

**Pleasant Valley Community School District
Bettendorf, Iowa**

Financial Report
Year Ended June 30, 2011



INTRODUCTORY SECTION



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Pleasant Valley Community School District

Officials

Year Ended June 30, 2011

Name	Title	Term Expires
Board of Education		
Deborah Dayman	President	2011
Heather Witters	Vice President	2013
Tony Huegel	Board Member	2011
Joe Bullock	Board Member	2011
Pamela Paulsen	Board Member	2011
Frank Dohmen	Board Member	2013
John Archer	Board Member	2013
School Officials		
Dr. James R. Spelhaug	Superintendent	2014
Stephanie Judkins	Curriculum Coordinator	2011
Mike Clingingsmith	Chief Financial Officer	2013
Christine Harvey	District Secretary	2011
Joyce E. Bauwens	District Treasurer	2011
Lane & Waterman	Attorney	Indefinite

FINANCIAL SECTION





Independent Auditor's Report

To the Board of Education
Pleasant Valley Community School District
Bettendorf, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pleasant Valley Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pleasant Valley Community School District as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As stated in Note 13, the District's fund balance of the major Capital Projects Fund and the aggregate remaining fund information was restated due to fund type reclassifications for the implementation of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2012 on our consideration of the Pleasant Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 16 and 42 through 45 are not a required part 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 thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements and other schedules listed in the table of contents as well as the accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget A-133, Audits of States, Local Governments and Nonprofit Organization, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, for fiscal year 2011 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements for the year ended June 30, 2011 taken as a whole. The District's financial statements for the years ended June 30, 2004 through 2010, which are not presented in the accompanying financial statements, were audited by other auditors, whose report thereon dated December 21, 2010, expressed unqualified opinions on the financial statements. Their report on the Schedule of Revenues by Source and Expenditures by Function for the years ended June 30, 2004 through 2010 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2004 through 2010 taken as a whole.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
January 26, 2012

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2011

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow:

2010-11 FINANCIAL HIGHLIGHTS

- The state of Iowa did not fully fund the two percent allowable growth amount for the 2010-11 fiscal year. In Iowa school finance, "allowable growth" is the increase in the per pupil spending authority amount from one year to the next in a district's General Fund. It is one of the major components of funding (revenue) in a district's General Fund. Because the state did not fully fund the two percent allowable growth, this resulted in a reduction in per pupil funding of \$283.61, for a total loss of revenue from the state of \$1,113,419 in the 2010-11 fiscal year. While the District received spending authority from the state for this, it was not backed by cash from the state.
- The state's ten percent across the board budget cut during the 2009-10 fiscal year and the under-funding of two percent allowable growth for the 2010-11 fiscal year (see previous bullet point) were significant factors in the District's increase of its overall property tax levy rate by \$0.75 per \$1,000 taxable valuation (rounded to the nearest penny) in the 2010-11 fiscal year. Despite this increase, the District continued to have the lowest overall property tax levy rate for school districts in Scott County. The District's overall property tax levy rate for 2010-11 was \$14.74 per \$1,000 taxable valuation.
- Construction was substantially completed during the 2010-11 fiscal year on the District's new elementary school (Hopewell Elementary School). The school was originally scheduled to open at the start of the 2010-11 school year; however, due to the state's ten percent across the board budget cut during the 2009-10 fiscal year, the District made the difficult decision to delay the opening of the school by one year. Classes began at the new school in August of the 2011-12 school year.
- Interest rates remained low during the 2010-11 fiscal year. Interest earnings decreased from \$72,937 in 2009-10 to \$57,869 in 2010-11 (all District funds combined). This was a decrease of \$15,068 (20.7 percent). Lower average cash balances during 2010-11 also contributed to the decreased amount of interest income received. The average month-end cash balance for the total of all of the District's governmental and business-type activities bank accounts for 2010-11 was \$9,308,216 compared to \$10,210,512 in 2009-10.
- The spendable portion of the General Fund balance which is not restricted increased from \$1,066,575 as of June 30, 2010 to \$1,900,963. General Fund revenues increased from the previous year by 6.7 percent, while expenses increased by 3.1 percent.
- The District's 2010-11 certified enrollment (resident headcount) increased by 175.2 students over the 2009-10 certified enrollment. The District's certified enrollment as of October 1, 2010 was 3,784.2 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 expended a total of \$267,180 in ARRA (American Reinvestment and Recovery Act) economic stimulus funds from the Federal Government during the 2010-11 fiscal year.

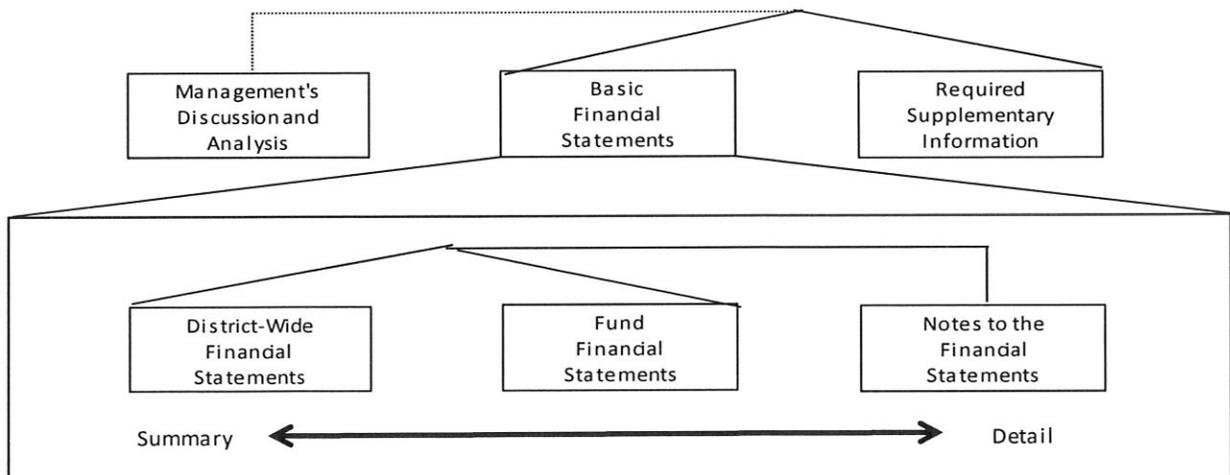
USING THIS ANNUAL REPORT

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



PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

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	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	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 the 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 2010-11 were the General Fund and the Capital Projects Fund. The

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

non-major governmental funds include two Special Revenue Funds (the Management Fund and Student Activities 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 Fund, one type of proprietary fund, is the same as its business-type activities but provides 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. This fund type includes Agency Funds.
- 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 of the District include a statement of fiduciary assets and liabilities.

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

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets as of June 30, 2011 compared to June 30, 2010.

Figure A-3 Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2010-11
	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	
Current and other assets	\$ 24,870,259	\$ 28,060,624	\$ 388,081	\$ 481,669	\$ 25,258,340	\$ 28,542,293	13.0%
Capital assets	32,674,586	35,416,366	615,381	556,585	33,289,967	35,972,951	8.1%
Total assets	57,544,845	63,476,990	1,003,462	1,038,254	58,548,307	64,515,244	10.2%
Long-term liabilities	1661291	1585,379	-	2,018	1661291	1,587,397	-4.4%
Other liabilities	18,827,883	20,623,705	31,251	32,240	18,859,134	20,655,945	9.5%
Total liabilities	20,489,174	22,209,084	31,251	34,258	20,520,425	22,243,342	8.4%
Net assets:							
Invested in capital assets, net of related debt	32,674,586	35,416,366	615,381	556,585	33,289,967	35,972,951	8.1%
Restricted	2,604,812	2,589,500	-	20,500	2,604,812	2,610,000	0.2%
Unrestricted	1,776,273	3,262,040	356,830	426,911	2,133,103	3,688,951	72.9%
Total net assets	\$ 37,055,671	\$ 41,267,906	\$ 972,211	\$ 1,003,996	\$ 38,027,882	\$ 42,271,902	11.2%

The District's combined net assets as of June 30, 2011 grew by \$4,244,020 (11.2 percent) over the June 30, 2010 combined net assets. Net assets in the governmental activities grew by \$4,212,235 (11.4 percent). The net assets of the District's business-type activities grew by \$31,785 (3.2 percent).

