

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, 2009

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-23
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	26-27
B Statement of Activities	28-31
Governmental Fund Financial Statements:	
C Balance Sheet	32
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	33
E Statement of Revenues, Expenditures and Changes in Fund Balances	34-35
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	36
Proprietary Fund Financial Statements:	
G Statement of Net Assets	37
H Statement of Revenues, Expenses and Changes in Net Assets	38
I Statement of Cash Flows	39-40
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	41
K Statement of Changes in Fiduciary Net Assets	42
Notes to Financial Statements	43-54
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	56
Notes to Required Supplementary Information – Budgetary Reporting	57
Schedule of Funding Progress for the Retiree Health Plan	58
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	60
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	61-62
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	63-64
4 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	65
5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	66-67
6 Schedule of Expenditures of Federal Awards	68-69
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	70-71

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	72-73
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	74-78

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2008 Election)		
Deborah Dayman	President	2011
Dan Schurr	Vice President (Resigned July 22, 2008)	2008
Tony Huegel	Board Member	2008
Joe Bullock	Board Member	2008
Pamela Paulsen	Board Member	2008
Joe Adam	Board Member	2009
Heather Witters	Board Member	2009
Frank Dohmen	Board Member (Appointed July 22, 2008)	2008
<u>Board of Education</u>		
(After September 2008 Election)		
Deborah Dayman	President	2011
Heather Witters	Vice President	2009
Frank Dohmen	Board Member	2009
Joe Adam	Board Member	2009
Tony Huegel	Board Member	2011
Pamela Paulsen	Board Member	2011
Joe Bullock	Board Member	2011
<u>School Officials</u>		
Dr. James R. Spelhaug	Superintendent	2012
Cyndy Behrer	Assistant Superintendent	2010
Mike Clingingsmith	Chief Financial Officer	2010
Christine Harvey	District Secretary	2009
Joyce E. Bauwens	District Treasurer	2009
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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. 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, 2009, 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 January 15, 2010 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. 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 23 and 56 through 58 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 four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
January 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pleasant Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008-09 FINANCIAL HIGHLIGHTS

- In December, 2008, Governor Chet Culver announced a 1.5% across-the-board cut to state general fund appropriations for the 2008-09 fiscal year.
- Construction began during the 2008-09 fiscal year on a new elementary school (Hopewell Elementary School) in the District. A substantial portion of the site grading work was completed during the 2008-09 fiscal year and construction of the approximately 57,800 square foot school building began in the spring of 2009. The total projected cost of the project, based on the bids received, is approximately \$ 10.2 million. Costs incurred on the project through June 30, 2009 were \$ 1,755,485. The project is being funded by various sources including Local Option Sales Tax (LOST)/statewide penny (SAVE) funds, Physical Plant and Equipment Levy (PPEL) funds, donations from the City of Bettendorf, Iowa, grants from the Scott County Regional Authority, contributions from the District's Nutrition Fund, etc. Construction of the building is expected to be completed in approximately September, 2010.
- A decline in interest rates during the fiscal year resulted in interest earnings decreasing from \$ 322,983 in 2007-08 to \$ 148,245 in 2008-09 (all District funds combined). This was a decrease of \$ 174,738 (54.1%). Higher average cash balances during 2008-09 helped to offset the amount of interest income lost due to the lower interest rates. The average month end cash balance for the total of all of the District's governmental and business-type activities bank accounts for 2008-09 was \$ 11,976,508 compared to \$ 10,206,002 in 2007-08. 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 unreserved fund balance in the District's General Fund increased by \$ 103,290 (8.6%) from \$ 1,194,917 at June 30, 2008 to \$ 1,298,207 at June 30, 2009. General Fund revenues increased from the previous year by 10.2%, while expenses increased by 8.4%.

- The fund balance in the Capital Projects Fund increased by \$ 724,908 (13.2%) during 2008-09. Local Option Sales Tax payments received during the year exceeded the amounts that were paid out during the year on the Hopewell Elementary School building project. Revenue from the Local Option Sales Tax decreased by 0.8% during 2008-09 and interest income in the Capital Projects Fund decreased by 40.8% in 2008-09 because of low interest rates.
- The District's 2008-09 certified enrollment (resident headcount) increased by 84.7 students over the 2007-08 certified enrollment. The District's certified enrollment as of October 1, 2008 was 3,588.5 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 2008-09 was \$ 195,194. This was a \$ 54,937 decrease from the previous fiscal year's special education deficit of \$ 250,131. This deficit is a result of services that are required as part of a student's IEP (Individualized Education Program). A significant factor in the decrease of the District's special education deficit for 2008-09 is the increase in Medicaid billing during the fiscal year.
- The state of Iowa makes an estimate each year of the dollar amount that will be collected from the Local Option Sales Tax 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 2008, Pleasant Valley Community School District received a reconciliation payment of \$ 130,470. The District had a total of \$ 3,120,735 in Local Option Sales Tax revenue in 2008-09.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Pleasant Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial

statements report Pleasant Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Pleasant Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Pleasant Valley Community School District Annual Financial Report

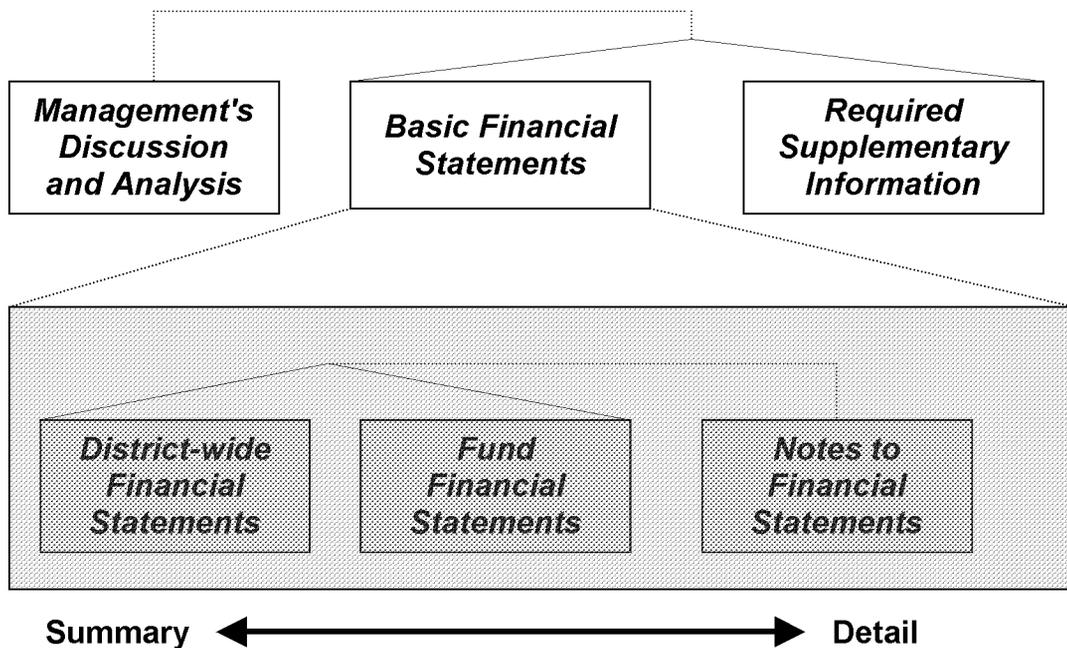


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2: Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund 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: School Nutrition and Internal Service Fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs, reunion moneys and funds for District employee purchases of pop, etc.
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 resources 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
Type of inflow / outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial 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 government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-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 school nutrition program is 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 accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The district has three kinds of funds:

