,951,163	47,590,536	8.3%
Long-term liabilities	1,408,501	1,370,678	0	0	1,408,501	1,370,678	-2.7%
Other liabilities	13,149,301	14,674,151	65,958	32,980	13,215,259	14,707,131	11.3%
Total Liabilities	14,557,802	16,044,829	65,958	32,980	14,623,760	16,077,809	9.9%
Net assets							
Invested in capital assets, net of related debt	23,489,318	24,652,692	51,477	74,499	23,540,795	24,727,191	5.0%
Restricted and Designated	4,606,686	5,565,915	0	0	4,606,686	5,565,915	20.8%
Unrestricted	758,047	729,222	421,875	490,399	1,179,922	1,219,621	3.4%
Total net assets	28,854,051	30,947,829	473,352	564,898	29,327,403	31,512,727	7.5%

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 and remodel at Cody Elementary School and a wellness addition and kitchen remodel at Pleasant Valley Junior High School. All of these building addition and remodel projects were funded with receipts from the Physical Plant and Equipment Levy and Local Option Sales Tax for School Infrastructure. No long-term debt was incurred to finance these projects. Total capital assets, net of depreciation, grew by \$ 1,186,396 in 2006-07. 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.

Long-term liabilities, which consists of liabilities for early retirement, compensated absences and a capital lease payable for computer software decreased by \$ 37,823 (2.7%) in 2006-07.

Total restricted and designated net assets at June 30, 2007 increased by 20.8% and unrestricted net assets increased by 3.4% from the amounts at June 30, 2006.

Changes in net assets. The district's change in net assets for the years ended June 30, 2006 and June 30, 2007 are presented in Figure A-4 below.

Figure A-4
Changes in Net Assets from Operating Results

	Governmental Activities Fiscal Year Ended 6-30-06	Governmental Activities Fiscal Year Ended 6-30-07	Business- type Activities Fiscal Year Ended 6-30-06	Business- type Activities Fiscal Year Ended 6-30-07	Total School District Fiscal Year Ended 6-30-06	Total School District Fiscal Year Ended 6-30-07	Total Percentage Change Fiscal Year Ended 6-30-07
Revenues:							
Program Revenues							
Charges for services	2,636,537	2,670,772	910,535	954,870	3,547,072	3,625,642	2.2%
Operating grants and contributions	2,523,225	2,764,390	228,627	262,952	2,751,852	3,027,342	10.0%
Capital grants and contributions	99,835	0	0	0	99,835	0	-100.0%
General revenues							
Property taxes	10,555,973	10,923,935	0	0	10,555,973	10,923,935	3.5%
State foundation aid	10,588,740	11,455,274	0	0	10,588,740	11,455,274	8.2%
Local option sales and services tax	2,654,296	2,930,887	0	0	2,654,296	2,930,887	10.4%
Other	1,023,289	561,645	17,621	25,920	1,040,910	587,565	-43.6%
Total revenues	30,081,895	31,306,903	1,156,783	1,243,742	31,238,678	32,550,645	4.2%
Expenses:							
Instruction	17,828,084	18,786,613	0	0	17,828,084	18,786,613	5.4%
Support services	7,894,909	7,992,602	44,814	43,300	7,939,723	8,035,902	1.2%
Non-instructional programs	4,376	5,618	1,029,650	1,108,896	1,034,026	1,114,514	7.8%
Other	2,382,004	2,428,292	0	0	2,382,004	2,428,292	1.9%
Total expenses	28,109,373	29,213,125	1,074,464	1,152,196	29,183,837	30,365,321	4.0%
Change in net assets before special item	1,972,522	2,093,778	82,319	91,546	2,054,841	2,185,324	6.4%
Special item:							
Gain on disposal of assets	0	0	0	0	0	0	-----
Increase (Decrease) in net assets	1,972,522	2,093,778	82,319	91,546	2,054,841	2,185,324	6.4%

Total revenue for the district increased by \$ 1,311,967 (4.2%) in the fiscal year ended June 30, 2007. The most significant revenue category changes were in "Operating grants and contributions" under "Program Revenues" and "Other" under "General revenues". Operating grants and contributions increased by \$ 275,490 (10.0%) in 2006-07. Revenue in the "Other" category decreased by \$ 453,345 (43.6%) during 2006-07. The most significant factor for this was that the District had received \$667,430 from the sale of the district's bus fleet to First

Student, Inc. in 2005-06 which caused the "Other" revenue category to be higher than normal in 2005-06.

Total district expenses increased by 6.4% in 2006-07. The district's enrollment continued to grow in 2006-07 as its certified enrollment was up by 76.4.0 students over 2005-06. 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 2006-07 fiscal year.