The major factors for the increase in net assets of the District were the construction of Hopewell Elementary School, which represents a significant additional asset for the District and an increase in cash and cash equivalents.

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 \$5,188 (less than 1 percent from the prior year).

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) increased by \$1,555,848 or 72.9 percent. The District's cash and cash equivalents increased significantly in the 2010-11 fiscal year mainly due to an increase in the District's cash reserve levy in its General Fund. The District utilized the cash reserve levy to recover some of the funds that it has lost due to state budget cuts.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes in Net Assets From Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2010-11
	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	
Revenues:							
Program revenues:							
Charges for services	\$ 2,821,681	\$ 2,939,141	\$ 1,083,719	\$ 1,026,912	\$ 3,905,400	\$ 3,966,053	16%
Operating grants and contributions	6,595,552	5,061,403	352,830	351,094	6,948,382	5,412,497	-22.1%
Capital grants and contributions	-	829,521	237,385	-	237,385	829,521	249.4%
General revenues:							
Property taxes	13,761,823	14,572,030	-	-	13,761,823	14,572,030	5.9%
State foundation aid	10,505,487	12,638,289	-	-	10,505,487	12,638,289	20.3%
Statewide sales and services tax	2,593,647	3,024,239	-	-	2,593,647	3,024,239	16.6%
Other	251,644	1,013,633	2,512	3,925	254,166	1,017,558	300.4%
Total revenues	36,529,834	40,078,256	1,676,446	1,381,931	38,206,280	41,460,167	8.5%
Expenses:							
Instruction	22,850,919	23,554,459	-	-	22,850,919	23,554,459	3.1%
Support services	9,078,359	9,240,420	43,597	65,723	9,121,956	9,306,143	2.0%
Noninstructional programs	34,120	31,633	1,284,572	1,278,738	1,318,692	1,310,371	-0.6%
Other	3,179,349	3,045,184	-	-	3,179,349	3,045,184	-4.2%
Total expenses	35,142,747	35,871,706	1,328,169	1,344,461	36,470,916	37,216,167	2.0%
Change in net assets before transfers							
	1,387,087	4,206,550	348,277	37,470	1,735,364	4,244,020	144.6%
Transfers							
	-	5,685	-	(5,685)	-	-	-
Increase (decrease) in net assets	\$ 1,387,087	\$ 4,212,235	\$ 348,277	\$ 31,785	\$ 1,735,364	\$ 4,244,020	144.6%

In 2010-11, local taxes (property taxes and statewide sales and services tax) and state foundation aid accounted for 75.4 percent of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.7 percent of the revenue from business-type activities.

The District's expenses primarily relate to instructional and support services which account for 88.3 percent of the total expenses.

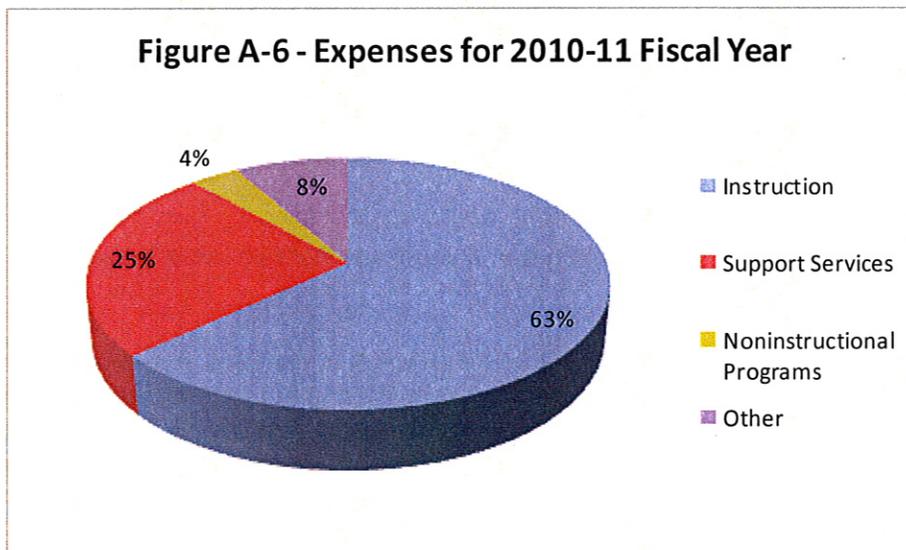
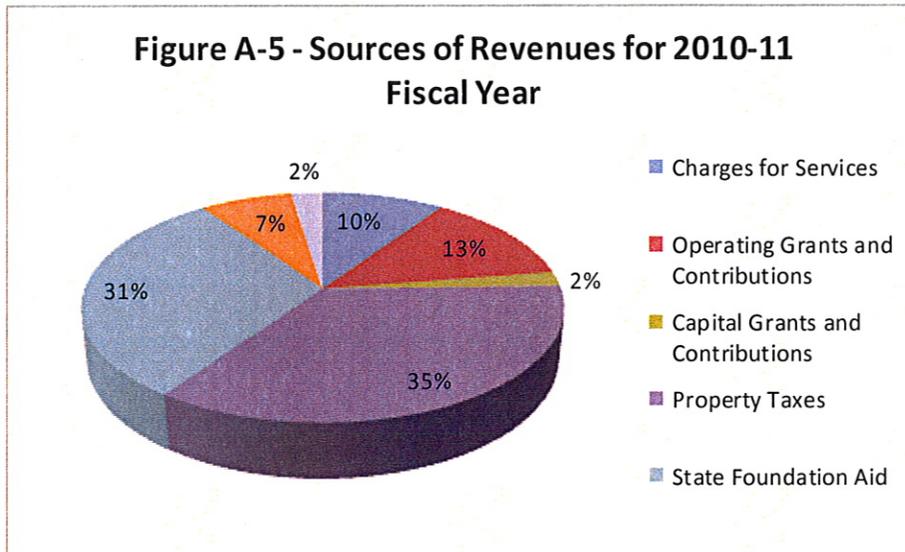
Total revenue for the District increased by \$3,253,907 (8.5 percent) in the fiscal year ended June 30, 2011. The most significant revenue category changes were in capital grants and contributions, property taxes, state foundation aid, and other miscellaneous general revenues. Capital grants and contributions increased by \$592,136 primarily due to a contribution in the current year for the high school football field turf. Property taxes increased \$810,207 (5.9 percent) primarily due to an increase in assessed valuation of property within the District. State foundation aid increased \$2,132,802 (20.3 percent) primarily due to increased enrollment and the state allowable growth. Other miscellaneous general revenues increased due to an increase in other taxes including excise taxes.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

Total District expenses increased by \$745,251 (2.0 percent), which was mainly attributable to an increase in expenses for instruction and support services.

Figures A-5 and A-6, which follow, show charts reflecting sources of revenue and distribution of expenses for the 2010-11 fiscal year.



PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

Governmental Activities

Revenue for the District's governmental activities in 2010-11 increased by \$3,548,422 (9.7 percent) from the previous year, while total expenses increased by \$728,959 (2.1 percent). Governmental activities net assets as of June 30, 2011 increased by \$4,212,235 (11.4 percent) over the June 30, 2010 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, 2011 compared to the year ended June 30, 2010.

Figure A-7 Net Cost of Governmental Activities

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	June 30, 2010	June 30, 2011	Change June 30, 2011	June 30, 2010	June 30, 2011	Change June 30, 2011
Instruction	\$ 22,850,919	\$ 23,554,459	3.08%	\$ 17,036,075	\$ 19,342,081	13.5%
Support services	9,078,359	9,240,420	1.79%	6,854,880	6,878,881	0.4%
Noninstructional	34,120	31,633	-7.29%	34,120	31,633	-7.3%
Other	3,179,349	3,045,194	-4.22%	1,800,439	789,046	-56.2%
Total revenues	35,142,747	35,871,706	2.07%	25,725,514	\$ 27,041,641	5.1%

For the year ended June 30, 2011:

- The cost financed by the users of the District's programs was \$2,939,141.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$5,061,403.
- The net cost of governmental activities was financed with \$14,572,030 in property taxes, \$12,638,289 of unrestricted state grants, \$3,024,239 in statewide sales and services tax revenue, \$650,915 in other taxes, \$53,944 in investment earnings and \$308,774 in miscellaneous revenues.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2011

Business-Type Activities

The District's business-type activities include the School Nutrition Fund. Revenues of the District's business-type activities in 2010-11 were \$1,381,931; a decrease of \$294,515 from 2009-10. In the prior year, there was a capital asset contribution to the Nutrition Fund from the Capital Projects Fund of \$237,385. The capital assets contributed consisted of the new food service equipment for the District's new elementary school (Hopewell Elementary School). This equipment was originally paid for with funds from the Capital Projects Fund and then was recorded as a donation of capital assets from the Capital Projects Fund to the Nutrition Fund. If the revenue from this unusual situation were not included as part of the 2009-10 Nutrition Fund (business-type activity) revenue, the District's business-type activity revenue would have only decreased by \$57,130. Expenses were \$1,344,461; an increase of \$16,292 from 2009-10. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and interest.