- 1) **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 fund statements provide a detailed short-term view that helps 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 government-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 2008-09 include the General Fund and the Capital Projects Fund. The Non-major governmental funds include four Special Revenue Funds (the Physical Plant and Equipment Levy (PPEL) Fund, Management Fund, Student Activities Fund and Debt Service Fund). The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **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 government-wide financial 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 School 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.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for one reunion fund in this fund.
 - Agency Funds – These are funds for which the District faculty accounts for certain revenue collected for District employee purchases of pop, funeral flowers, etc. and related expenditures and for revenues and expenditures of other various club accounts.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2008-09
	@ 6-30-2008	@ 6-30-2009	@ 6-30-2008	@ 6-30-2009	@ 6-30-2008	@ 6-30-2009	
Current and other assets	25,836,172	28,729,676	358,585	273,975	26,194,757	29,003,651	10.7%
Capital assets	24,754,540	26,094,340	407,386	383,011	25,161,926	26,477,351	5.2%
Total Assets	50,590,712	54,824,016	765,971	656,986	51,356,683	55,481,002	8.0%
Long-term liabilities	1,291,637	1,409,585	0	0	1,291,637	1,409,585	9.1%
Other liabilities	15,844,665	17,745,847	154,319	33,052	15,998,984	17,778,899	11.1%
Total Liabilities	17,136,302	19,155,432	154,319	33,052	17,290,621	19,188,484	11.0%
Net assets							
Invested in capital assets, net of related debt	24,754,540	26,094,340	407,386	383,011	25,161,926	26,477,351	5.2%
Restricted and Designated	8,401,785	9,522,712	0	0	8,401,785	9,522,712	13.3%
Unrestricted	298,085	51,532	204,266	240,923	502,351	292,455	-41.8%
Total net assets	33,454,410	35,668,584	611,652	623,934	34,066,062	36,292,518	6.5%

The District's combined net assets as of June 30, 2009 grew by \$ 2,226,456 (6.5%) over the June 30, 2008 combined net assets. Most of the dollar increase in net assets was from the governmental activities whose net assets grew by \$ 2,214,174 (6.6%). The net assets of the district's business-type activities grew by \$ 12,282 (2.0%).

There were two major factors for this increase in net assets. One factor was due to the significant increase in the cash balance of the Capital Projects Fund in the District. As was mentioned in the "Financial Highlights" section of this report, the fund balance in the Capital Projects Fund increased by \$ 724,908 during the 2008-09 fiscal year.

The other major factor for the increase in net assets of the District was the beginning of the construction of Hopewell Elementary School, which will represent a significant additional asset for the District.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$ 1,120,927 or 13.3%, over the prior year. The increase was primarily a result of the increase in the Capital Projects Fund cash balance.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) decreased by \$ 209,896, or 41.8%. This reduction in

unrestricted net assets was a result of the District using carryover assets to meet its financial obligations during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes in Net Assets from Operating Results

	Governmental Activities Fiscal Year Ended 6-30-08	Governmental Activities Fiscal Year Ended 6-30-09	Business- type Activities Fiscal Year Ended 6-30-08	Business- type Activities Fiscal Year Ended 6-30-09	Total School District Fiscal Year Ended 6-30-08	Total School District Fiscal Year Ended 6-30-09	Total Percentage Change Fiscal Year Ended 6-30-09
Revenues:							
Program Revenues							
Charges for services	2,724,052	2,825,380	1,058,076	1,099,687	3,782,128	3,925,067	3.8%
Operating grants and contributions	3,435,421	4,717,047	284,489	305,758	3,719,910	5,022,805	35.0%
Capital grants and contributions	0	0	0	0	0	0	-----
General revenues							
Property taxes	11,501,957	12,936,705	0	0	11,501,957	12,936,705	12.5%
State foundation aid	12,335,394	12,541,781	0	0	12,335,394	12,541,781	1.7%
Local option sales and services tax	3,146,048	3,120,734	0	0	3,146,048	3,120,734	-0.8%
Other	477,233	350,933	17,301	4,050	494,534	354,983	-28.2%
Total revenues	33,620,105	36,492,580	1,359,866	1,409,495	34,979,971	37,902,075	8.4%
Expenses:							
Instruction	19,792,417	22,299,695	0	0	19,792,417	22,299,695	12.7%
Support services	8,508,104	9,089,075	59,103	60,295	8,567,207	9,149,370	6.8%
Non-instructional programs	8,482	27,014	1,254,009	1,336,918	1,262,491	1,363,932	8.0%
Other	2,804,521	2,862,622	0	0	2,804,521	2,862,622	2.1%
Total expenses	31,113,524	34,278,406	1,313,112	1,397,213	32,426,636	35,675,619	10.0%
Change in net assets before special item	2,506,581	2,214,174	46,754	12,282	2,553,335	2,226,456	-12.8%
Special item:							
Gain on disposal of assets	0	0	0	0	0	0	-----
Increase (Decrease) in net assets	2,506,581	2,214,174	46,754	12,282	2,553,335	2,226,456	-12.8%

In 2008-09, local taxes and unrestricted state grants accounted for 78.4% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.7% of the revenue from business type activities.

The District's expenses primarily relate to instructional and support services which account for 88.2% of the total expenses.

Total revenue for the District increased by \$ 2,922,104 (8.4%) in the fiscal year ended June 30, 2009. 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 \$ 1,302,895 (35.0%) in 2008-09. The most significant factors in this increase were a substantially larger amount of funding received compared to the previous year from the State of Iowa for the "Teacher Quality – Salary Improvement" and "Teacher Quality – Professional Development" programs, the first year of funding received from the state for the Four Year Old Statewide Voluntary Preschool Program and Federal stimulus (ARRA) funds received from the Federal Government including State Fiscal Stabilization Funds, Title I funds and IDEA, Part B funds. Revenue in the "Other" category decreased by \$ 139,551 (28.2%) during 2008-09. The most significant factor for this decrease was

the decline in interest rates during the year, which resulted in interest earnings declining by \$ 174,738 during 2008-09.

Total District expenses increased by 10.0% in 2008-09. The District's enrollment continued to grow in 2008-09 as its certified enrollment was up by 84.7 students over 2007-08. 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 2008-09 fiscal year.