Figure A-5

Sources of Revenues for 2006-07 Fiscal Year

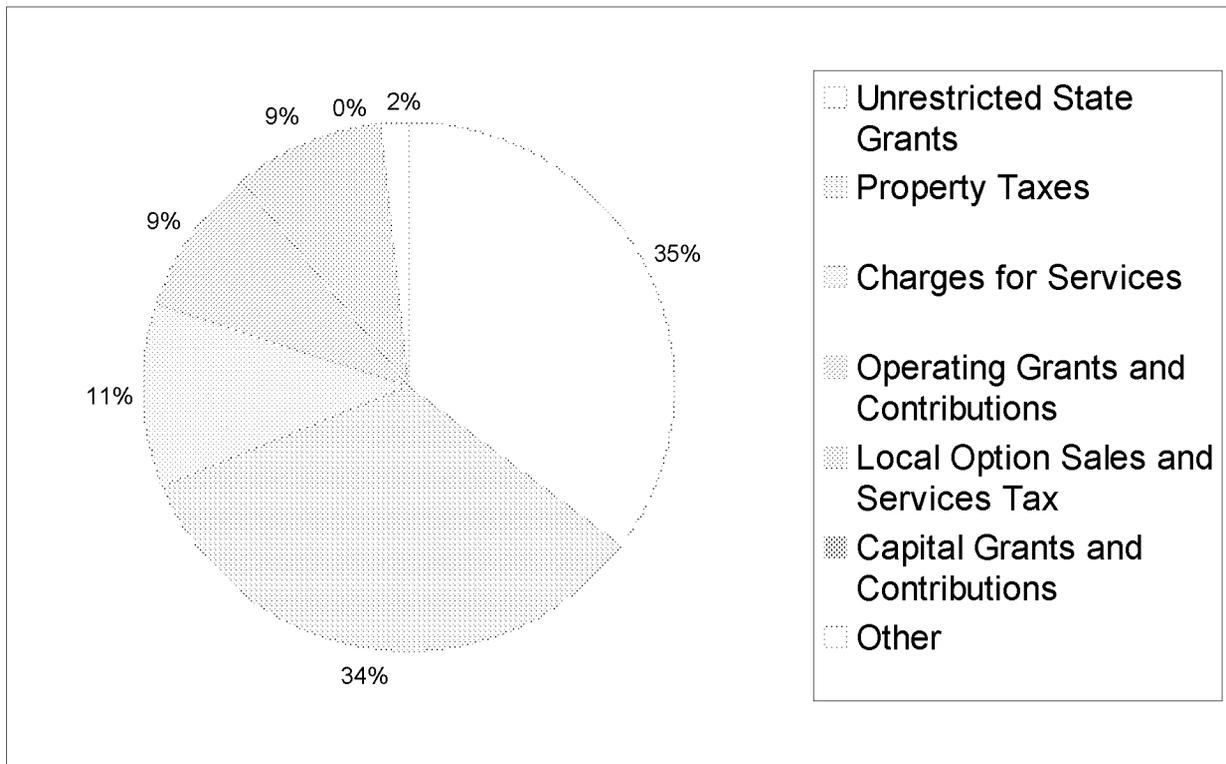
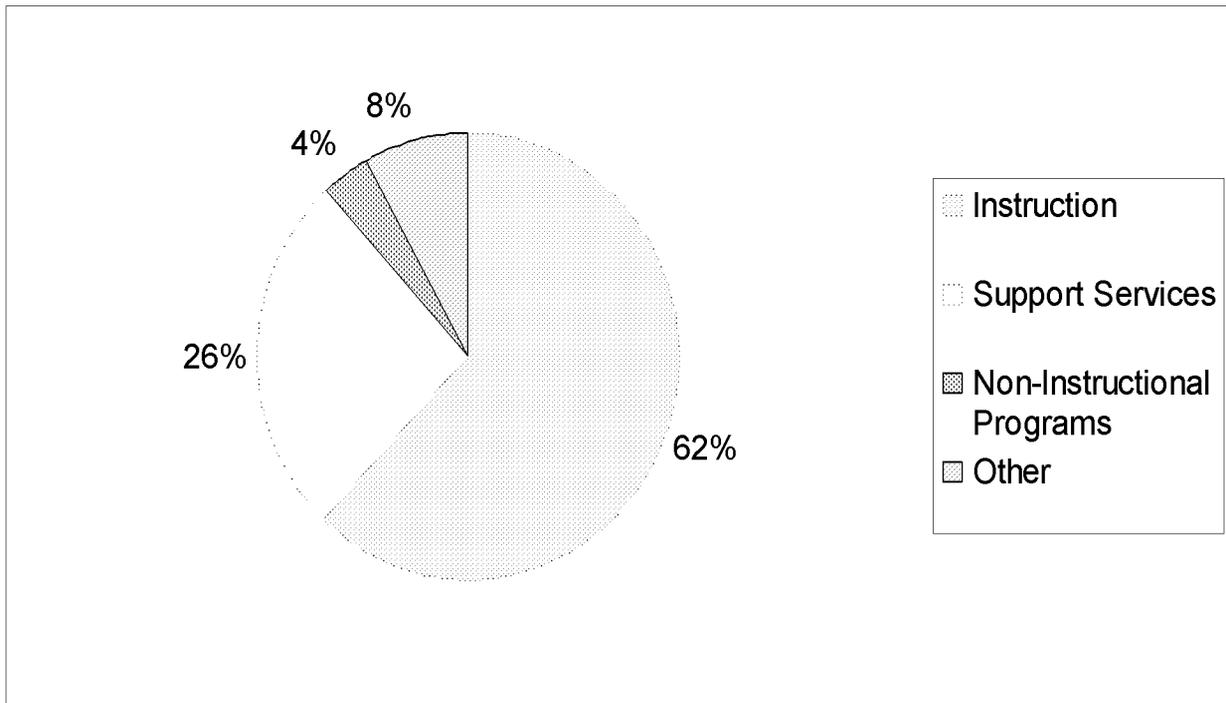


Figure A-6

Expenses for 2006-07 Fiscal Year



Governmental Activities

Revenue for the district’s governmental activities in 2006-07 increased \$ 1,225,008 (4.1%) from the previous year, while total expenses increased by \$ 1,103,752 (3.9%). Governmental activities net assets at June 30, 2007 increased by \$ 2,093,778 (7.3%) over the June 30, 2006 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 6/30/2006	Fiscal Year Ended 6/30/2007	Fiscal Year Ended 6/30/2007	Fiscal Year Ended 6/30/2006	Fiscal Year Ended 6/30/2007	Fiscal Year Ended 6/30/2007
Instruction	17,828,084	18,786,613	5.4%	14,068,847	15,065,859	7.1%
Support services	7,894,909	7,992,602	1.2%	7,418,652	7,291,739	-1.7%
Non-instructional	4,376	5,618	28.4%	4,376	5,618	28.4%
Other	2,382,004	2,428,292	1.9%	1,357,901	1,414,747	4.2%
Total	28,109,373	29,213,125	3.9%	22,849,776	23,777,963	4.1%

- The cost of all governmental activities this year was \$ 29,213,125.
- Some of the cost (\$ 2,670,772) 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 (\$ 2,764,390).
- Most of the district's costs (\$ 23,777,963), however, were financed by district and state taxpayers.
- This portion of governmental activities was financed with \$ 10,923,935 in property taxes, \$ 11,455,274 of unrestricted state aid based on the statewide finance formula, \$ 2,930,887 in local option sales and services tax revenue, \$ 360,604 in investment earnings and \$ 201,041 in miscellaneous revenues.