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 \$4,946,849, which reflects an increase from last year's ending fund balances of \$4,055,168. The primary reason for the increase in combined fund balances at the end of fiscal 2011 is due to changes reflected in revenues of the General Fund discussed below.

Governmental Fund Highlights

- The fund balance in the District's General Fund increased by \$979,170 from \$1,370,627 as of June 30, 2010 to \$2,349,797 as of June 30, 2011. The General Fund experienced an increase in local taxes of \$1,359,886 due to increased assessed value of property in the District, an increase in state sources of \$2,319,514 primarily due to increased enrollment and offset by a decrease in federal sources due to a decrease in ARRA funds received in the current year.
- In the current year, the District adopted Governmental Accounting Standards Board Statement No. 54. This Statement affected the District's prior presentation of the Physical Plant and Equipment Levy Fund by redefining it as an account of the Capital Projects Fund. The statewide sale, service and use tax generated \$285,592 more in revenue in 2010-11 than in the previous fiscal year. Local tax generated from the physical plant and equipment levy was \$1,507,885 compared to the prior year \$1,422,929. Total expenditures were \$4,890,969 in 2010-11 compared to \$8,740,342 in 2009-10. The majority of the expenditures in the prior year related to the construction of the Hopewell Elementary School.
- The fund balance in the Student Activities Fund increased by \$42,178 during the fiscal year due to the variance of student activities from year-to-year.
- The fund balance in the Management Fund increased by \$116,434 during 2010-11.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2011

Proprietary Fund Highlights

The District's proprietary funds were stable during the year.

- The net assets of the Nutrition Fund increased by \$31,785 during 2010-11.
- The net assets of the Internal Service Fund increased by \$357,862 during 2010-11. This was mainly due to an 8.4 percent decrease in the total of health/dental insurance claims and administrative fees compared to the 2009-10 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 annual 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 \$7,623,801 more in expenditures than the original certified budget for the 2010-11 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.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

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 2010-11 fiscal year, the District had invested \$35,972,951 (net of accumulated depreciation of \$27,915,350) 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 \$2,682,984 or 8.1 percent 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 \$1,390,528.

Figure A-8 Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2010-11
	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	
Land	\$ 591,160	\$ 591,160	\$ -	\$ -	\$ 591,160	\$ 591,160	0.0%
Buildings	21,661,481	20,932,463	-	-	21,661,481	20,932,463	-3.4%
Improvements other than buildings	467,069	1,774,097	-	-	467,069	1,774,097	279.8%
Furniture and equipment	736,905	803,090	615,381	556,585	1,352,286	1,359,675	0.5%
Construction in progress	9,217,971	11,315,556	-	-	9,217,971	11,315,556	22.8%
Total	32,674,586	35,416,366	615,381	556,585	33,289,967	35,972,951	8.1%

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2011

Long-Term Liabilities

As of June 30, 2011, the District had \$349,350 in early retirement long-term liabilities with \$242,388 due within one year and \$797,995 in total compensated absence liabilities with \$256,161 in compensated absences due within one year.

As of June 30, 2010, the District had \$306,759 in early retirement long-term liabilities with \$171,332 due within one year and \$1,087,410 in total compensated absence liabilities with \$249,530 in compensated absences due within one year.

The District had a net OPEB liability payable of \$440,052 as of June 30, 2011.

Payments of early retirement benefits usually come out of the District's Management Fund. Payments of compensated absences come out of the District's General Fund.

More detailed information about the District's long-term liabilities is available in Notes 5 and 6 to the financial statements.

Figure A-9 Outstanding Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2010-11
	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	
Early retirement	\$ 306,759	\$ 349,350	\$ -	\$ -	\$ 306,759	\$ 349,350	13.9%
Compensated absences	1,087,410	797,995	-	-	1,087,410	797,995	-26.6%
Net OPEB liability	267,122	438,034	-	2,018	267,122	440,052	64.7%
Total	\$ 1,661,291	\$ 1,585,379	\$ -	\$ 2,018	\$ 1,661,291	\$ 1,587,397	-4.4%

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:

- Continued budget concerns at the state level will likely affect the District in the next several years.
- The Iowa Legislature has set the allowable growth rate for 2012-13 at 2%.
- 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 percent 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.

PLEASANT VALLEY COMMUNITY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

- Effective July 1, 2012, an increase in the employees' and employers' share of the Iowa Public Employees Retirement System (IPERS) contributions will go into effect. The employees' share is increasing by 0.40 percent and the employers' share is increasing by 0.60 percent. The increase in the employers' share of IPERS will negatively impact the budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mike Clingingsmith, Chief Financial officer, Pleasant Valley Community School District, 525 Belmont Rd., Bettendorf, Iowa 52722.

Pleasant Valley Community School District

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	\$ 11,656,688	\$ 452,160	\$ 12,108,848
Receivables:			
Property tax:			
Current year	96,534	-	96,534
Succeeding year	14,470,000	-	14,470,000
Accounts	395,747	969	396,716
Due from other governments	1,328,538	-	1,328,538
Inventories	-	28,540	28,540
Prepaid expenses	113,117	-	113,117
Capital assets:			
Nondepreciable	11,906,716	-	11,906,716
Depreciable, net	23,509,650	556,585	24,066,235
Total assets	63,476,990	1,038,254	64,515,244
Liabilities			
Accounts payable	1,477,665	521	1,478,186
Salaries and benefits payable	3,154,296	-	3,154,296
Due to other governments	260,649	-	260,649
Claims incurred but not reported	153,289	-	153,289
Unearned revenue:			
Succeeding year property tax	14,470,000	-	14,470,000
Other	1,107,806	31,719	1,139,525
Long-term liabilities:			
Portion due within one year:			
Early retirement	242,388	-	242,388
Compensated absences	256,161	-	256,161
Portion due after one year:			
Early retirement	106,962	-	106,962
Compensated absences	541,834	-	541,834
Net OPEB liability	438,034	2,018	440,052
Total liabilities	22,209,084	34,258	22,243,342
Net Assets			
Invested in capital assets, net of related debt	35,416,366	556,585	35,972,951
Restricted for:			
Categorical funding	341,798	-	341,798
Management levy	628,777	-	628,777
Physical plant and equipment levy	12,811	-	12,811
Other special revenue purposes	519,521	-	519,521
School infrastructure	1,086,593	-	1,086,593
Other	-	20,500	20,500
Unrestricted	3,262,040	426,911	3,688,951
Total net assets	\$ 41,267,906	\$ 1,003,996	\$ 42,271,902

See Notes to Financial Statements.

Pleasant Valley Community School District

Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses
Governmental activities:	
Instruction:	
Regular instruction	\$ 17,377,707
Special instruction	3,094,014
Other	<u>3,082,738</u>
	<u>23,554,459</u>
Support services:	
Student services	1,002,834
Instructional staff services	1,241,087
Administration services	3,167,175
Operation and maintenance of plant services	2,352,852
Transportation services	<u>1,476,472</u>
	<u>9,240,420</u>
Noninstructional programs	<u>31,633</u>
Other expenditures:	
Facilities acquisition	457,791
AEA flowthrough	1,426,627
Depreciation (unallocated) *	<u>1,160,776</u>
	<u>3,045,194</u>
Total governmental activities	<u><u>35,871,706</u></u>
Business-type activities:	
Support services:	
Administration services	25,939
Operation and maintenance of plant services	<u>39,784</u>
	<u>65,723</u>
Noninstructional programs, food service operations	<u>1,278,738</u>
Total business-type activities	<u>1,344,461</u>
Total	<u><u>\$ 37,216,167</u></u>
General revenues:	
Property tax levied for:	
General purposes	
Capital outlay	
Statewide sales and services tax	
Other taxes	
Unrestricted state grants	
Unrestricted investment earnings	
Other	
Total general revenues	
Transfers	
Total general revenues and transfers	
Change in net assets	
Net asses, beginning of year	
Net asses, end of year	

* This amount excludes the depreciation included in the direct expenses of the various programs.