Figure A-5

Sources of Revenues for 2008-09 Fiscal Year

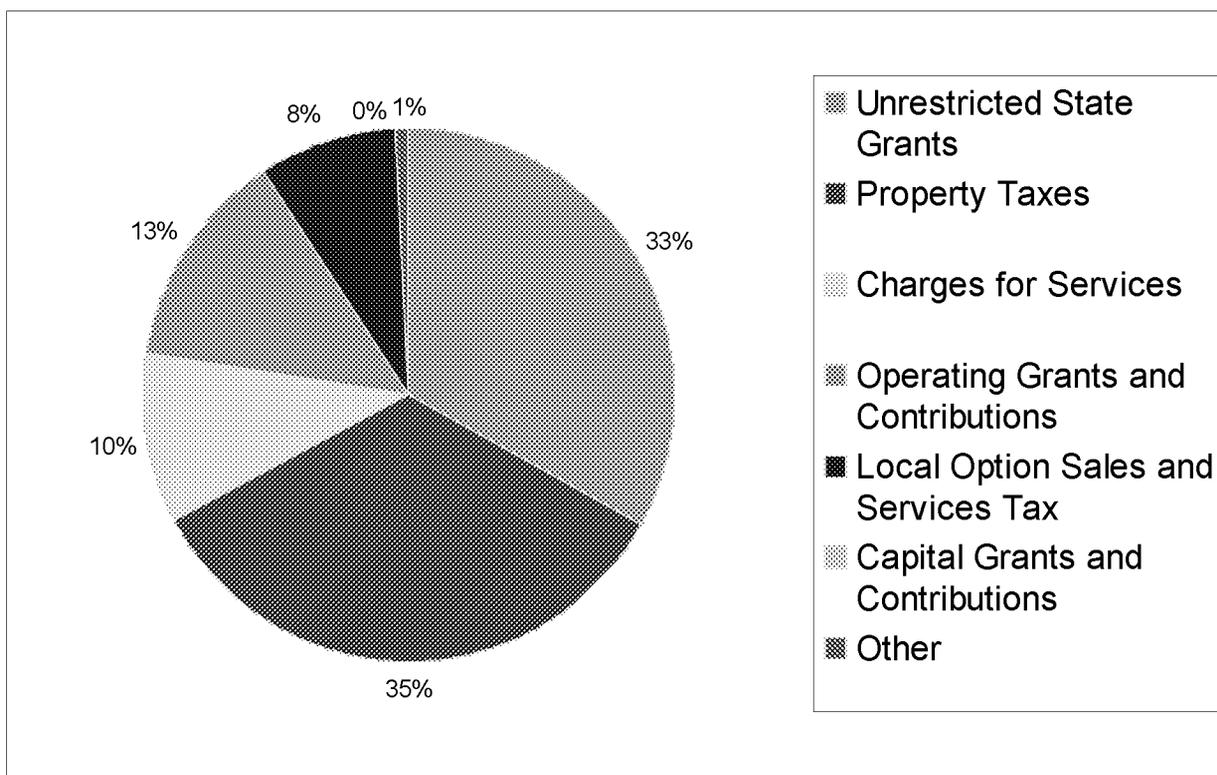
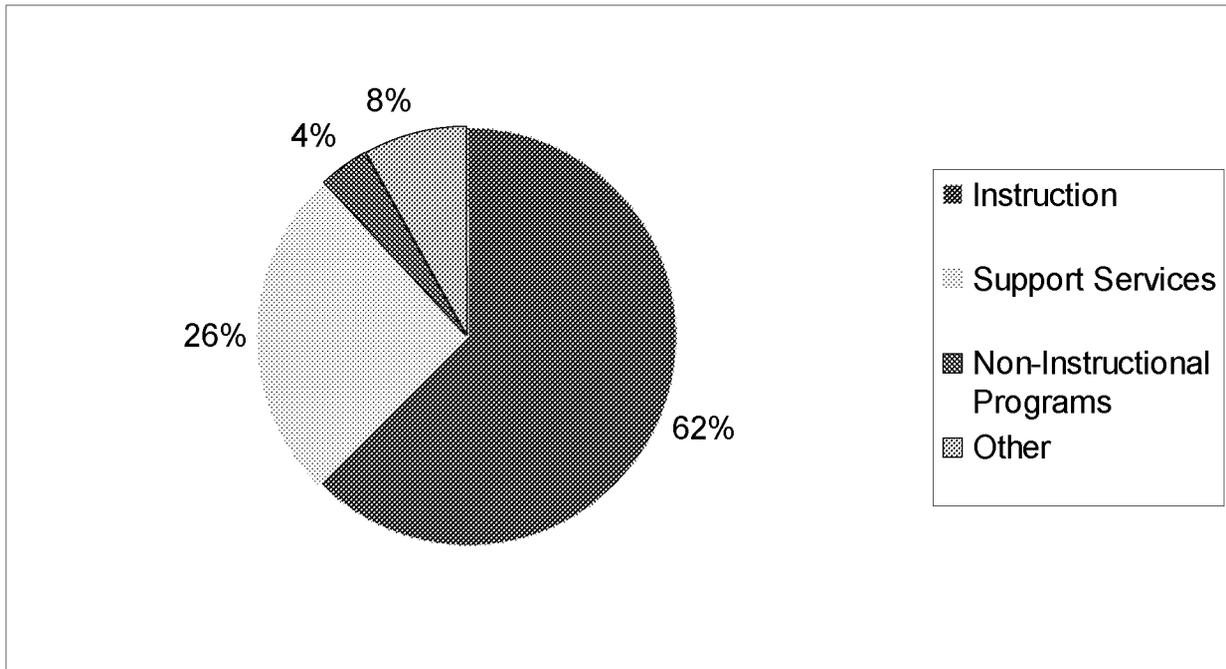


Figure A-6

Expenses for 2008-09 Fiscal Year



Governmental Activities

Revenue for the district’s governmental activities in 2008-09 increased by \$ 2,872,475 (8.5%) from the previous year, while total expenses increased by \$ 3,164,882 (10.2%). Governmental activities net assets at June 30, 2009 increased by \$ 2,214,174 (6.6%) over the June 30, 2008 balance.

Figure A-7 presents the total and net cost of the District’s four major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-7
Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	Fiscal Year Ended 6/30/2008	Fiscal Year Ended 6/30/2009	Fiscal Year Ended 6/30/2009	Fiscal Year Ended 6/30/2008	Fiscal Year Ended 6/30/2009	Fiscal Year Ended 6/30/2009
Instruction	19,792,417	22,299,695	12.7%	15,918,833	17,827,993	12.0%
Support services	8,508,104	9,089,075	6.8%	7,327,900	7,231,401	-1.3%
Non-instructional	8,482	27,014	218.5%	8,482	27,014	218.5%
Other	2,804,521	2,862,622	2.1%	1,698,836	1,649,571	-2.9%
Total	31,113,524	34,278,406	10.2%	24,954,051	26,735,979	7.1%

For the year ended June 30, 2009:

- The cost financed by the users of the District's programs was \$ 2,825,380.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$ 4,717,047.
- The net cost of governmental activities was financed with \$ 12,936,705 in property taxes, \$ 12,541,781 of unrestricted state grants, \$ 3,120,734 in Local Option Sales Tax revenue, \$ 144,195 in investment earnings and \$ 206,738 in miscellaneous revenues.

Business Type Activities

Revenues of the District's business-type activities in 2008-09 were \$ 1,409,495, an increase of 3.6% over 2007-08. Expenses were \$ 1,397,213, an increase of 6.4% over 2007-08. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment and miscellaneous income. Factors contributing to these results included:

- The total of lunch, breakfast and ala carte sales continue to grow. The total sales dollars for these increased by 4.7% in 2008-09.
- Food Service prices are adjusted periodically with the intent of "breaking even" in the School Nutrition Fund. Food Service prices were adjusted in 2008-09. Student lunch prices at the elementary, junior high and high school levels were increased by \$ 0.05 for the 2008-09 school year. This price increase would have accounted for part of the increase in sales dollars during 2008-09.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$ 9,336,355, which is well above last year's ending fund balances of \$ 8,097,270. The primary reason for the increase in combined fund balances at the end of fiscal 2009 is due to the significant increase in the cash balance of the Capital Projects Fund in the District. Fund balances in the Management Fund, Student Activity Fund and Physical Plant and Equipment Levy (PPEL) Fund were also higher at June 30, 2009 than they were at June 30, 2008.

Governmental Fund Highlights

- The fund balance in the District's General Fund increased by \$ 128,432 from \$ 1,333,058 at June 30, 2008 to \$ 1,461,490 at June 30, 2009. State budget cuts to school district revenues (such as the 1.5% across-the-board cut during 2008-09) and 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 Capital Projects Fund increased by \$ 724,908 during 2008-09. Local Option Sales Tax for School payments received during the year exceeded the amounts that were paid out during the year on the Hopewell Elementary School building project during the year. Revenue from the Local Option Sales Tax decreased by 0.8% during 2008-09 and interest income in the Capital Projects Fund decreased by 40.8% in 2008-09 because of low interest rates.
- The fund balance in the Physical Plant and Equipment Levy (PPEL) Fund increased during the year by \$ 288,625.
- The fund balance in the Student Activities Fund increased by \$ 12,439 during the fiscal year due to the variance of student activities from year to year.
- The fund balance in the Management Fund increased by \$ 84,681 during 2008-09. A decrease in the District's workers' compensation premium was a significant factor in the increase in the fund balance in the Management Fund.

Proprietary Fund Highlights

As was mentioned previously, the District's business-type activities did well financially during the year.