Business-Type Activities

Revenues of the district's business-type activities in 2006-07 were \$ 1,243,742, an increase of 7.5% over 2005-06. Expenses were \$ 1,152,196, an increase of 7.2% over 2005-06. (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 5.1% in 2006-07.
- Food Service prices are adjusted periodically with the intent of "breaking even" in the Nutrition Fund. Food Service prices were adjusted in 2004-05. Student lunch prices at the elementary, junior high and high school levels were increased by \$0.10 for the 2004-05 school year.
- One consideration in the lunch price increases for the 2004-05 school year was the projected need to replace several Nutrition Fund capital assets that are nearing the end of their useful lives over the next few years.

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 \$ 6,196,905. This was an increase of \$ 968,622 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 \$ 1,167,824 to a balance of \$ 3,300,438 at June 30, 2007. As was mentioned earlier in this report, 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 Cody Elementary School and Pleasant Valley Junior High School building addition projects during the year. As was noted in the "Financial Highlights" section of this report, the fund balance in the district's General Fund decreased by \$ 135,025 from

\$ 1,920,024 at June 30, 2006 to \$ 1,784,999 at June 30, 2007. 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 \$ 140,570. The fund balance in the Student Activities Fund decreased by \$ 1,257 during the fiscal year. The fund balance in the district's Management Fund increased by \$ 77,650 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 \$ 91,546, ending the year with net assets of \$ 564,898.

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. 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 \$ 6,360,007 more in expenditures than the original certified budget for the 2006-07 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 2006-07 fiscal year, the district had invested \$ 24,727,191 (net of accumulated depreciation of \$ 22,906,507) 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 \$ 1,186,396 or 5.0% from last year. **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Total depreciation expense for the year was \$ 1,106,977.

Figure A-8
Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total Percent Change
	@ 6-30-2006	@ 6-30-2007	@ 6-30-2006	@ 6-30-2007	@ 6-30-2006	@ 6-30-2007	2006-07
	Land	591,160	591,160	0	0	591,160	591,160
Buildings	19,801,600	21,334,811	0	0	19,801,600	21,334,811	7.7%
Improvements other than buildings	463,604	476,590	0	0	463,604	476,590	2.8%
Furniture and equipment	788,872	736,308	51,477	74,499	840,349	810,807	-3.5%
Construction in progress	1,844,082	1,513,823	0	0	1,844,082	1,513,823	-17.9%
Total	23,489,318	24,652,692	51,477	74,499	23,540,795	24,727,191	5.0%

As mentioned earlier in this report, construction was completed during 2006-07 on a classroom addition and renovation project at Cody Elementary School. In addition, construction began on an approximately 14,264 square foot wellness addition and approximately 2,080 square foot kitchen remodeling project at Pleasant Valley Junior High School in July, 2006. Total expenses related to the Pleasant Valley Junior High School project through June 30, 2007 were \$ 1,374,676. The majority of the funding for each of these projects came from Physical Plant and Equipment Levy (PPEL) funds and Local Option Sales and Services Tax for School Infrastructure funds.

Other significant “construction in progress” activities at June 30, 2007 include:

- A remodeling of the “Family and Consumer Sciences” room at Pleasant Valley High School

- Significant improvements to the visitor side bleachers and concession stand at the football stadium at Pleasant Valley High School

Long-Term Liabilities

At June 30, 2007, the district had \$ 314,901 in early retirement long-term liabilities with \$ 193,068 due within one year and \$ 939,516 in total compensated absence liabilities with \$ 248,192 in compensated absences due within one year.

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.

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, 2007, the district had \$ 116,261 in capital lease liabilities with \$ 99,224 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 6 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:

- Fiscal year 2007-08 salary and benefit package settlements were reached during the 2006-07 fiscal year. The settlement for fiscal year 2007-08 marked the sixth 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 six 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, 2006-07 and 2007-08, 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, 2006-07 and 2007-08 was 4.00% each year and the settlements with Pleasant Valley Education Association were 4.47%, 4.63% and 4.91%, respectively. District new money for 2005-06 was 5.34%, for 2006-07 was 6.70% and for 2007-08 was 6.30%. All other employee groups total package increases have exceeded state allowable growth also in 2002-03, 2003-04 and 2004-05. For 2005-06, 2006-07 and 2007-08, 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%, 6.70% and 6.30%, 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 continues to exert great pressure on the district's ability to maintain a level property tax levy rate.
- The district has not levied taxpayers for the board-approved Physical Plant and Equipment Levy (PPEL) in the 2005-06, 2006-07 and 2007-08 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 brings in approximately \$ 290,000 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.
- 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 (June 30, 2009). 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 \$ 915. 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. 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. A vote is scheduled for March 4, 2008 in Scott County to extend the Local Option Sales and Services Tax for School Infrastructure for another ten year period, which would extend the tax through June 30, 2019.
- Effective July 1, 2007 an incremental increase in the employees' and employers' share of the Iowa Public Employees Retirement System (IPERS) contributions went into effect. The employees' share will increase by 0.20% per year each of the next four fiscal years and the employers' share will increase by 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.

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Basic Financial Statements

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 10,178,430	\$ 513,006	\$ 10,691,436
Receivables:			
Property tax:			
Current year	73,298	-	73,298
Succeeding year	10,413,000	-	10,413,000
Accounts	521,780	3,380	525,160
Interfund receivables (payables)	5,801	(5,801)	-
Due from other governments	1,097,435	-	1,097,435
Inventories	-	12,794	12,794
Prepaid expenses	50,222	-	50,222
Capital assets, net of accumulated depreciation (note 5)	24,652,692	74,499	24,727,191
Total assets	46,992,658	597,878	47,590,536
Liabilities			
Accounts payable	796,206	3,573	799,779
Salaries and benefits payable	2,394,365	-	2,394,365
Due to other governments	432,809	-	432,809
Claims incurred but not reported	364,671	-	364,671
Deferred revenue:			
Succeeding year property tax	10,413,000	-	10,413,000
Other	273,100	29,407	302,507
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	193,068	-	193,068
Capital lease payable	99,224	-	99,224
Compensated absences	248,192	-	248,192
Portion due after one year:			
Early retirement	121,833	-	121,833
Capital lease payable	17,037	-	17,037
Compensated absences	691,324	-	691,324
Total liabilities	16,044,829	32,980	16,077,809