See Notes to Financial Statements.

Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 2,241,370	\$ 379,165	\$ -	\$ (14,757,172)	\$ -	\$ (14,757,172)
11,250	872,714	-	(2,210,050)	-	(2,210,050)
673,335	34,544	-	(2,374,859)	-	(2,374,859)
2,925,955	1,286,423	-	(19,342,081)	-	(19,342,081)
-	-	-	(1,002,834)	-	(1,002,834)
-	2,317,614	-	1,076,527	-	1,076,527
-	-	-	(3,167,175)	-	(3,167,175)
13,186	-	-	(2,339,666)	-	(2,339,666)
-	30,739	-	(1,445,733)	-	(1,445,733)
13,186	2,348,353	-	(6,878,881)	-	(6,878,881)
-	-	-	(31,633)	-	(31,633)
-	-	829,521	371,730	-	371,730
-	1,426,627	-	-	-	-
-	-	-	(1,160,776)	-	(1,160,776)
-	1,426,627	829,521	(789,046)	-	(789,046)
2,939,141	5,061,403	829,521	(27,041,641)	-	(27,041,641)
-	-	-	-	(25,939)	(25,939)
-	-	-	-	(39,784)	(39,784)
-	-	-	-	(65,723)	(65,723)
1,026,912	351,094	-	-	99,268	99,268
1,026,912	351,094	-	-	33,545	33,545
\$ 3,966,053	\$ 5,412,497	\$ 829,521	(27,041,641)	33,545	(27,008,096)
			13,123,314	-	13,123,314
			1,448,716	-	1,448,716
			3,024,239	-	3,024,239
			650,915	-	650,915
			12,638,289	-	12,638,289
			53,944	3,925	57,869
			308,774	-	308,774
			31,248,191	3,925	31,252,116
			5,685	(5,685)	-
			31,253,876	(1,760)	31,252,116
			4,212,235	31,785	4,244,020
			37,055,671	972,211	38,027,882
			\$ 41,267,906	\$ 1,003,996	\$ 42,271,902

Pleasant Valley Community School District

Balance Sheet
 Governmental Funds
 June 30, 2011

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 6,084,055	\$ 1,825,290	\$ 1,610,897	\$ 9,520,242
Receivables:				
Property tax:				
Current year	82,088	11,366	3,080	96,534
Succeeding year	12,170,000	1,780,000	520,000	14,470,000
Accounts	18,830	15,000	3	33,833
Due from other governments	724,338	604,200	-	1,328,538
Prepaid items	107,036	-	6,082	113,118
Total assets	\$ 19,186,347	\$ 4,235,856	\$ 2,140,062	\$ 25,562,265
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 239,085	\$ 1,205,039	\$ 33,541	\$ 1,477,665
Salaries and benefits payable	3,154,296	-	-	3,154,296
Due to other governments	254,011	6,413	225	260,649
Deferred revenue:				
Succeeding year property tax	12,170,000	1,780,000	520,000	14,470,000
Other	1,019,158	145,000	88,648	1,252,806
Total liabilities	16,836,550	3,136,452	642,414	20,615,416
Fund balances:				
Nonspendable	107,036	-	6,082	113,118
Restricted for:				
Categorical funding	341,798	-	-	341,798
Management levy	-	-	975,592	975,592
Physical plant and equipment levy	-	12,811	-	12,811
Other special revenue purposes	-	-	515,974	515,974
School infrastructure	-	1,086,593	-	1,086,593
Committed	-	-	-	-
Assigned	1,076,177	-	-	1,076,177
Unassigned	824,786	-	-	824,786
Total fund balances	2,349,797	1,099,404	1,497,648	4,946,849
Total liabilities and fund balances	\$ 19,186,347	\$ 4,235,856	\$ 2,140,062	\$ 25,562,265

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, 2011

Total fund balances of governmental funds	\$	4,946,849
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.		35,416,366
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		145,000
The Internal Service Fund is used to charge 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.		2,345,070
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(1,585,379)
Net assets of governmental activities	\$	<u>41,267,906</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, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 13,218,620	\$ 4,387,124	\$ 496,440	\$ 18,102,184
Tuition	1,987,224	-	-	1,987,224
Other	543,841	205,620	750,079	1,499,540
State sources	16,627,082	726	252	16,628,060
Federal sources	872,714	14,013	-	886,727
Total revenues	33,249,481	4,607,483	1,246,771	39,103,735
Expenditures:				
Current:				
Instruction	22,410,240	562,921	809,637	23,782,798
Support services:				
Student services	1,000,467	-	2,367	1,002,834
Instructional staff services	1,171,279	38,578	31,230	1,241,087
Administration services	3,076,019	90,131	34,336	3,200,486
Operation and maintenance of plant services	2,130,157	42,059	176,306	2,348,522
Transportation services	1,023,776	450,000	2,696	1,476,472
	8,401,698	620,768	246,935	9,269,401
Noninstructional programs	46	-	31,587	31,633
Other expenditures:				
Facilities acquisition	-	3,707,280	-	3,707,280
AEA flowthrough	1,426,627	-	-	1,426,627
	1,426,627	3,707,280	-	5,133,907
Total expenditures	32,238,611	4,890,969	1,088,159	38,217,739
Excess (deficiency) of revenues under (over) expenditures	1,010,870	(283,486)	158,612	885,996
Other financing sources (uses):				
Interfund transfers in	-	37,385	-	37,385
Interfund transfers out	(31,700)	-	-	(31,700)
Total other financing sources (uses)	(31,700)	37,385	-	5,685
Net change in fund balance	979,170	(246,101)	158,612	891,681
Fund balances, beginning of year, as restated	1,370,627	1,345,505	1,339,036	4,055,168
Fund balances, end of year	\$ 2,349,797	\$ 1,099,404	\$ 1,497,648	\$ 4,946,849

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, 2011

Net change in fund balances - total governmental funds \$ 891,681

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	\$ 3,249,489	
Donation of capital asset	829,521	
Depreciation expense	(1,331,732)	
Loss on disposal of capital asset	<u>(5,498)</u>	2,741,780

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds, change
in deferred revenues 145,000

The increase in net assets of the Internal Service Fund represents
an overcharge to the governmental funds and is incorporated into the
change in net assets of governmental activities. 357,862

Some expenses reported in the Statement of Activities do not required
the use of current financial resources and, therefore, are not reported
as expenditures in the governmental funds, as follows:

Early retirement	(42,591)
Compensated absences	289,415
Net OPEB liability	<u>(170,912)</u>

Change in net assets of governmental activities \$ 4,212,235

See Notes to Financial Statements.

Pleasant Valley Community School District

Statement of Net Assets

Proprietary Funds

June 30, 2011

	Enterprise Fund	
	School Nutrition	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 452,160	\$ 2,136,446
Accounts receivable	969	361,914
Inventories	28,540	-
Capital assets, net of accumulated depreciation	556,585	-
Total assets	1,038,254	2,498,360
Liabilities		
Accounts payable	521	-
Claims incurred but not reported	-	153,289
Unearned revenue, other	31,719	-
Net OPEB liability	2,018	-
Total liabilities	34,258	153,289
Net Assets		
Invested in capital assets	556,585	-
Restricted	20,500	-
Unrestricted	426,911	2,345,070
Total net assets	\$ 1,003,996	\$ 2,345,070

See Notes to Financial Statements.