- The net assets of the Nutrition Fund increased by \$ 12,282 during 2008-09. Sales remained strong in 2008-09, with a 4.7% increase in sales dollars over 2007-08.
- The net assets of the Internal Service Fund decreased by \$ 246,604 during 2008-09. This was mainly due to a 26.3% increase in the total of health/dental insurance claims and administrative fees compared to the 2007-08 fiscal year.

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 \$ 11,218,455 more in expenditures than the original certified budget for the 2008-09 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 2008-09 fiscal year, the District had invested \$ 26,477,351 (net of accumulated depreciation of \$ 25,299,507) 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 \$ 1,315,425 or 5.2% from last year. **(More detailed information about capital assets can be found in Note 4 to the financial statements.)** Total depreciation expense for the year was \$ 1,345,506.

Figure A-8
Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total Percent Change
	@ 6-30-2008	@ 6-30-2009	@ 6-30-2008	@ 6-30-2009	@ 6-30-2008	@ 6-30-2009	2008-09
	Land	591,160	591,160	0	0	591,160	591,160
Buildings	20,731,241	22,219,415	0	0	20,731,241	22,219,415	7.2%
Improvements other than buildings	482,827	438,677	0	0	482,827	438,677	-9.1%
Furniture and equipment	811,573	840,689	407,386	383,011	1,218,959	1,223,700	0.4%
Construction in progress	2,137,739	2,004,399	0	0	2,137,739	2,004,399	-6.2%
Total	24,754,540	26,094,340	407,386	383,011	25,161,926	26,477,351	5.2%

As was mentioned earlier in the “2008-09 Financial Highlights” section of this report, construction began during the 2008-09 fiscal year on a new elementary school (Hopewell Elementary School) in the District. A substantial portion of the site grading work was completed during the 2008-09 fiscal year and construction of the approximately 57,800 square foot school building began in the spring of 2009.

Other significant “construction in progress” activities at June 30, 2009 include:

- Significant improvements to the athletic facilities (football practice field, baseball/softball fields, football stadium locker rooms, etc.) at Pleasant Valley High School
- Driveway modifications at Riverdale Heights Elementary School

Long-Term Liabilities

At June 30, 2009, the District had \$ 139,147 in early retirement long-term liabilities with \$ 103,242 due within one year and \$ 1,132,185 in total compensated absence liabilities with \$ 240,199 in compensated absences due within one year.

At June 30, 2008, the District had \$ 256,505 in early retirement long term liabilities with \$ 189,168 due within one year and \$ 1,018,095 in total compensated absence liabilities with \$ 254,727 in compensated absences due within one year.

The District had a net OPEB liability payable of \$ 138,253 at June 30, 2009.

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

**Figure A-9
Outstanding Long Term Obligations**

	Governmental Activities		Business-type Activities		Total School District		Total Percent Change 2008-09
	@ 6-30-2008	@ 6-30-2009	@ 6-30-2008	@ 6-30-2009	@ 6-30-2008	@ 6-30-2009	
Early Retirement	256,505	139,147	0	0	256,505	139,147	-45.8%
Compensated Absences	1,018,095	1,132,185	0	0	1,018,095	1,132,185	11.2%
Capital Lease Payable	17,037	0	0	0	17,037	0	-100.0%
Net OPEB Liability	0	138,253	0	0	0	138,253	-----
Total	1,291,637	1,409,585	0	0	1,291,637	1,409,585	9.1%

ECONOMIC 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:

- Governor Chet Culver signed an executive order calling for a 10 percent across-the-board cut to state general fund appropriations for the 2009-2010 fiscal year. The reduction amounts to \$ 1,601,590 for Pleasant Valley Community School District. Estimates made by the Revenue Estimating Conference will be critical in determining future funding.
- The state 1.5 percent across-the-board cut for the 2008-09 fiscal year and the state 10 percent across-the-board cut for the 2009-10 fiscal year have caused the District to make the difficult decision to not open up the new Hopewell Elementary School at the beginning of the 2010-11 school year as was intended (despite construction of the building projected to be completed in August or September, 2010. It is currently anticipated that the opening of Hopewell Elementary School will be delayed by one year to the 2011-12 school year.
- Machinery and equipment began to be phased out of property tax valuations in Iowa during the 1996-97 fiscal year. By the 2000-01 fiscal year, machinery and equipment was completely removed from property tax valuations. 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 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, 2007-08, 2008-09 and 2009-10 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 \$ 328,000 less in PPEL property tax revenue than would be brought in if the board did levy for the board-approved PPEL (based upon property tax valuations in effect for the 2008-09 fiscal year). 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.
- Scott County school districts passed a ten year renewal for the Local Option Sales Tax of 1% effective July 1, 2009. The State of Iowa then passed a state-wide 1% sales tax that will be in place for twenty years and will replace all districts local option sales taxes. The state plan will provide each District a per pupil amount of revenue collected within the county. The effect on Pleasant Valley will be a decrease of approximately \$ 220,000 per year in sales tax revenue in the first fiscal year (2009-10) that it is in effect.
- 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 is increasing by 0.20% per year each of the four fiscal years beginning in 2007-08 and the employers' share is increasing by 0.30% per year each of the same four fiscal years. The increase in the employers' share of IPERS will negatively impact the budget.
- Settlements with employee groups above the amount of funded new money for 2010-11 would have a negative impact on the District's overall budget.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid to schools (allowable growth) will be predicated on the condition of the state and national economy. Given the current financial situation in the State of Iowa, there is a possibility that the allowable growth rate for the 2010-11 fiscal year could be reduced from the 2009-10 level or likely not be fully funded even if it is kept at the same level as in 2009-10.

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, 525 Belmont Rd., Bettendorf, IA 52722.

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Basic Financial Statements

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 14,428,473	\$ 254,016	\$ 14,682,489
Receivables:			
Property tax:			
Current year	89,411	-	89,411
Succeeding year	12,514,000	-	12,514,000
Accounts	416,269	3,245	419,514
Due from other governments	1,255,497	3,818	1,259,315
Inventories	-	12,896	12,896
Prepaid expenses	26,026	-	26,026
Capital assets, net of accumulated depreciation (note 4)	26,094,340	383,011	26,477,351
Total assets	54,824,016	656,986	55,481,002
Liabilities			
Accounts payable	1,120,512	3,562	1,124,074
Salaries and benefits payable	3,070,663	162	3,070,825
Due to other governments	356,731	-	356,731
Claims incurred but not reported	385,900	-	385,900
Deferred revenue:			
Succeeding year property tax	12,514,000	-	12,514,000
Other	298,041	29,328	327,369
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	103,242	-	103,242
Compensated absences	240,199	-	240,199
Portion due after one year:			
Early retirement	35,905	-	35,905
Compensated absences	891,986	-	891,986
Net OPEB liability	138,253	-	138,253
Total liabilities	19,155,432	33,052	19,188,484

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	<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	\$ 26,094,340	\$ 383,011	\$ 26,477,351
Restricted for:			
Categorical funding	139,520	-	139,520
Management levy	616,464	-	616,464
Physical plant and equipment levy	468,261	-	468,261
Other special revenue purposes	448,825	-	448,825
Capital projects	6,202,168	-	6,202,168
Unrestricted, designated for future catastrophic losses	1,647,474	-	1,647,474
Unrestricted	<u>51,532</u>	<u>240,923</u>	<u>292,455</u>
Total net assets	<u>\$ 35,668,584</u>	<u>\$ 623,934</u>	<u>\$ 36,292,518</u>