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	<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	\$ 24,652,692	\$ 74,499	\$ 24,727,191
Restricted for:			
Management levy	263,086	-	263,086
Physical plant and equipment levy	135,916	-	135,916
Other special revenue purposes	397,565	-	397,565
Capital projects	3,300,438	-	3,300,438
Unrestricted, designated for future catastrophic losses	1,468,910	-	1,468,910
Unrestricted	<u>729,222</u>	<u>490,399</u>	<u>1,219,621</u>
Total net assets	<u>\$ 30,947,829</u>	<u>\$ 564,898</u>	<u>\$ 31,512,727</u>

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 13,509,172	\$ 2,007,144	\$ 658,514
Special instruction	3,063,722	30,192	394,084
Other instruction	2,213,719	615,706	15,114
	<u>18,786,613</u>	<u>2,653,042</u>	<u>1,067,712</u>
Support services:			
Student services	863,305	-	-
Instructional staff services	1,143,764	-	646,317
Administration services	2,720,534	-	-
Operation and maintenance of plant services	2,116,492	17,730	-
Transportation services	1,148,507	-	36,816
	<u>7,992,602</u>	<u>17,730</u>	<u>683,133</u>
Non-instructional programs	<u>5,618</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	464,181	-	-
Long-term debt interest and fiscal charges	8,606	-	-
AEA flowthrough	1,013,545	-	1,013,545
Depreciation (unallocated) *	941,960	-	-
	<u>2,428,292</u>	<u>-</u>	<u>1,013,545</u>
Total governmental activities	<u>29,213,125</u>	<u>2,670,772</u>	<u>2,764,390</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (10,843,514)	\$ -	\$ (10,843,514)
(2,639,446)	-	(2,639,446)
(1,582,899)	-	(1,582,899)
(15,065,859)	-	(15,065,859)
(863,305)	-	(863,305)
(497,447)	-	(497,447)
(2,720,534)	-	(2,720,534)
(2,098,762)	-	(2,098,762)
(1,111,691)	-	(1,111,691)
(7,291,739)	-	(7,291,739)
(5,618)	-	(5,618)
(464,181)	-	(464,181)
(8,606)	-	(8,606)
-	-	-
(941,960)	-	(941,960)
(1,414,747)	-	(1,414,747)
(23,777,963)	-	(23,777,963)

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Business-Type Activities:			
Support services:			
Food service operations	\$ 43,300	\$ -	-
Non-instructional programs:			
Food service operations	<u>1,108,896</u>	<u>954,870</u>	<u>262,952</u>
Total business-type activities	<u>1,152,196</u>	<u>954,870</u>	<u>262,952</u>
Total	<u>\$ 30,365,321</u>	<u>\$ 3,625,642</u>	<u>\$ 3,027,342</u>

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 included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ (43,300)	\$ (43,300)
-	108,926	108,926
-	65,626	65,626
(23,777,963)	65,626	(23,712,337)
\$ 9,804,037	\$ -	\$ 9,804,037
1,119,898	-	1,119,898
2,930,887	-	2,930,887
11,455,274	-	11,455,274
360,604	25,920	386,524
201,041	-	201,041
25,871,741	25,920	25,897,661
2,093,778	91,546	2,185,324
28,854,051	473,352	29,327,403
\$ 30,947,829	\$ 564,898	\$ 31,512,727

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 4,179,967	\$ 2,979,239	\$ 1,475,435	\$ 8,634,641
Receivables:				
Property tax:				
Current year	61,179	-	12,117	73,296
Succeeding year	8,803,000	-	1,610,000	10,413,000
Interfund receivable (note 3)	-	5,801	-	5,801
Accounts	192,366	-	39,623	231,989
Due from other governments	648,172	449,264	-	1,097,436
Prepaid expenses	50,222	-	-	50,222
	<u>\$ 13,934,906</u>	<u>\$ 3,434,304</u>	<u>\$ 3,137,175</u>	<u>\$ 20,506,385</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 315,815	\$ 133,866	\$ 346,526	\$ 796,207
Salaries and benefits payable	2,394,365	-	-	2,394,365
Due to other governments	426,759	-	6,049	432,808
Deferred revenue:				
Succeeding year property tax	8,803,000	-	1,610,000	10,413,000
Other	209,968	-	63,132	273,100
Total liabilities	<u>12,149,907</u>	<u>133,866</u>	<u>2,025,707</u>	<u>14,309,480</u>
Fund balance:				
Reserved for:				
State grants	71,090	-	-	71,090
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	1,111,468	1,111,468
Undesignated	1,713,909	3,300,438	-	5,014,347
Total fund balances	<u>1,784,999</u>	<u>3,300,438</u>	<u>1,111,468</u>	<u>6,196,905</u>
Total liabilities and fund balances	<u>\$ 13,934,906</u>	<u>\$ 3,434,304</u>	<u>\$ 3,137,175</u>	<u>\$ 20,506,385</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, 2007