Pleasant Valley Community School District

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 Year Ended June 30, 2011

	<u>Enterprise Fund</u>	
	School Nutrition	Internal Service Fund
Operating revenues:		
Local sources, charges for services	\$ 1,026,912	\$ 2,926,936
Operating expenses:		
Support services:		
Salaries	34,820	26,535
Benefits	5,084	2,513,903
Purchased services	11,314	-
Supplies	14,155	-
Other	350	28,636
	<u>65,723</u>	<u>2,569,074</u>
Noninstructional programs:		
Salaries	387,878	-
Benefits	85,506	-
Purchased services	477	-
Supplies	744,617	-
Depreciation	58,796	-
Other	1,464	-
	<u>1,278,738</u>	<u>-</u>
Total operating expenses	<u>1,344,461</u>	<u>2,569,074</u>
Operating income (loss)	<u>(317,549)</u>	<u>357,862</u>
Nonoperating revenues:		
Interest on investments	3,925	-
State sources	12,220	-
Federal sources	338,874	-
Total nonoperating revenues	<u>355,019</u>	<u>-</u>
Income before transfers	37,470	357,862
Transfers in	31,700	-
Transfers out	<u>(37,385)</u>	<u>-</u>
Change in net assets	31,785	357,862
Net assets, beginning of year	972,211	1,987,208
Net assets, end of year	<u>\$ 1,003,996</u>	<u>\$ 2,345,070</u>

See Notes to Financial Statements.

Pleasant Valley Community School District

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2011

	<u>Enterprise Fund</u>	
	<u>School Nutrition</u>	<u>Internal Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 1,021,388	\$ -
Cash received from miscellaneous operating activities	6,243	2,911,027
Cash payments to employees for services	(511,270)	(26,535)
Cash payments to suppliers for goods or services	(682,704)	(2,720,899)
Net cash provided by (used in) operating activities	<u>(166,343)</u>	<u>163,593</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	31,700	-
Transfers to other funds	(37,385)	-
State grants received	12,220	-
Federal grants received	248,266	-
Net cash provided by noncapital financing activities	<u>254,801</u>	<u>-</u>
Cash flows from investing activities, interest on investments		
	<u>3,925</u>	<u>-</u>
Net increase in cash and cash equivalents	92,383	163,593
Cash and cash equivalents, beginning of year	359,777	1,972,853
Cash and cash equivalents, end of year	<u>\$ 452,160</u>	<u>\$ 2,136,446</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (317,549)	\$ 357,862
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	58,796	-
Commodities used	90,608	-
(Increase) in accounts receivable	(300)	(15,909)
(Increase) in inventories	(905)	-
Decrease in prepaid expense	-	29,230
(Decrease) in accounts payable	(30)	-
Increase in net OPEB liability	2,018	-
(Decrease) in claims incurred but not reported	-	(207,590)
Increase in deferred revenue	1,019	-
Net cash provided by (used in) operating activities	<u>\$ (166,343)</u>	<u>\$ 163,593</u>

Noncash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$90,608 of federal commodities.

See Notes to Financial Statements.

Pleasant Valley Community School District

Statement of Assets and Liabilities

Agency Fund

June 30, 2011

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 21,753
Total assets	<u>21,753</u>
Liabilities	
Accounts payable	600
Other payables	21,153
Total liabilities	<u>\$ 21,753</u>

See Notes to Financial Statements.

Pleasant Valley Community School District

Notes to Basic Financial Statements

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 District also operates a preschool program. 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 of Scott County. The District is governed by a Board of Education whose members are elected on a nonpartisan 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.

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.

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, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Restricted net assets result 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 by enabling legislation as of June 30, 2011 consists of \$2,589,500.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (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 customer 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 nonmajor 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 reported fiduciary funds. The District's fiduciary funds include the following:

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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 pronouncement 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 distinguished operating revenues and expenses from nonoperating items. Operating revenues and expense 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 nonoperating revenues and expenses.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 nonnegotiable 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 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. 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 1½ percent per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Asset Class	Amount
Land	\$ 1
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	300
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.

Unearned / 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. Unearned revenue consists of unspent grant proceeds, the succeeding year property tax receivable and unearned meal revenues and school registration fees.

Unearned 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 federal grant revenues and unearned meal revenues and school registration fees.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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 as of June 30, 2011. 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 equity: In the governmental fund financial statements fund balances are classified as follows:

Nonspendable: Balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

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

Committed: Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end.

Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

Unassigned: All amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which amounts in the committed, assigned, or unassigned fund balance classifications could be used, the District first considers the committed to be spent and then the assigned and unassigned, respectively.

Interfund activity: Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets and budgetary control:

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's cash and pooled investment consisted of depository accounts at financial institutions including certificate of deposits. The District's deposits in banks as of June 30, 2011 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.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount
Enterprise Fund, School Nutrition	General Fund	\$ 31,700
Capital Projects Fund	Enterprise Fund, School Nutrition	37,385

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

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 591,160	\$ -	\$ -	\$ 591,160
Construction in progress	9,217,971	2,786,654	689,069	11,315,556
Total capital assets not being depreciated	9,809,131	2,786,654	689,069	11,906,716
Capital assets being depreciated:				
Buildings	40,439,195	321,998	-	40,761,193
Improvements other than buildings	1,865,825	1,431,302	-	3,297,127
Furniture and equipment	6,730,141	228,125	34,216	6,924,050
Total capital assets being depreciated	49,035,161	1,981,425	34,216	50,982,370
Less accumulated depreciation for:				
Buildings	18,777,714	1,051,016	-	19,828,730
Improvements other than buildings	1,398,756	124,274	-	1,523,030
Furniture and equipment	5,993,236	156,442	28,718	6,120,960
Total accumulated depreciation	26,169,706	1,331,732	28,718	27,472,720
Total capital assets being depreciated, net	22,865,455	649,693	5,498	23,509,650
Governmental activities capital assets, net	\$ 32,674,586	\$ 3,436,347	\$ 694,567	\$ 35,416,366
Business-type activities:				
Furniture and equipment	\$ 1,047,090	\$ -	\$ 47,875	\$ 999,215
Less accumulated depreciation	431,709	58,796	47,875	442,630
Business-type activities capital assets, net	\$ 615,381	\$ (58,796)	\$ -	\$ 556,585

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 4. Capital Assets (Continued)

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

Governmental activities:	
Instruction	\$ 138,435
Support services:	
Administration	18,742
Operation and maintenance of plant services	13,779
	<u>170,956</u>
Unallocated depreciation	1,160,776
Total governmental activities depreciation expense	<u><u>\$ 1,331,732</u></u>
Business-type activities, food service operations	<u><u>\$ 58,796</u></u>

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 306,759	\$ 213,923	\$ 171,332	\$ 349,350	\$ 242,388
Compensated absences	1,087,410	515,213	804,628	797,995	256,161
Net OPEB liability	269,058	168,976	-	438,034	-
Total	<u>\$ 1,663,227</u>	<u>\$ 898,112</u>	<u>\$ 975,960</u>	<u>\$ 1,585,379</u>	<u>\$ 498,549</u>
Business-type activities, net OPEB liability	<u>\$ -</u>	<u>\$ 2,018</u>	<u>\$ -</u>	<u>\$ 2,018</u>	<u>\$ 2,018</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 55 and employees must have completed 15 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 percent 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 percent 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.

As of June 30, 2011, the District had obligations to 19 participants with a total liability of \$ 349,350. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$ 171,332. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 6. Other Postemployment Benefits (OPEB)

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 326 active and 21 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 187,366
Interest on net OPEB obligation	6,726
Adjustment to annual required contribution	-
Annual OPEB cost	<u>194,092</u>
Contributions made	<u>23,098</u>
Increase in net OPEB obligation	170,994
Net OPEB obligation beginning of year	<u>269,058</u>
Net OPEB obligation end of year	<u><u>\$ 440,052</u></u>

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 6. 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, 2011 and the two preceding years are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 174,566	79.2%	\$ 138,253
June 30, 2010	162,050	20.4%	267,122
June 30, 2011	194,092	12.0%	440,052

Funded status and funding progress: As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$ 1,576,356, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 1,576,356. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$19,345,000 and the ratio of the UAAL to covered payroll was 8.15 percent. As of June 30, 2011, 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 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, 2010 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 6 percent.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000 on a 2/3 female, 1/3 male gender basis.

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 Basic Financial Statements

Note 7. 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-year terms. For the year ended June 30, 2011, the equipment portion of the lease called for payments of \$ 1,600 per bus for 29 buses at 12 months per year, or an annual payment of \$556,800. The lease payments for the year ended June 30, 2011, totaled \$ 1,070,633, with annual increases to this amount for each of the next three years.

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, PO Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.3 percent of their annual covered salary and the District is required to contribute 6.65 percent of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$1,344,502, \$1,294,886 and \$1,177,995, 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 percent 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. Changes in the claims liability amounts for the years ended June 30, 2011 and 2010 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claim Payments	Ending
2011	\$ 360,879	\$ 2,143,234	\$ 2,350,824	\$ 153,289
2010	385,900	2,835,415	2,860,436	360,879

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 9. Risk Management (Continued)

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 \$ 1,426,627 for the year ended June 30, 2011 and is recorded in the General Fund.