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 15,987,353	\$ 2,069,140	\$ 709,007
Special instruction	3,218,555	51,062	921,019
Other instruction	3,093,787	689,438	32,036
	<u>22,299,695</u>	<u>2,809,640</u>	<u>1,662,062</u>
Support services:			
Student services	985,822	-	-
Instructional staff services	1,354,842	-	1,808,297
Administration services	3,111,140	-	-
Operation and maintenance of plant services	2,272,373	15,740	-
Transportation services	1,364,898	-	33,637
	<u>9,089,075</u>	<u>15,740</u>	<u>1,841,934</u>
Non-instructional programs	<u>27,014</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	516,998	-	-
Long-term debt interest and fiscal charges	109	-	-
AEA flowthrough	1,213,051	-	1,213,051
Depreciation (unallocated) *	1,132,464	-	-
	<u>2,862,622</u>	<u>-</u>	<u>1,213,051</u>
Total governmental activities	<u>34,278,406</u>	<u>2,825,380</u>	<u>4,717,047</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (13,209,206)	\$ -	\$ (13,209,206)
(2,246,474)	-	(2,246,474)
(2,372,313)	-	(2,372,313)
(17,827,993)	-	(17,827,993)
(985,822)	-	(985,822)
453,455	-	453,455
(3,111,140)	-	(3,111,140)
(2,256,633)	-	(2,256,633)
(1,331,261)	-	(1,331,261)
(7,231,401)	-	(7,231,401)
(27,014)	-	(27,014)
(516,998)	-	(516,998)
(109)	-	(109)
-	-	-
(1,132,464)	-	(1,132,464)
(1,649,571)	-	(1,649,571)
(26,735,979)	-	(26,735,979)

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Business-Type Activities:			
Support services:			
Administration services	\$ 21,076	\$ -	\$ -
Operation and maintenance of plant services	39,219	-	-
	<u>60,295</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	1,336,918	1,099,687	305,758
	<u>1,336,918</u>	<u>1,099,687</u>	<u>305,758</u>
Total business-type activities	<u>1,397,213</u>	<u>1,099,687</u>	<u>305,758</u>
Total	<u>\$ 35,675,619</u>	<u>\$ 3,925,067</u>	<u>\$ 5,022,805</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
Statewide 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</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$	-	\$ (21,076)	\$ (21,076)
	-	(39,219)	(39,219)
	-	(60,295)	(60,295)
	-	68,527	68,527
	-	8,232	8,232
	(26,735,979)	8,232	(26,727,747)
\$	11,610,216	\$ -	\$ 11,610,216
	1,326,489	-	1,326,489
	3,120,734	-	3,120,734
	12,541,781	-	12,541,781
	144,195	4,050	148,245
	206,738	-	206,738
	28,950,153	4,050	28,954,203
	2,214,174	12,282	2,226,456
	33,454,410	611,652	34,066,062
\$	<u>35,668,584</u>	<u>\$ 623,934</u>	<u>\$ 36,292,518</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 4,309,487	\$ 6,517,906	\$ 1,915,430	\$ 12,742,823
Receivables:				
Property tax:				
Current year	73,651	-	15,759	89,410
Succeeding year	10,790,000	-	1,724,000	12,514,000
Accounts	68,015	-	531	68,546
Due from other governments	766,659	487,209	1,629	1,255,497
Prepaid expenses	23,763	-	2,263	26,026
	<u>\$ 16,031,575</u>	<u>\$ 7,005,115</u>	<u>\$ 3,659,612</u>	<u>\$ 26,696,302</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 802,947	\$ 178,645	\$ 981,592
Salaries and benefits payable	3,070,663	-	-	3,070,663
Due to other governments	488,433	-	7,218	495,651
Deferred revenue:				
Succeeding year property tax	10,790,000	-	1,724,000	12,514,000
Other	220,989	-	77,052	298,041
Total liabilities	<u>14,570,085</u>	<u>802,947</u>	<u>1,986,915</u>	<u>17,359,947</u>
Fund balance:				
Reserved for:				
Categorical funding	139,520	-	-	139,520
Prepaid expenses	23,763	-	2,263	26,026
Unreserved, reported in:				
General fund	1,298,207	-	-	1,298,207
Special revenue funds	-	-	1,670,434	1,670,434
Capital projects fund	-	6,202,168	-	6,202,168
Total fund balances	<u>1,461,490</u>	<u>6,202,168</u>	<u>1,672,697</u>	<u>9,336,355</u>
Total liabilities and fund balances	<u>\$ 16,031,575</u>	<u>\$ 7,005,115</u>	<u>\$ 3,659,612</u>	<u>\$ 26,696,302</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, 2009

Total fund balances of governmental funds	\$ 9,336,355
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.	26,094,340
The Internal Service Fund 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.	1,647,474
Long-term liabilities, including 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>(1,409,585)</u>
Net assets of governmental activities	<u>\$ 35,668,584</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, 2009

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 11,062,994	\$ 3,120,735	\$ 1,862,806	\$ 16,046,535
Tuition	1,860,076	-	-	1,860,076
Other	617,272	79,658	851,455	1,548,385
State sources	16,082,117	-	1,113	16,083,230
Federal sources	927,252	-	12,261	939,513
Total revenues	<u>30,549,711</u>	<u>3,200,393</u>	<u>2,727,635</u>	<u>36,477,739</u>
Expenditures:				
Current:				
Instruction	20,768,948	-	1,115,210	21,884,158
Support services:				
Student services	951,564	-	34,255	985,819
Instructional staff services	1,316,599	-	38,243	1,354,842
Administration services	2,942,202	-	106,585	3,048,787
Operation and maintenance of plant services	2,050,892	-	307,215	2,358,107
Transportation services	1,173,673	-	191,226	1,364,899
	<u>8,434,930</u>	<u>-</u>	<u>677,524</u>	<u>9,112,454</u>
Non-instructional programs	2,204	-	24,810	27,014
Other expenditures:				
Facilities acquisition	-	1,775,485	1,224,346	2,999,831
Long term debt:				
Principal	-	-	17,037	17,037
Interest and fiscal charges	-	-	109	109
AEA flowthrough	1,213,051	-	-	1,213,051
	<u>1,213,051</u>	<u>1,775,485</u>	<u>1,241,492</u>	<u>4,230,028</u>
Total expenditures	<u>30,419,133</u>	<u>1,775,485</u>	<u>3,059,036</u>	<u>35,253,654</u>
Excess (deficiency) of revenues over (under) expenditures	<u>130,578</u>	<u>1,424,908</u>	<u>(331,401)</u>	<u>1,224,085</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 15,000	\$ -	\$ -	\$ 15,000
Interfund transfers in (note 3)	-	-	717,146	717,146
Interfund transfers out (note 3)	(17,146)	(700,000)	-	(717,146)
Total other financing sources (uses)	<u>(2,146)</u>	<u>(700,000)</u>	<u>717,146</u>	<u>15,000</u>
Net change in fund balances	128,432	724,908	385,745	1,239,085
Fund balances beginning of year	<u>1,333,058</u>	<u>5,477,260</u>	<u>1,286,952</u>	<u>8,097,270</u>
Fund balances end of year	<u>\$ 1,461,490</u>	<u>\$ 6,202,168</u>	<u>\$ 1,672,697</u>	<u>\$ 9,336,355</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, 2009

Net change in fund balances - total governmental funds \$ 1,239,085

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 not 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	\$ 2,649,141	
Depreciation expense	<u>(1,309,341)</u>	1,339,800

Certain grant revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. (159)

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. (246,604)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 17,037

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 the governmental funds, as follows:

Early retirement	117,358	
Compensated absences	(114,090)	
Net OPEB liability	<u>(138,253)</u>	<u>(134,985)</u>

Change in net assets of governmental activities \$ 2,214,174

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2009

	Enterprise Fund School Nutrition	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 254,016	\$ 1,685,650
Accounts receivable	3,245	347,724
Due from other governments	3,818	-
Inventories	12,896	-
Capital assets, net of accumulated depreciation (note 4)	383,011	-
Total assets	<u>656,986</u>	<u>2,033,374</u>
Liabilities		
Accounts payable	3,562	-
Salaries and benefits payable	162	-
Claims incurred but not reported	-	385,900
Deferred revenue:		
Other	29,328	-
Total liabilities	<u>33,052</u>	<u>385,900</u>
Net Assets		
Invested in capital assets	383,011	-
Unrestricted	240,923	1,647,474
Total net assets	<u>\$ 623,934</u>	<u>\$ 1,647,474</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, 2009