Total fund balances of governmental funds	\$ 6,196,905
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.	24,652,692
The Internal Service Funds is used to charge the costs 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.	1,468,910
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>(1,370,678)</u>
Net assets of governmental activities	<u>\$ 30,947,829</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, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 9,234,260	\$ 2,930,887	\$ 1,682,561	\$ 13,847,708
Tuition	1,796,259	-	-	1,796,259
Other	698,777	121,005	780,539	1,600,321
State sources	13,643,941	-	1,078	13,645,019
Federal sources	419,167	-	10,572	429,739
Total revenues	<u>25,792,404</u>	<u>3,051,892</u>	<u>2,474,750</u>	<u>31,319,046</u>
Expenditures:				
Current:				
Instruction	17,369,899	-	1,277,149	18,647,048
Support services:				
Student services	853,719	-	9,582	863,301
Instructional staff services	1,124,316	-	19,449	1,143,765
Administration services	2,589,240	-	105,207	2,694,447
Operation and maintenance of plant services	1,924,874	-	185,518	2,110,392
Transportation services	949,807	-	198,700	1,148,507
	<u>7,441,956</u>	<u>-</u>	<u>518,456</u>	<u>7,960,412</u>
Non-instructional programs	308	-	5,311	5,619
Other expenditures:				
Facilities acquisition	-	1,584,068	1,038,011	2,622,079
Long term debt:				
Principal	-	-	94,271	94,271
Interest and fiscal charges	-	-	8,606	8,606
AEA flowthrough	1,013,545	-	-	1,013,545
	<u>1,013,545</u>	<u>1,584,068</u>	<u>1,140,888</u>	<u>3,738,501</u>
Total expenditures	<u>25,825,708</u>	<u>1,584,068</u>	<u>2,941,804</u>	<u>30,351,580</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,304)</u>	<u>1,467,824</u>	<u>(467,054)</u>	<u>967,466</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 1,156	\$ -	\$ -	\$ 1,156
Interfund transfers in (note 4)	-	-	402,877	402,877
Interfund transfers out (note 4)	(102,877)	(300,000)	-	(402,877)
Total other financing sources (uses)	<u>(101,721)</u>	<u>(300,000)</u>	<u>402,877</u>	<u>1,156</u>
Net change in fund balances	(135,025)	1,167,824	(64,177)	968,622
Fund balances beginning of year	<u>1,920,024</u>	<u>2,132,614</u>	<u>1,175,645</u>	<u>5,228,283</u>
Fund balances end of year	<u>\$ 1,784,999</u>	<u>\$ 3,300,438</u>	<u>\$ 1,111,468</u>	<u>\$ 6,196,905</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, 2007

Net change in fund balances - total governmental funds \$ 968,622

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	\$ 2,261,374	
Depreciation expense	<u>(1,098,000)</u>	1,163,374

Certain grant revenues are not considered available revenue in the governmental funds and are deferred. The revenues are, however, recognized for government-wide reporting. (13,299)

The decrease in net assets in the Internal Service Fund represents an undercharge to governmental funds and is incorporated into the change in net assets of governmental activities. (62,742)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 94,271

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. (56,448)

Change in net assets of governmental activities \$ 2,093,778

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2007

	Enterprise Fund School Nutrition	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 513,006	\$ 1,543,790
Accounts receivable	3,380	289,791
Inventories	12,794	-
Capital assets, net of accumulated depreciation (note 5)	<u>74,499</u>	<u>-</u>
Total assets	<u>603,679</u>	<u>1,833,581</u>
Liabilities		
Accounts payable	3,573	-
Interfund payable	5,801	-
Claims incurred but not reported	-	364,671
Deferred revenues:		
Other	<u>29,407</u>	<u>-</u>
Total liabilities	<u>38,781</u>	<u>364,671</u>
Net Assets		
Invested in capital assets	74,499	-
Unrestricted	<u>490,399</u>	<u>1,468,910</u>
Total net assets	<u>\$ 564,898</u>	<u>\$ 1,468,910</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, 2007

	Enterprise Fund School Nutrition	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 954,870	\$ 2,729,408
Operating expenses:		
Support services:		
Salaries	17,509	-
Benefits	2,340	2,865,918
Purchased services	15,017	-
Supplies	8,434	-
	<u>43,300</u>	<u>2,865,918</u>
Non-instructional programs:		
Salaries	327,473	-
Benefits	65,932	-
Purchased services	143	-
Supplies	706,313	-
Depreciation	8,977	-
Other	58	-
	<u>1,108,896</u>	<u>-</u>
Total expenses	<u>1,152,196</u>	<u>2,865,918</u>
Operating loss	<u>(197,326)</u>	<u>(136,510)</u>
Non-operating revenues:		
Interest on investments	25,920	73,768
State sources	12,447	-
Federal sources	250,505	-
Total non-operating revenues	<u>288,872</u>	<u>73,768</u>
Change in net assets	91,546	(62,742)
Net assets beginning of year	<u>473,352</u>	<u>1,531,652</u>
Net assets end of year	<u>\$ 564,898</u>	<u>\$ 1,468,910</u>

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2007

	Enterprise Fund School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 958,907	\$ -
Cash received from miscellaneous operating activities	3,059	2,759,242
Cash payments to employees for services	(455,805)	-
Cash payments to suppliers for goods or services	<u>(682,068)</u>	<u>(2,827,185)</u>
Net cash used by operating activities	<u>(175,907)</u>	<u>(67,943)</u>
Cash flows from non-capital financing activities:		
State grants received	12,447	-
Federal grants received	<u>196,527</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>208,974</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(26,198)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>25,920</u>	<u>73,768</u>
Net increase in cash and cash equivalents	32,789	5,825
Cash and cash equivalents beginning of year	<u>480,217</u>	<u>1,537,965</u>
Cash and cash equivalents end of year	<u>\$ 513,006</u>	<u>\$ 1,543,790</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2007

	Enterprise Fund <u>School Nutrition</u>	Internal Service <u>Fund</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (197,326)	\$ (136,510)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	8,977	-
Commodities used	53,978	-
(Increase) decrease in accounts receivable	(148)	29,834
(Increase) in inventories	(8,410)	-
(Decrease) increase in accounts payable	2,329	(5,701)
(Decrease) in salaries and benefits payable	(42,551)	-
Increase in claims incurred but not reported	-	44,434
Increase in deferred revenues	<u>7,244</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (175,907)</u>	<u>\$ (67,943)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$53,978 of federal commodities.

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2007

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>3,455</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>3,455</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, 2007

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>139</u>
Deductions:	
None	<u>-</u>
Change in net assets	139
Net assets beginning of year	<u>3,316</u>
Net assets end of year	\$ <u><u>3,455</u></u>

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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. 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 attributable 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, 2007

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 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 expenditures, 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, Self-Funded Insurance Fund, used to account for the District's self-funded health and dental insurance plans.

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, 2007

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, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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 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.

Interfund receivables/payables – All interfund receivables and payables are the result of transactions between funds which have not been repaid as of year end.

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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 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, 2007

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 revenues.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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, 2007. 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, 2007, expenditures 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, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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, 2007

Note 3. Interfund Payables/Receivables

The detail of the district's interfund payables and receivables is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	Enterprise, School Nutrition	\$ <u>5,801</u>

These amounts are the result of transactions between funds which had not been repaid at year end.