Note 11. Categorical Funding

The District’s fund balance restricted for categorical funding as of June 30, 2011 is comprised of the following programs:

Program	Amount
Professional development for model core curriculum	\$ 143,022
At-risk programs	57,358
Four-year old preschool program	104,653
Market factor incentives	15,413
English language learners	16,399
Other	2,813
State decategorization	2,140
Total	<u><u>\$ 341,798</u></u>

Note 12. Commitments

The District has entered into various contracts totaling \$ 5,895,340 for a junior high classroom addition, stadium renovation, and kitchen renovation. As of June 30, 2011, costs of \$ 1,085,433 had been incurred against the contracts. The balance of \$ 4,809,907 remaining as of June 30, 2011 will be paid as work on the projects progress.

In July, 2011, the District entered into a \$ 4,500,000 General Obligation School Capital Loan Note Anticipatory Note. The note matures June 1, 2014 with interest at 2.49%. No amounts were drawn on the note as of June 30, 2011.

In December 2011, the District purchased 19.416 acres of land for the future Forest Grove Elementary School. The purchase price was approximately \$576,000. In addition, the District will exchange a portion of the purchased property for adjoining property owned by the City of Bettendorf for \$13,525. The exchange was negotiated as the land owned by the City of Bettendorf was more suitable for the future project.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 13. Governmental Accounting Standards Board (GASB) /Restatement

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during fiscal year 2011. This Statement was intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The effect of fund type reclassifications is as follows:

	Capital Projects	Nonmajor Special Revenue Physical Plant and Equipment Levy
	<u> </u>	<u> </u>
Balances June 30, 2010, as previously reported	\$ 1,113,910	\$ 231,595
Change in fund type classification per implementation of GASB Statement No. 54	231,595	(231,595)
Balances July 1, 2010, as restated	<u>\$ 1,345,505</u>	<u>\$ -</u>

In addition, the District implemented *GASB Statement No. 59, Financial Instruments Omnibus*. This Statement was issued June 2010 and was effective for the District beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. This Statement had no effect on the District.

As of June 30, 2011, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, an amendment of GASB Statement No. 43 and No. 45*. This Statement was issued January 2010 and will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnerships.

Notes to Basic Financial Statements

Note 13: Governmental Accounting Standards Board (GASB) /Restatement (Continued)

GASB Statement No 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* issued November 2010 will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for governmental financial reporting entities by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, Issued in June 2011, will be effective for the District beginning with its year ending June 30, 2013. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

Pleasant Valley Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Enterprise Fund
Required Supplementary Information
Year Ended June 30, 2011**

	Governmental Funds - Actual	Enterprise Fund - Actual	Total Actual
Revenues:			
Local sources	\$ 21,588,948	\$ 1,030,837	\$ 22,619,785
State sources	16,628,060	12,220	16,640,280
Federal sources	886,727	338,874	1,225,601
Total revenues	39,103,735	1,381,931	40,485,666
Expenditures/expenses:			
Instruction	23,782,798	-	23,782,798
Support services	9,269,401	65,723	9,335,124
Noninstructional programs	31,633	1,278,738	1,310,371
Other expenditures	5,133,907	-	5,133,907
Total expenditures/expenses	38,217,739	1,344,461	39,562,200
Excess (deficiency) of revenues over (under) expenditures/expenses	885,996	37,470	923,467
Other financing sources (uses):			
Interfund transfers in	37,385	31,700	69,085
Interfund transfers out	(31,700)	(37,385)	(69,085)
Total other financing sources (uses)	5,685	(5,685)	-
Net change in fund balance	891,681	31,785	923,466
Balance, beginning of year	4,055,168	972,211	5,027,379
Balance, end of year	<u>\$ 4,946,849</u>	<u>\$ 1,003,996</u>	<u>\$ 5,950,845</u>

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual	
Original	Final	Variance	
\$ 22,481,615	\$ 22,481,615	\$	138,170
18,228,815	18,228,815		(1,588,535)
1,059,008	1,059,008		166,593
41,769,438	41,769,438		(1,283,772)
24,071,305	27,522,507		3,739,709
9,634,185	10,548,307		1,213,183
1,451,452	2,338,004		1,027,633
2,948,746	5,320,671		186,764
38,105,688	45,729,489		6,167,289
3,663,750	(3,960,051)		4,883,517
630,000	630,000		(560,915)
(630,000)	(787,385)		718,300
-	(157,385)		157,385
3,663,750	(4,117,436)		5,040,902
5,027,379	5,027,379		-
\$ 8,691,129	\$ 909,943	\$	5,040,902

Pleasant Valley Community School District

Note to Required Supplementary Information – Budgetary Reporting

Note 1. Budgets and Budgetary Information

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 or expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, noninstructional 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 \$7,623,801.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

Pleasant Valley Community School District

Required Supplementary Information
 Schedule of Funding Progress for the Retiree Health Plan
 Year Ended June 30, 2011

Year Ended June 30:	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)
2009	7/1/2008	\$ -	\$ 1,253	\$ 1,253	0.00%	\$ 19,093	6.56%
2010	7/1/2008	-	1,253	1,253	0.00%	19,093	6.56%
2011	7/1/2010	-	1,576	1,576	0.00%	19,345	8.15%

See Note 6 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost a net OPEB obligation, funded status and funding progress.

Note: Amounts reported in thousands.

Pleasant Valley Community School District

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 974,421	\$ 636,476	\$ 1,610,897
Receivables:			
Property tax:			
Current year	3,080	-	3,080
Succeeding year	520,000	-	520,000
Accounts	-	3	3
Prepaid items	2,535	3,547	6,082
Total assets	\$ 1,500,036	\$ 640,026	\$ 2,140,062
Liabilities and fund balances			
Accounts payable	\$ 1,909	\$ 31,632	\$ 33,541
Due to other governments	-	225	225
Deferred revenue:			
Succeeding year property tax	520,000	-	520,000
Other	-	88,648	88,648
Total liabilities	521,909	120,505	642,414
Fund balances			
Nonspendable	2,535	3,547	6,082
Restricted	975,592	515,974	1,491,566
Total fund balances	978,127	519,521	1,497,648
Total liabilities and fund balances	\$ 1,500,036	\$ 640,026	\$ 2,140,062

Pleasant Valley Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2011

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 496,440	\$ -	\$ 496,440
Other	43,398	706,681	750,079
State sources	252	-	252
Total revenues	540,090	706,681	1,246,771
Expenditures:			
Current:			
Instruction	151,473	658,164	809,637
Support services:			
Student services	2,367	-	2,367
Instructional staff services	31,230	-	31,230
Administration services	34,336	-	34,336
Operating and maintenance of plant services	169,967	6,339	176,306
Transportation services	2,696	-	2,696
Noninstructional programs	31,587	-	31,587
Total expenditures	423,656	664,503	1,088,159
Net change in fund balances	116,434	42,178	158,612
Fund balances, beginning of year	861,693	477,343	1,339,036
Fund balances, end of year	\$ 978,127	\$ 519,521	\$ 1,497,648

Pleasant Valley Community School District

Schedule of Combining Balance Sheet
 Capital Project Fund - By Account
 June 30, 2011

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,540,944	\$ 284,346	\$ 1,825,290
Receivables:			
Property tax:			
Current year	-	11,366	11,366
Succeeding year	-	1,780,000	1,780,000
Accounts	-	15,000	15,000
Due from other governments	604,200	-	604,200
Total assets	\$ 2,145,144	\$ 2,090,712	\$ 4,235,856
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	913,551	291,488	1,205,039
Due to other governments	-	6,413	6,413
Deferred revenue:			
Succeeding year property tax	-	1,780,000	1,780,000
Other	145,000	-	145,000
Total liabilities	1,058,551	2,077,901	3,136,452
Fund Balances			
Restricted for:			
School infrastructure	1,086,593	-	1,086,593
Physical plant and equipment	-	12,811	12,811
Total fund balances	1,086,593	12,811	1,099,404
Total liabilities and fund balances	\$ 2,145,144	\$ 2,090,712	\$ 4,235,856

Pleasant Valley Community School District

Schedule of Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Capital Project Fund - By Account