	Enterprise Fund School Nutrition	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 1,099,687	\$ 2,784,385
Operating expenses:		
Support services:		
Salaries	18,564	-
Benefits	2,597	3,046,745
Purchased services	20,225	-
Supplies	18,909	-
	60,295	3,046,745
Non-instructional programs:		
Salaries	368,508	-
Benefits	81,127	-
Purchased services	437	-
Supplies	850,422	-
Depreciation	36,165	-
Other	259	-
	1,336,918	-
Total expenses	1,397,213	3,046,745
Operating loss	(297,526)	(262,360)
Non-operating revenues:		
Interest on investments	4,050	15,756
State sources	13,166	-
Federal sources	292,592	-
Total non-operating revenues	309,808	15,756
Change in net assets	12,282	(246,604)
Net assets beginning of year	611,652	1,894,078
Net assets end of year	\$ 623,934	\$ 1,647,474

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2009

	Enterprise Fund School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 1,088,989	\$ -
Cash received from miscellaneous operating activities	10,532	2,756,483
Cash payments to employees for services	(471,126)	-
Cash payments to suppliers for goods or services	<u>(954,540)</u>	<u>(3,007,130)</u>
Net cash used by operating activities	<u>(326,145)</u>	<u>(250,647)</u>
Cash flows from non-capital financing activities:		
State grants received	13,166	-
Federal grants received	<u>232,108</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>245,274</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(11,790)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>4,050</u>	<u>15,756</u>
Net decrease in cash and cash equivalents	(88,611)	(234,891)
Cash and cash equivalents beginning of year	<u>342,627</u>	<u>1,920,541</u>
Cash and cash equivalents end of year	<u>\$ 254,016</u>	<u>\$ 1,685,650</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2009

	Enterprise Fund <u>School Nutrition</u>	Internal Service <u>Fund</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (297,526)	\$ (262,360)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	36,165	-
Commodities used	58,936	-
(Increase) decrease in accounts receivable	1,654	(27,902)
(Increase) in inventories	(4,107)	-
(Decrease) in accounts payable	(119,048)	(42,281)
(Decrease) in due to other governments	(69)	-
(Decrease) in salaries and benefits payable	(330)	-
Increase in claims incurred but not reported	-	81,896
(Decrease) in deferred revenue	<u>(1,820)</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (326,145)</u>	<u>\$ (250,647)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$58,936 of federal commodities.

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ 3,433	\$ 11,353
Accounts receivable	<u>-</u>	<u>273</u>
Total assets	<u>3,433</u>	<u>11,626</u>
Liabilities:		
Accounts payable	-	281
Other payables	<u>-</u>	<u>11,345</u>
Total liabilities	<u>-</u>	<u>11,626</u>
Net assets:		
Reserved for scholarships	<u>\$ 3,433</u>	<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, 2009

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions: Local sources: Interest	\$ <u>149</u>
Deductions: Support services: Scholarships awarded	<u>255</u>
Change in net assets	(106)
Net assets beginning of year	<u>3,539</u>
Net assets end of year	<u><u>\$ 3,433</u></u>

See notes to financial statements.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 LeClaire, Iowa, portions of the City of Bettendorf, Iowa, and portions of the agricultural 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, 2009

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 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 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 non-major 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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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.

The 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, 2009

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 the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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, 2009

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 the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned registration fees, unearned meal revenues, and unearned federal grants.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use or for payment upon termination, death or retirement. 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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and by the Special Revenue Fund, Management Levy.

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. Net assets restricted through enabling legislation as of June 30, 2009 consists of \$7,875,238.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 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, 2009

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 17,146
Special Revenue:		
Physical Plant and Equipment Levy	Capital Projects	<u>700,000</u>
Total		<u>\$ 717,146</u>

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

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 591,160	\$ -	\$ -	\$ 591,160
Construction in progress	<u>2,137,739</u>	<u>2,024,399</u>	<u>2,157,739</u>	<u>2,004,399</u>
Total capital assets not being depreciated	<u>2,728,899</u>	<u>2,024,399</u>	<u>2,157,739</u>	<u>2,595,559</u>
Capital assets being depreciated:				
Buildings	37,345,367	2,558,635	-	39,904,002
Improvements other than buildings	1,754,428	17,853	3,493	1,768,788
Furniture and equipment	<u>6,579,721</u>	<u>205,993</u>	<u>83,389</u>	<u>6,702,325</u>
Total capital assets being depreciated	<u>45,679,516</u>	<u>2,782,481</u>	<u>86,882</u>	<u>48,375,115</u>
Less accumulated depreciation for:				
Buildings	16,614,126	1,070,461	-	17,684,587
Improvements other than buildings	1,271,601	62,003	3,493	1,330,111
Furniture and equipment	<u>5,768,148</u>	<u>176,877</u>	<u>83,389</u>	<u>5,861,636</u>
Total accumulated depreciation	<u>23,653,875</u>	<u>1,309,341</u>	<u>86,882</u>	<u>24,876,334</u>
Total capital assets being depreciated, net	<u>22,025,641</u>	<u>1,473,140</u>	<u>-</u>	<u>23,498,781</u>
Governmental activities capital assets, net	<u>\$ 24,754,540</u>	<u>\$ 3,497,539</u>	<u>\$ 2,157,739</u>	<u>\$ 26,094,340</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 4. Capital Assets (continued)

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Furniture and equipment	\$ 794,394	\$ 11,790	\$ -	\$ 806,184
Less accumulated depreciation	<u>387,008</u>	<u>36,165</u>	<u>-</u>	<u>423,173</u>
Business-type activities capital assets, net	<u>\$ 407,386</u>	<u>\$ (24,375)</u>	<u>\$ -</u>	<u>\$ 383,011</u>

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

Governmental activities:		
Instruction		\$ 141,834
Support services:		
Administration		19,760
Operation and maintenance of plant services		<u>15,283</u>
		176,877
Unallocated depreciation		<u>1,132,464</u>
Total governmental activities depreciation expense		<u>\$ 1,309,341</u>
Business-type activities:		
Enterprise operations		<u>\$ 36,165</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 256,505	\$ 71,811	\$ 189,169	\$ 139,147	\$ 103,242
Capital lease purchase	17,037	-	17,037	-	-
Compensated absences	1,018,095	434,144	320,054	1,132,185	240,199
Net OPEB liability	-	138,253	-	138,253	-
Total	<u>\$ 1,291,637</u>	<u>\$ 644,208</u>	<u>\$ 526,260</u>	<u>\$ 1,409,585</u>	<u>\$ 343,441</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 administrative and certified personnel, the early retirement incentive for each eligible employee is equal to 50% of the 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, 2009, the District has obligations to 9 participants with a total liability of \$139,147. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$189,169. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Note 6. Transportation Contract

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. 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 years terms. For the year ended June 30, 2009, the equipment portion of the lease called for payments of \$1,500 per bus for 30 buses at 12 months per year, or an annual payment of \$540,000. The lease payments for the year ended June 30, 2009, totaled \$1,100,358, with annual increases to this amount for each of the next four years.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 7. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 304 active and 32 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self-insured plan with stop-loss coverage provided by Wellmark and Delta Dental. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 172,038
Interest on net OPEB obligation	2,528
Annual OPEB cost	<u>174,566</u>
Contributions made	<u>35,345</u>
Increase in net OPEB obligation	139,221
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 139,221</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed 2,372,132 to the medical plan. Plan members eligible for benefits contributed \$211,620, or 8.2% of the premium costs.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 7. Other Postemployment Benefits (OPEB) (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 174,566	20.25%	\$ 139,221

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1,253,371, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,253,371. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$19,093,134, and the ratio of the UAAL to covered payroll was 6.57%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2008.