Note 4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 102,877
Special Revenue, Physical Plant and Equipment Levy	Capital Projects	<u>300,000</u>
		\$ <u>402,877</u>

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

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 591,160	\$ -	\$ -	\$ 591,160
Construction in progress	1,844,082	1,760,607	2,090,866	1,513,823
Total capital assets not being depreciated	<u>2,435,242</u>	<u>1,760,607</u>	<u>2,090,866</u>	<u>2,104,983</u>
Capital assets being depreciated:				
Buildings	34,798,496	2,417,120	254,053	36,961,563
Improvements other than buildings	1,616,042	71,037	-	1,687,079
Furniture and equipment	6,384,134	103,476	61,155	6,426,455
Total capital assets being depreciated	<u>42,798,672</u>	<u>2,591,633</u>	<u>315,208</u>	<u>45,075,097</u>
Less accumulated depreciation for:				
Buildings	14,996,896	883,909	254,053	15,626,752
Improvements other than buildings	1,152,438	58,051	-	1,210,489
Furniture and equipment	5,595,262	156,040	61,155	5,690,147
Total accumulated depreciation	<u>21,744,596</u>	<u>1,098,000</u>	<u>315,208</u>	<u>22,527,388</u>
Total capital assets being depreciated, net	<u>21,054,076</u>	<u>1,493,633</u>	<u>-</u>	<u>22,547,709</u>
Governmental activities capital assets, net	<u>\$ 23,489,318</u>	<u>\$ 3,254,240</u>	<u>\$ 2,090,866</u>	<u>\$ 24,652,692</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 442,389	\$ 31,999	\$ 20,770	\$ 453,618
Less accumulated depreciation	390,912	8,977	20,770	379,119
Business-type activities capital assets, net	<u>\$ 51,477</u>	<u>\$ 23,022</u>	<u>\$ -</u>	<u>\$ 74,499</u>

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

Governmental activities:

 Instruction:

 Regular

\$ 114,810

 Support services:

 Administration

23,121

 Operation and maintenance of plant services

18,109

156,040

Unallocated depreciation

941,960

Total governmental activities depreciation expense

\$ 1,098,000

Business-type activities:

 Food service operations

\$ 8,977

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Early Retirement	Capital Lease Purchase	Compensated Absences	Total
Balance beginning of year	\$ 233,225	\$ 210,532	\$ 964,744	\$ 1,408,501
Additions	243,665	-	427,799	671,464
Reductions	161,989	94,271	453,027	709,287
Balance end of year	<u>\$ 314,901</u>	<u>\$ 116,261</u>	<u>\$ 939,516</u>	<u>\$ 1,370,678</u>
Due within one year	<u>\$ 193,068</u>	<u>\$ 99,224</u>	<u>\$ 248,192</u>	<u>\$ 540,484</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.

At June 30, 2007, the District has obligations to 18 participants with a total liability of \$314,901. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$161,989. 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 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, 2007

Note 6. Long-Term Liabilities (continued)

Capital Lease (continued)

Details of the District's future minimum capital lease payments at June 30, 2007 are as follows:

Year Ending June 30,	Minimum Lease Payments
2008	\$ 102,877
2009	<u>17,147</u>
	120,024
Less amount representing interest	<u>(3,763)</u>
	<u>\$ 116,261</u>

Note 7. Transportation Contract

The District had 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 was leasing 29 buses for student transportation at varying rates per bus depending on size, number of routes, and hours of use. All services were provided by the lessor. The lease was to run for three years, through June 30, 2008, and called 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 lease was terminated by the lessor effective June 30, 2007. The District's total fees paid for the year ended June 30, 2007, under the transportation contract was \$857,852.

Note 8. 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.

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 for the years ended June 30, 2007, 2006, and 2005. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$921,791, \$848,735, and \$827,356, respectively, equal to the required contributions for each year.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 9. 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 \$1,468,910 at June 30, 2007 and is recorded in the Internal Service fund. The incurred but not reported claims of \$364,671 are reported as liabilities at June 30, 2007.

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 10. 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 \$1,013,545 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitments

The District entered into a contract totaling \$2,075,000 for a junior high school addition and remodeling. As of June 30, 2007, costs of \$1,204,410 had been incurred against the contracts. The balance of \$870,590 remaining at June 30, 2007 will be paid as work on the project progresses.

Note 12. Contingent Liability

At June 30, 2007, 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 13. Subsequent Event

The District entered into a transportation contract/equipment lease, effective July 1, 2007, for busing equipment and services required for the busing of all District students. The terms call for the leasing of 30 buses at varying rates per bus, depending on bus size, number of routes, hours and type of use. All services are provided by the lessor. The lease runs for six years, beginning July 1, 2007, and can be renewed for two additional three year terms. The maximum lease payments for the first year of operation will be approximately \$935,000, with annual increases to this original amount for each of the next five years.

Required Supplementary Information

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 17,244,288	\$ 980,790	\$ 18,225,078	\$ 17,608,664	\$ 17,608,664	\$ 616,414
State sources	13,645,019	12,447	13,657,466	13,563,281	13,563,281	94,185
Federal sources	429,739	250,505	680,244	629,532	629,532	50,712
Total revenues	31,319,046	1,243,742	32,562,788	31,801,477	31,801,477	761,311
EXPENDITURES:						
Instruction	18,647,048	-	18,647,048	18,292,761	20,320,083	1,673,035
Support services	7,960,412	43,300	8,003,712	8,233,093	9,345,715	1,342,003
Non-instructional programs	5,619	1,108,896	1,114,515	1,098,717	1,582,755	468,240
Other expenditures	3,738,501	-	3,738,501	4,323,849	7,059,874	3,321,373
Total expenditures	30,351,580	1,152,196	31,503,776	31,948,420	38,308,427	6,804,651
Excess (deficiency) of revenues over (under) expenditures	967,466	91,546	1,059,012	(146,943)	(6,506,950)	7,565,962
Other financing sources, net	1,156	-	1,156	-	-	1,156
Excess (deficiency) of revenues and other financing sources over (under) expenditures	968,622	91,546	1,060,168	(146,943)	(6,506,950)	7,567,118
Balance beginning of year	5,228,283	473,352	5,701,635	4,549,950	4,549,950	1,151,685
Balance end of year	<u>\$ 6,196,905</u>	<u>\$ 564,898</u>	<u>\$ 6,761,803</u>	<u>\$ 4,403,007</u>	<u>\$ (1,957,000)</u>	<u>\$ 8,718,803</u>

See accompanying independent auditor's report.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2007

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.