Year Ended June 30, 2011

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 2,879,239	\$ 1,507,885	\$ 4,387,124
Other	37,071	168,549	205,620
State sources	-	726	726
Federal sources	-	14,013	14,013
Total revenues	2,916,310	1,691,173	4,607,483
Expenditures:			
Current:			
Instruction	14,655	548,266	562,921
Support services:			
Instructional staff services	-	38,578	38,578
Administration services	-	90,131	90,131
Operation and maintenance of plant services	-	42,059	42,059
Transportation services	-	450,000	450,000
Other expenditures, facilities acquisition	2,236,357	1,470,923	3,707,280
Total expenditures	2,251,012	2,639,957	4,890,969
Excess (deficiency) of revenues over (under) expenditures	665,298	(948,784)	(283,486)
Other financing sources (uses):			
Transfers in	37,385	730,000	767,385
Transfers out	(730,000)	-	(730,000)
Total other financing sources (uses)	(692,615)	730,000	37,385
Net change in fund balance	(27,317)	(218,784)	(246,101)
Fund balance, beginning of year, as restated	1,113,910	231,595	1,345,505
Fund balance, end of year	\$ 1,086,593	\$ 12,811	\$ 1,099,404

Pleasant Valley Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary and Junior High Activities:				
P.V.J.H. Athletics	\$ 6,284	\$ 16,057	\$ 19,447	\$ 2,894
P.V.J.H. Band	151	824	905	70
P.V.J.H. Vocal Music	1,502	627	1,544	585
P.V.J.H. Boundry Waters	-	-	-	-
P.V.J.H. Drama	5,429	2,805	1,794	6,440
P.V.J.H. Chorus	1,799	2,095	1,365	2,529
P.V.J.H. General Activities	13,092	8,421	9,713	11,800
P.V.J.H. PTA	1,403	700	700	1,403
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	1,380	3,766	4,034	1,112
P.V.J.H. Weightlifting Club	1	2,760	2,110	651
P.V.J.H. Yearbook	4,687	10,220	13,226	1,681
Bridgeview Bookstore	578	507	628	457
Bridgeview General Activities	8,721	7,035	5,349	10,407
Bridgeview Student Activity	405	-	127	278
Bridgeview Vocal Music	300	200	301	199
Cody Band	27	-	-	27
Cody Book Club	1,680	485	1,334	831
Cody Bookstore	295	-	-	295
Cody Candy Sales	596	1,068	1,072	592
Cody General Activities	17,860	2,890	2,598	18,152
Cody PTA	197	2,643	2,840	-
Cody Student Fund	429	-	-	429
Cody Vocal Music	1,169	200	837	532
Cody Yearbook	3,301	1,810	1,559	3,552
Cody Student Council	65	-	-	65
Pleasant View General Activities	15,791	5,157	6,707	14,241
Pleasant View PTA	200	17,487	5,585	12,102
Pleasant View Vocal Music	562	-	-	562
Pleasant View Book Club	811	2,665	3,282	194
Riverdale Book Club	3,737	608	-	4,345
Riverdale Bookstore	399	100	-	499
Riverdale Jump for Heart	42	-	-	42
Riverdale General Activities	18,368	3,760	8,082	14,046
Riverdale PTA	1,634	10,897	9,387	3,144
Riverdale Student Council	2,505	489	1,342	1,652

(Continued)

Pleasant Valley Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts (Continued)
 Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary and Junior High Activities:				
Riverdale Science	\$ 859	\$ -	\$ -	\$ 859
Riverdale Band	500	-	-	500
Riverdale Vocal Music	329	200	-	529
District-Wide Garage Sale	1,433	-	-	1,433
District-Wide Wellness	219	-	-	219
Interest	37726	1452	-	39,178
6th Grade Choir	722	626	992	356
High School Activities:				
General Administrative	1,675	7,054	6,616	2,113
Clubs and Organizations	20,321	37,585	36,682	21,224
Drama	21,999	19,149	21,006	20,142
Trainer Fund	-	6,998	6,998	-
High School Athletics	136,357	209,763	174,950	171,170
Sparkles	4,181	2,031	2,040	4,172
Music Clubs	39,185	41,212	45,294	35,103
Habitat	1,529	-	1,529	-
Knowledge Bowl	-	893	893	-
Mock Trial	-	1,995	1,995	-
Casey's Award	10,000	-	9,059	941
Hoby	-	150	150	-
FCCLA	-	3,052	3,052	-
Croquet	151	-	-	151
Coffee Bar	-	1,441	1,441	-
Publications	-	53,399	53,399	-
Academic Resale	1,603	1,808	1,134	2,277
Athletic Support Groups	76,791	350,270	341,078	85,983
Interest	5,502	11,000	-	16,502
Intrafund Transfers	-	(149,673)	(149,673)	-
Total	\$ 477,343	\$ 706,681	\$ 664,503	\$ 519,521

Pleasant Valley Community School District

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Fund

Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 14,567	\$ 52,667	\$ 45,481	\$ 21,753
Accounts receivable	1,196	1,500	2,696	-
Total assets	\$ 15,763	\$ 54,167	\$ 48,177	\$ 21,753
Liabilities				
Accounts payable	\$ 1,026	\$ 19,787	\$ 20,213	\$ 600
Other payables	14,737	41,283	34,867	21,153
Total liabilities	\$ 15,763	\$ 61,070	\$ 55,080	\$ 21,753

Pleasant Valley Community School District

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds - Modified Accrual Basis

Last Eight Years

	Years Ended June 30:			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 18,102,184	\$ 16,347,650	\$ 16,046,535	\$ 14,640,807
Tuition	1,987,224	1,870,960	1,860,076	2,065,220
Other	1,499,540	1,428,429	1,548,385	1,323,572
Intermediate sources	-	-	-	-
State sources	16,628,060	14,308,611	16,083,230	15,093,333
Federal sources	886,727	2,563,579	939,513	494,426
Total revenues	\$ 39,103,735	\$ 36,519,229	\$ 36,477,739	\$ 33,617,358
Expenditures:				
Instruction	\$ 23,782,798	\$ 22,789,053	\$ 21,884,158	\$ 20,201,496
Support services:				
Student services	1,002,834	989,168	985,819	828,575
Instructional staff services	1,241,087	1,416,350	1,354,842	1,164,236
Administration services	3,200,486	3,085,309	3,048,787	2,892,734
Operation and maintenance of plant services	2,348,522	2,268,270	2,358,107	2,429,130
Transportation services	1,476,472	1,359,967	1,364,899	1,255,851
Central and other support services	-	-	-	-
Noninstructional programs	31,633	34,120	27,014	8,482
Other expenditures:				
Facilities acquisition	3,707,280	8,479,269	2,999,831	1,730,515
Long-term debt:				
Principal	-	-	17,037	100,008
Interest and fiscal charges	-	-	109	2,869
AEA flowthrough	1,426,627	1,378,910	1,213,051	1,105,685
Total expenditures	\$ 38,217,739	\$ 41,800,416	\$ 35,253,654	\$ 31,719,581

				Years Ended June 30:			
2007		2006		2005		2004	
\$	13,847,708	\$	13,203,261	\$	12,554,703	\$	12,514,026
	1,796,259		1,713,736		1,399,116		1,230,012
	1,600,321		1,575,514		1,886,916		1,645,656
	-		-		-		5,362
	13,645,019		12,432,419		11,960,868		10,420,014
	429,739		488,597		338,066		397,878
<u>\$</u>	<u>31,319,046</u>	<u>\$</u>	<u>29,413,527</u>	<u>\$</u>	<u>28,139,669</u>	<u>\$</u>	<u>26,212,948</u>
\$	18,647,048	\$	13,233,621	\$	12,464,043	\$	12,147,421
	863,301		1,184,164		1,404,326		688,197
	1,143,765		2,557,612		2,183,842		2,008,349
	2,694,447		2,166,720		1,991,262		1,690,047
	2,110,392		1,077,201		951,153		905,464
	1,148,507		-		-		-
	-		-		-		5,220
	5,619		4,376		34,014		31,111
	2,622,079		2,713,005		3,796,019		2,320,548
	94,271		110,645		-		-
	8,606		10,086		-		-
	1,013,545		924,268		871,361		849,410
<u>\$</u>	<u>30,351,580</u>	<u>\$</u>	<u>23,981,698</u>	<u>\$</u>	<u>23,696,020</u>	<u>\$</u>	<u>20,645,767</u>