Projected claim costs of the medical plan are \$472 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$1,177,995, \$1,030,050, and \$921,791, respectively, equal to the required contributions for each year.

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 \$1,647,474 at June 30, 2009 and is recorded in the Internal Service Fund. The incurred but not reported claims of \$385,900 are reported as liabilities at June 30, 2009.

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 \$1,213,051 for the year ended June 30, 2009 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 has entered into various contracts totaling \$9,350,454 for a new elementary school. As of June 30, 2009, costs of \$1,158,065 had been incurred against the contracts. The balance of \$8,192,389 remaining at June 30, 2009 will be paid as work on the project progresses.

Required Supplementary Information

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2009

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 19,454,996	\$ 1,103,737	\$ 20,558,733	\$ 20,619,339	\$ 20,619,339	\$ (60,606)
State sources	16,083,230	13,166	16,096,396	16,130,127	16,130,127	(33,731)
Federal sources	939,513	292,592	1,232,105	671,755	671,755	560,350
Total revenues	36,477,739	1,409,495	37,887,234	37,421,221	37,421,221	466,013
EXPENDITURES/EXPENSES:						
Instruction	21,884,158	-	21,884,158	21,413,102	23,785,920	1,901,762
Support services	9,112,454	60,295	9,172,749	9,151,414	10,289,514	1,116,765
Non-instructional programs	27,014	1,336,918	1,363,932	1,322,774	1,957,988	594,056
Other expenditures	4,230,028	-	4,230,028	3,614,846	10,687,169	6,457,141
Total expenditures/expenses	35,253,654	1,397,213	36,650,867	35,502,136	46,720,591	10,069,724
Excess (deficiency) of revenues over (under) expenditures/ expenses	1,224,085	12,282	1,236,367	1,919,085	(9,299,370)	10,535,737
Other financing sources, net	15,000	-	15,000	-	-	15,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,239,085	12,282	1,251,367	1,919,085	(9,299,370)	10,550,737
Balance beginning of year	8,097,270	611,652	8,708,922	8,212,815	8,212,815	496,107
Balance end of year	<u>\$ 9,336,355</u>	<u>\$ 623,934</u>	<u>\$ 9,960,289</u>	<u>\$ 10,131,900</u>	<u>\$ (1,086,555)</u>	<u>\$ 11,046,844</u>

See accompanying independent auditor's report.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2009

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 \$11,218,455.

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 Required Supplementary Information
 Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 1,253,371	\$ 1,253,371	0.0%	\$ 19,093,134	6.57%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 754,895	\$ 553,155	\$ 607,380	\$ 1,915,430
Receivables:				
Property tax:				
Current year	3,576	-	12,183	15,759
Succeeding year	430,000	-	1,294,000	1,724,000
Accounts	450	81	-	531
Due from other governments	-	-	1,629	1,629
Prepaid expenses	-	2,263	-	2,263
Total assets	<u>\$ 1,188,921</u>	<u>\$ 555,499</u>	<u>\$ 1,915,192</u>	<u>\$ 3,659,612</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,655	\$ 29,622	\$ 146,368	\$ 178,645
Due to other governments	655	-	6,563	7,218
Deferred revenue:				
Succeeding year property tax	430,000	-	1,294,000	1,724,000
Other	-	77,052	-	77,052
Total liabilities	<u>433,310</u>	<u>106,674</u>	<u>1,446,931</u>	<u>1,986,915</u>
Fund balances:				
Reserved for:				
Prepaid expenses	-	2,263	-	2,263
Unreserved:				
Undesignated	755,611	446,562	468,261	1,670,434
Total fund balances	<u>755,611</u>	<u>448,825</u>	<u>468,261</u>	<u>1,672,697</u>
Total liabilities and fund balances	<u>\$ 1,188,921</u>	<u>\$ 555,499</u>	<u>\$ 1,915,192</u>	<u>\$ 3,659,612</u>

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, 2009

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 537,098	\$ -	\$ 1,325,708	\$ -	\$ 1,862,806
Other	52,388	720,620	78,447	-	851,455
State sources	331	-	782	-	1,113
Federal sources	-	-	12,261	-	12,261
Total revenues	589,817	720,620	1,417,198	-	2,727,635
Expenditures:					
Current:					
Instruction	223,134	707,077	184,999	-	1,115,210
Support services:					
Student services	34,255	-	-	-	34,255
Instructional staff services	8,366	-	29,877	-	38,243
Administration services	26,938	-	79,647	-	106,585
Operation and maintenance of plant services	187,367	1,104	118,744	-	307,215
Transportation services	266	-	190,960	-	191,226
Non instructional programs	24,810	-	-	-	24,810
Other expenditures:					
Facilities acquisition	-	-	1,224,346	-	1,224,346
Long term debt:					
Principal	-	-	-	17,037	17,037
Interest and fiscal charges	-	-	-	109	109
Total expenditures	505,136	708,181	1,828,573	17,146	3,059,036
Excess (deficiency) of revenues over (under) expenditures	84,681	12,439	(411,375)	(17,146)	(331,401)
Other financing sources (uses):					
Interfund transfers in	-	-	700,000	17,146	717,146

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Net change in fund balances	\$ 84,681	\$ 12,439	\$ 288,625	\$ -	\$ 385,745
Fund balances beginning of year	670,930	436,386	179,636	-	1,286,952
Fund balances end of year	\$ 755,611	\$ 448,825	\$ 468,261	\$ -	\$ 1,672,697

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, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary & Junior High Activities:				
P.V. J.H. Athletics	\$ 2,782	\$ 15,166	\$ 12,591	\$ 5,357
P.V. J.H. Band	476	6,923	6,922	477
P.V. J.H. Vocal Music	1,704	126	-	1,830
P.V. J.H. Boundry Waters	-	8,510	8,310	200
P.V. J.H. Drama	2,962	2,504	1,343	4,123
P.V. J.H. Chorus	1,582	2,756	2,726	1,612
P.V. J.H. General Activities	14,725	7,050	6,608	15,167
P.V. J.H. PTA	1,390	4,170	4,170	1,390
P.V. J.H. Home Economics	323	-	-	323
P.V. J.H. Quest Program	-	327	-	327
P.V. J.H. Science	14	-	-	14
P.V. J.H. Special Olympics	197	-	-	197
P.V. J.H. Student Council	1,960	6,436	6,227	2,169
P.V. J.H. Weightlifting Club	777	2,487	3,264	-
P.V. J.H. Yearbook	3,975	8,994	10,163	2,806
Bridgeview Bookstore	377	628	716	289
Bridgeview General Activities	11,205	5,041	7,054	9,192
Bridgeview PTA	-	2,724	2,724	-
Cody Band	27	-	-	27
Cody Book Club	819	505	214	1,110
Cody Bookstore	309	282	301	290
Cody Candy Sales	1,283	1,419	2,007	695
Cody General Activities	17,587	2,964	3,359	17,192
Cody PTA	1,789	1,250	1,250	1,789
Cody Student Fund	1,223	-	794	429
Cody Vocal Music	829	200	60	969
Cody Yearbook	2,900	1,494	1,362	3,032
Cody Student Council	-	65	-	65
Pleasant View General Activities	17,892	2,934	5,626	15,200
Pleasant View PTA	-	9,000	8,800	200
Pleasant View Vocal Music	543	232	224	551
Pleasant View Book Club	769	2,565	2,690	644
Pleasant View Home Economics	2,871	-	2,871	-
Riverdale Book Club	2,526	1,992	1,228	3,290
Riverdale Bookstore	99	300	-	399
Riverdale Jump for Heart	42	-	-	42
Riverdale General Activities	25,486	7,851	15,421	17,916
Riverdale PTA	444	12,095	11,396	1,143
Riverdale Student Council	1,591	-	256	1,335
Riverdale Science	1,380	-	-	1,380
Riverdale Band	2,373	-	-	2,373
Riverdale Vocal Music	129	-	-	129