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 function 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 expenditures by \$6,360,007.

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

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Other Supplementary Information

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 574,436	\$ 462,240	\$ 438,759	\$ 1,475,435
Receivables:				
Property tax:				
Current year	3,732	-	8,385	12,117
Succeeding year	547,000	-	1,063,000	1,610,000
Accounts	-	34,158	5,465	39,623
Total assets	\$ 1,125,168	\$ 496,398	\$ 1,515,609	\$ 3,137,175
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 181	\$ 35,214	\$ 311,131	\$ 346,526
Due to other governments	-	487	5,562	6,049
Deferred revenue:				
Succeeding year property tax	547,000	-	1,063,000	1,610,000
Other	-	63,132	-	63,132
Total liabilities	547,181	98,833	1,379,693	2,025,707
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	577,987	397,565	135,916	1,111,468
Total liabilities and fund equity	\$ 1,125,168	\$ 496,398	\$ 1,515,609	\$ 3,137,175

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, 2007

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 563,373	\$ -	\$ 1,119,188	\$ -	\$ 1,682,561
Other	43,560	637,233	99,746	-	780,539
State sources	368	-	710	-	1,078
Federal sources	-	-	10,572	-	10,572
Total revenues	607,301	637,233	1,230,216	-	2,474,750
Expenditures:					
Current:					
Instruction	298,929	635,667	342,553	-	1,277,149
Support services:					
Student services	9,582	-	-	-	9,582
Instructional staff services	9,942	-	9,507	-	19,449
Administration services	48,100	-	57,107	-	105,207
Operation and maintenance of plant services	139,267	2,823	43,428	-	185,518
Transportation services	18,520	-	180,180	-	198,700
Non instructional programs	5,311	-	-	-	5,311
Other expenditures:					
Facilities acquisition	-	-	1,038,011	-	1,038,011
Long term debt:					
Principal	-	-	-	94,271	94,271
Interest and fiscal charges	-	-	-	8,606	8,606
Total expenditures	529,651	638,490	1,670,786	102,877	2,941,804
Excess (deficiency) of revenues over (under) expenditures	77,650	(1,257)	(440,570)	(102,877)	(467,054)
Other financing sources (uses):					
Interfund transfers in	-	-	300,000	102,877	402,877

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	<u>Special Revenue</u>				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ 77,650	\$ (1,257)	\$ (140,570)	\$ -	\$ (64,177)
Fund balances beginning of year	<u>500,337</u>	<u>398,822</u>	<u>276,486</u>	<u>-</u>	<u>1,175,645</u>
Fund balances end of year	<u>\$ 577,987</u>	<u>\$ 397,565</u>	<u>\$ 135,916</u>	<u>\$ -</u>	<u>\$ 1,111,468</u>

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, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary & Junior High Activities:				
P.V. J.H. Art	\$ -	-	-	-
P.V. J.H. Athletics	2,913	28,423	30,256	1,080
P.V. J.H. Band	345	1,010	955	400
P.V. J.H. Vocal Music	1,634	70	-	1,704
P.V. J.H. Library	261	-	261	-
P.V. J.H. Boundry Waters	-	7,740	7,740	-
P.V. J.H. Drama	2,311	-	23	2,288
P.V. J.H. Chorus	1,254	-	-	1,254
P.V. J.H. General Activities	10,398	9,875	11,297	8,976
P.V. J.H. PTA	1,214	3,929	1,920	3,223
P.V. J.H. Home Economics	-	-	-	-
P.V. J.H. Industrial Arts	-	-	-	-
P.V. J.H. Quest Program	989	930	398	1,521
P.V. J.H. Science	1,329	-	563	766
P.V. J.H. Special Olympics	197	-	-	197
P.V. J.H. Student Council	1,612	4,240	4,322	1,530
P.V. J.H. Yearbook	1,929	14,571	6,200	10,300
Bridgeview General Activities	11,002	7,734	5,525	13,211
Bridgeview Home Economics	-	-	-	-
Bridgeview Quest	-	-	-	-
Bridgeview PTA	426	-	426	-
Bridgeview Technology Walk	-	-	-	-
Bridgeview Vocal Music	-	-	-	-
Cody Band	67	-	40	27
Cody Book Club	396	574	289	681
Cody Bookstore	210	241	176	275
Cody Candy Sales	2,502	13	407	2,108
Cody General Activities	16,060	8,122	12,683	11,499
Cody PTA	3,941	9,352	6,177	7,116
Cody Jump for Heart	-	-	-	-
Cody Technology Walk	-	-	-	-
Cody Student Fund	898	-	-	898
Cody Vocal Music	344	285	-	629
Cody Writing Center	-	-	-	-
Cody Yearbook	2,294	1,336	1,226	2,404
Cody Student Council	-	-	-	-
Cody Science	-	-	-	-
Pleasant View Bookstore	1,411	746	2,157	-
Pleasant View General Activities	18,657	6,422	6,747	18,332
Pleasant View PTA	-	6,081	6,081	-