COMPLIANCE SECTION



Pleasant Valley Community School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	\$ 22,310
National School Lunch Program	10.555	FY 11	225,956
National School Lunch Program (Noncash)	10.555	FY 11	<u>90,608</u>
			<u>338,874</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	FY 11	97,387
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	RIB1825250	<u>31,058</u>
			<u>128,445</u>
English Language Acquisition Grants	84.365	FY 11	<u>1,302</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>79,669</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>19,067</u>
ARRA State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 11	180,729
ARRA-State Fiscal Stabilization Fund-Government Services State Grants, Recovery Act	84.397	FY 11	<u>50,364</u>
			<u>231,093</u>
ARRA-Education Jobs Fund	84.410	FY 11	<u>5,029</u>
Mississippi Bend Area Education Agency:			
Special Education - Grants to States	84.027	FY 11	<u>172,093</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>18,481</u>
Total			<u><u>\$ 994,053</u></u>

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

Pleasant Valley Community School District

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

Findings	Status	Corrective Action Plan or Other Explanation
Significant Deficiencies in Internal Control:		
II-A-10	There was no fundraiser reconciliation prepared by the activity sponsor for Student Activity Fund fundraisers.	Corrected

**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
Pleasant Valley Community School District
Bettendorf, Iowa

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 26, 2012. 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

Management of Pleasant Valley Community School District is responsible for establishing and maintaining effective 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as II-A-11 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 which 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, 2011 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.

We noted certain matters that we reported to management of Pleasant Valley Community School District in a separate letter dated [Date].

Pleasant Valley Community School Districts' 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 Districts' 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 those specified parties.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
January 26, 2012

**Independent Auditor's Report on Compliance With
Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

To the Board of Education
Pleasant Valley Community School District
Bettendorf, Iowa

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Pleasant Valley Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants 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 Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 grants applicable to federal programs. In planning and performing our audit, we considered Pleasant Valley Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
January 26, 2012

Pleasant Valley Community School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results

- a) Unqualified opinions were issued on the financial statements.
- b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- c) The audit did not disclose any noncompliance which is material to the financial statements.
- d) No material weaknesses in internal control over major programs was 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:

Nutrition Program:

CFDA Number 10.553	School Breakfast Program
CFDA Number 10.555	National School Lunch Program
CFDA Number 10.555	National School Lunch Program-Commodities (Noncash)

- 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.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

II-A-11

Finding: The District has insufficient segregation of duties over the cash disbursement function.

Condition: One position has the responsibility of setting up new vendors in the system, final approval of and purchase order request of goods and services, enters invoices into the system to be paid, prints checks and after Board approval mails checks. This position also has access to post entries to the general ledger.

Context: A good internal control contemplates an adequate segregation of duties so that no one les a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: A limited number of personnel are involved in the cash disbursement function.

Recommendation: We recommend the District remove the access to the vendor master file and the remove the general ledger access so that the position is unable to void checks and post to the general ledger. In addition, we recommend that check sequence be tracked by someone independent of the cash disbursement function to ensure all checks are appropriately approved and accounted for.

Response and corrective action plan: Since being made aware of these internal control issues during your audit work in July 2011, the District has made the following changes:

- The District bookkeeper position no longer has the ability to make changes in the vendor file maintenance screens. Her access is "read-only".
- The District bookkeeper position no longer has the ability to post entries in the general ledger.
- The District bookkeeper position no longer has the ability to void checks.
- The District's chief financial officer position has begun reviewing reports obtained directly from Software Unlimited accounting software (School Accounting System) that account for all check numbers.

These changes were implemented during the month of August 2011 and early September 2011.

Conclusion: Response accepted.

(Continued)

Pleasant Valley Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

No matters were reported.

(Continued)

Pleasant Valley Community School District

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting

IV-A-11

Certified Budget – Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted at year-end.

Finding: Expenditures for the Other function exceeded the certified budget prior to amendment.

Recommendation: We recommend the District amend the budget prior to expenditures by function exceeding the budget.

Response and Corrective Action Plan: The District monitors budget and actual expenditures on a monthly basis and will amend the budget prior to expenditures by function exceeding the certified budget.

Conclusion: Response accepted.

IV-B-11

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-11

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-11

Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-11

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-11

Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-11

Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-11

Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Pleasant Valley Community School District

Schedule of Findings and Questioned Costs (Continued)
 Year Ended June 30, 2011

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

IV-I-11

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

IV-J-11

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-K-11

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

IV-L-11

Statewide Sales and Services Tax – No instances of noncompliance 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales and services tax revenue in the District’s CAR:

Beginning balance		\$	1,113,910
Revenue / transfers in:			
Statewide sales and services tax revenue			2,879,239
Interest			8,171
Transfers in/other			66,285
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	1,317,113	
Improvements other than buildings		1,649,244	
Equipment		14,655	2,981,012
Ending balance			<u>\$ 1,086,593</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 2.43600	\$ 2,879,239

Pleasant Valley Community School District

Corrective Action Plan
Year Ended June 30, 2011

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies in Internal Control:				
II-A-11	The District has insufficient segregation of duties over the cash disbursement function.	See response and corrective action plan at II-A-11	Fiscal Year 2012	Mike Clingingsmith
Other Findings Related to Required Statutory Reporting:				
IV-A-11	Expenditures for the Other function exceeded the certified budget prior to amendment.	See response and corrective action plan at IV-A-11	Fiscal Year 2012	Mike Clingingsmith



To the Board of Education
Pleasant Valley Community School District
Bettendorf, Iowa

In connection with our audit of the financial statements of the Pleasant Valley Community School District as of and for the year ended June 30, 2011, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

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

Following is a description of identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

1. The Payroll Secretary position has access to edit pay rates and codes. A key compensating control over this access is the budget to actual analysis performed for the budget account of the Payroll Secretary's contract. In order to improve the internal controls, we recommend the District remove the edit capability from the Payroll Secretary position.
2. The Accountant position at the District has access to cash from the High School and the ability to post transactions to the general ledger. In order to further strengthen the control for activity receipts at the High School, we recommend that a Cash Receipt Report by Receipt from the Software Unlimited System be attached to the pink receipt filled out by the Accountant when it is sent to the respective Coach or Activity Sponsor and the High School Secretary so they can verify the transaction was posted properly to the general ledger. We recommend that an individual segregated from general ledger posting capability restrictively endorse the checks, complete a deposit slip and the courier deposit the money to the financial institution. The detail information should then be routed to the Accountant for posting into the general ledger.

3. The Secretary at the High School has access to cash and the ability to post to the general ledger. Therefore, to improve controls, we recommend the following:
 - The Tally Sheets for concessions and tickets should be completed in ink.
 - The cash boxes are currently counted and reconciled by the person responsible at the event. The cash boxes should be locked after they are reconciled.
 - The Secretary recounts the cash, prepares a deposit slip and deposits the money. The validated deposit slip is reconciled to the Tally Sheet. Any changes should be reflected in the difference column.
 - The Tally Sheet and deposit slip should be sent to the Accountant to post to the general ledger.
 - The Secretary access to post entries on the general ledger should be removed.
4. The Accountant has billing and posting authorizations. In order to strengthen internal controls, this position should not handle cash received directly at the Administrative Center. An independent person should receive all the checks, endorse them for deposit only, prepare the deposit slip and copy the checks and deposit slip for the Accountant to enter into the general ledger.
5. During disbursement control testing, we noted invoices submitted by the maintenance department do not include a purchase order or a formal approval process. We recommend that all departments follow the District's purchasing policy.
6. Routine billings such as utility bills at times are paid when they are submitted to the District and are submitted for approval after payment through the next Board report. We recommend that these type of vendor statements are reconciled and reviewed by appropriate supervisory personnel independent from the disbursement process on a regular basis to ensure no unauthorized disbursements are made.
7. The District's main credit cards are maintained at the Administrative Office. The credit cards are logged out and before payment is made, detailed receipts are required to support the expenditure. The same position that has access to the cards, also receives the credit card statement, reconciles the statement to detailed receipts and issues the check for the statement. We recommend that the reconciliation of the statements and related detailed receipts be reviewed by appropriate supervisory personnel independent from the credit card process monthly to ensure no unauthorized disbursements are made.

This communication is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
January 17, 2012