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary & Junior High Activities (continued):				
District-Wide Garage Sale	\$ 1,433	\$ -	\$ -	1,433
District-Wide Wellness	219	-	-	219
Interest	35,190	1,548	-	36,738
High School Activities:				
General Administrative	925	22,521	21,821	1,625
Clubs and Organizations	16,653	30,134	28,331	18,456
Drama	15,251	25,409	25,398	15,262
Student Phone	177	560	737	-
Trainer Fund	-	5,495	5,495	-
High School Athletics	104,693	181,093	156,846	128,940
Sparkles	-	2,000	1,860	140
Music Clubs	40,150	39,918	40,308	39,760
Publications	-	79,805	79,805	-
Academic Resale	1,397	1,790	1,452	1,735
Athletic Support Groups	73,585	352,868	338,197	88,256
Interest	19,353	4,453	23,806	-
6th Grade Choir	-	746	158	588
Intrafund Transfers	-	(146,710)	(146,710)	-
Total	\$ 436,386	\$ 720,620	\$ 708,181	\$ 448,825

See accompanying independent auditor's report.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 2,015	\$ 25,428	\$ 16,090	\$ 11,353
Accounts receivable	-	273	-	273
Total assets	\$ 2,015	\$ 25,701	\$ 16,090	\$ 11,626
Liabilities				
Accounts payable	-	\$ 14,217	\$ 13,936	\$ 281
Other payables	2,015	11,484	2,154	11,345
Total liabilities	\$ 2,015	\$ 25,701	\$ 16,090	\$ 11,626

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 FIVE YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:				
Local sources:				
Local tax	\$ 16,046,535	\$ 14,640,807	\$ 13,847,708	\$ 13,203,261
Tuition	1,860,076	2,065,220	1,796,259	1,713,736
Other	1,548,385	1,323,572	1,600,321	1,575,514
Intermediate sources	-	-	-	-
State sources	16,083,230	15,093,333	13,645,019	12,432,419
Federal sources	939,513	494,426	429,739	488,597
 Total revenues	 <u>\$ 36,477,739</u>	 <u>\$ 33,617,358</u>	 <u>\$ 31,319,046</u>	 <u>\$ 29,413,527</u>
Expenditures:				
Instruction	\$ 21,884,158	\$ 20,201,496	\$ 18,647,048	\$ 13,233,621
Support services:				
Student services	985,819	828,575	863,301	1,184,164
Instructional staff services	1,354,842	1,164,236	1,143,765	2,557,612
Administration services	3,048,787	2,892,734	2,694,447	2,166,720
Operation and maintenance of plant services	2,358,107	2,429,130	2,110,392	1,077,201
Transportation services	1,364,899	1,255,851	1,148,507	-
Central and other support services	-	-	-	-
Non-instructional programs	27,014	8,482	5,619	4,376
Other expenditures:				
Facilities acquisition	2,999,831	1,730,515	2,622,079	2,713,005
Long-term debt:				
Principal	17,037	100,008	94,271	110,645
Interest and fiscal charges	109	2,869	8,606	10,086
AEA flowthrough	1,213,051	1,105,685	1,013,545	924,268
 Total expenditures	 <u>\$ 35,253,654</u>	 <u>\$ 31,719,581</u>	 <u>\$ 30,351,580</u>	 <u>\$ 23,981,698</u>

See accompanying independent auditor's report.

<u>2005</u>	<u>2004</u>
\$ 12,554,703	\$ 12,514,026
1,399,116	1,230,012
1,886,916	1,645,656
-	5,362
11,960,868	10,420,014
338,066	397,878
<u>\$ 28,139,669</u>	<u>\$ 26,212,948</u>
\$ 12,464,043	\$ 12,147,421
1,404,326	688,197
2,183,842	2,008,349
1,991,262	1,690,047
951,153	905,464
-	-
-	5,220
34,014	31,111
3,796,019	2,320,548
-	-
-	-
871,361	849,410
<u>\$ 23,696,020</u>	<u>\$ 20,645,767</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 09	\$ 25,379
National School Lunch Program	10.555	FY 09	208,277
National School Lunch Program (non-cash)	10.555	FY 09	<u>58,936</u>
			<u>292,592</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	5250-G-09	<u>87,821</u>
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 09	<u>273,526</u>
Improving Teacher Quality State Grants	84.367	FY 09	<u>80,583</u>
State Grants for Innovative Programs	84.298	FY 09	<u>159</u>
Grants for State Assessments and Related Activities	84.369	FY 09	<u>22,867</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 09	<u>6,232</u>
Special Education - Preschool Grants	84.173	FY 09	<u>250</u>
Special Education Cluster programs:			
Special Education Grants to States, Recovery Act	84.391	FY 09	94,021
Mississippi Bend Area Education Agency:			
Special Education - Grants to States	84.027	FY 09	<u>167,471</u>
			<u>261,492</u>
Career and Technical Education - Basic Grants to States	84.048	FY 09	<u>14,744</u>
English Language Acquisition Grants	84.365	FY 09	<u>1,274</u>
			<u>748,948</u>
Total			<u>\$ 1,041,540</u>

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Basis of Presentation –

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

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pleasant Valley Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 15, 2010. 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.

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 in internal control over financial reporting during the course of our audit.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Pleasant Valley Community School District's operations for the year ended June 30, 2009 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
January 15, 2010

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON 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, 2009. 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, 2009.

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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We noted no material weaknesses in internal control over compliance 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
January 15, 2010

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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, 2009

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-09 Activity Fundraiser – We noted our testing of Special Revenue Fund, Student Activity fundraisers that no fundraiser reconciliation was prepared by the activity sponsor.

Recommendation – The District should adopt and enforce a policy which requires a fundraiser reconciliation to be completed by sponsors for all fundraisers. This reconciliation should tie total sales receipts to the related bank deposits, and reconcile sales revenue to expenditures for supplies to determine that the fundraiser met the expected profit margin. The District should consider punitive measures for clubs or sponsors that do not complete the required reconciliation in a timely manner.

Response – We are currently working on creating a reconciliation form. We are educating all clubs and sponsors about the importance of this procedure.

Conclusion – Response accepted.

II-B-09 Duplicate Payment – We noted in our testing of disbursements that a check was written directly to the vendor for \$3,283 for an invoice for District travel. The same invoice was also paid by a check to the District's credit card carrier. The check to the vendor was later voided by the District on September 8, 2009 back to June 30, 2009. The District properly adjusted all related accounts for financial reporting.

Recommendation – The District should establish controls to review all credit card charges so that any such charge is not also paid directly to a vendor.

Response – This was an oversight for this disbursement. Ultimately, the vendor was only paid once.

Conclusion – Response accepted.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

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, 2009

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.
- IV-B-09 Questionable Expenditures – 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-09 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-09 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-09 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-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-09 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy. However, the interest rate on a time certificate did not meet the minimum rate of interest set by the State Rate Setting Committee.

Recommendation – The District should be aware of the current allowable rates to insure that at least the minimum rate is received for all investments. The certificate of deposit, when renewed, should be renewed at a rate of interest which conforms with current rates for public funds on the date of renewal.

Response – The certificate will be renewed at an allowable rate. We will contact the bank about this issue.

Conclusion – Response accepted.

- IV-I-09 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.
- IV-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Statewide sales and services tax revenue		3,120,734
Expenditures/transfers out:		
None		<u>-</u>
Ending balance	\$	<u><u>3,120,734</u></u>