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary & Junior High Activities (continued):				
Pleasant View Band	\$ 117	\$ -	\$ 117	\$ -
Pleasant View Vocal Music	-	875	-	875
Pleasant View Book Club	-	1,849	1,412	437
Pleasant View Home Economics	-	2,697	-	2,697
Riverdale Book Club	1,590	647	396	1,841
Riverdale Bookstore	111	-	12	99
Riverdale Jump for Heart	42	-	-	42
Riverdale General Activities	9,886	22,518	9,159	23,245
Riverdale PTA	19,810	-	13,285	6,525
Riverdale Student Council	1,591	-	-	1,591
Riverdale Science	2,520	-	789	1,731
Riverdale Band	2,373	-	-	2,373
Riverdale Vocal Music	129	-	-	129
District-Wide Garage Sale	1,529	-	96	1,433
District-Wide Wellness	219	-	-	219
Interest	21,527	7,467	-	28,994
High School Activities:				
General Administrative	6,178	24,958	28,467	2,669
Book Club	414	-	414	-
Clubs and Organizations	17,275	36,695	38,202	15,768
Drama	(234)	15,499	13,703	1,562
Student Phone	182	520	467	235
Trainer Fund	-	219	219	-
High School Athletics	74,047	180,626	177,015	77,658
Pre-School	1,215	-	1,215	-
Library/Media Activities	6,342	800	7,142	-
Music Clubs	32,797	29,917	23,761	38,953
Other Miscellaneous	1,833	672	2,505	-
Publications	14,867	54,492	64,316	5,043
Academic Resale	16,117	2,500	15,861	2,756
Athletic Support Groups	58,079	252,636	249,219	61,496
Interest	22,417	5,098	-	27,515
PV Spirit Gear	1,255	5,039	5,034	1,260
Intrafund Transfers	-	(120,185)	(120,185)	-
Total	\$ 398,822	\$ 637,233	\$ 638,490	\$ 397,565

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,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 13,847,708	\$ 13,203,261	\$ 12,554,703	\$ 12,514,026
Tuition	1,796,259	1,713,736	1,399,116	1,230,012
Other	1,600,321	1,575,514	1,886,916	1,645,656
Intermediate sources	-	-	-	5,362
State sources	13,645,019	12,432,419	11,960,868	10,420,014
Federal sources	429,739	488,597	338,066	397,878
Total revenues	\$ 31,319,046	\$ 29,413,527	\$ 28,139,669	\$ 26,212,948
Expenditures:				
Instruction	\$ 18,647,048	\$ 12,442,169	\$ 11,629,536	\$ 11,442,672
Support services:		791,452	834,507	704,749
Student services	863,301	1,184,164	1,404,326	688,197
Instructional staff services	1,143,765	2,557,612	2,183,842	2,008,349
Administration services	2,694,447	2,166,720	1,991,262	1,690,047
Operation and maintenance of plant services	2,110,392	1,077,201	951,153	905,464
Transportation services	1,148,507	-	-	-
Central and other support services	-	-	-	5,220
Non-instructional programs	5,619	4,376	34,014	31,111
Other expenditures:				
Facilities acquisition	2,622,079	2,713,005	3,796,019	2,320,548
Long-term debt:				
Principal	94,271	110,645	-	-
Interest and fiscal charges	8,606	10,086	-	-
AEA flowthrough	1,013,545	924,268	871,361	849,410
Total expenditures	\$ 30,351,580	\$ 29,000,698	\$ 28,700,761	\$ 25,714,412

See accompanying independent auditor's report.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 07	\$ <u>53,978</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 07	17,224
National School Lunch Program	10.555	FY 07	<u>179,303</u>
			<u>196,527</u>
			<u>250,505</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	5250-G-07	81,089
Title 1 Grants to Local Educational Agencies	84.010	5250-GC-07	<u>4,472</u>
			<u>85,561</u>
Improving Teacher Quality State Grants	84.367	FY 07	<u>69,071</u>
State Grants for Innovative Programs	84.298	FY 07	<u>4,229</u>
Grants for State Assessments and Related Activities	84.369	FY 07	<u>34,087</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 07	<u>5,818</u>
Special Education - Grants to States	84.027	FY 07	<u>26,269</u>
Special Education - Preschool Grants	84.173	FY 07	<u>375</u>
Mississippi Bend Area Education Agency:			
Special Education - Grants to States	84.027	FY 07	<u>155,858</u>
Vocational Education - Basic Grants to States	84.048	FY 07	<u>354</u>
Fund for the Improvement of Education	84.215	FY 07	<u>990</u>
Title III - English Language Acquisition State Grants	84.365	FY 07	<u>393</u>
			<u>383,005</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
Department of the Army, Office of the Chief of Engineers:			
Scott County:			
Payments to States in lieu of Real Estate Taxes	12.112	FY 07	\$ <u>10,572</u>
Total			\$ <u><u>644,082</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 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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pleasant Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pleasant Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pleasant Valley Community School District's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. 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.

Comments involving statutory and other legal matters about Pleasant Valley Community School District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the 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.

Pleasant Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Pleasant Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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
October 10, 2007

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, 2007. 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 auditing standards generally accepted in the United States of America, 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, 2007.

Internal Control Over Compliance

The management of Pleasant Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. 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
October 10, 2007

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies 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, 2007

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-07 Disbursement Support – We noted that one expenditure out of 40 tested was not accompanied by a supporting invoice. The invoice was obtained upon request by the District at the date of the audit.

Recommendation – All expenditures should be fully supported by an accompanying invoice or other support documentation.

Response – This was an oversight for this expenditure. We will maintain proper documentation for all expenditures in the future.

Conclusion – Response accepted.

II-B-07 Credit Card Usage/Controls – We noted in our testing of District credit card usage that the District did not balance the credit card statement charges to the supporting receipts or invoices for one month tested. During this month, payment was made to the credit card for travel expense which had already been reimbursed by the District to District employees. We also noted that the District makes prepayments on the credit card prior to any usage to ensure the credit limit is not exceeded in periods of heavy credit card usage. The monthly charges on the card were not always paid in full, which resulted in finance charges for the year of at least \$334.

Recommendation – The District should avoid making any prepayments on the credit card as a process to bypass the credit limit. All charges on the card should be reconciled monthly to supporting receipts and invoices, and any discrepancies should be investigated immediately. The balance on the card should be paid monthly to avoid finance charges.

Response – We will consider these recommendations. We felt that prepayments on the card were preferable to raising the credit limit or opening other lines of credit, but we will consider raising the limit for the future. We usually recoup any finance charges paid by contacting the company at a later date.

Conclusion – Response accepted.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

No matters were reported.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, did not exceed the amount budgeted in any of the four functions.
- IV-B-07 Questionable Expenditures – Except the finance charges as noted in item II-B-07, no expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-07 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-07 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-07 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-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-07 Deposits and Investments – 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 were noted.
- IV-I-07 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.