

**PLEASANTVILLE COMMUNITY SCHOOL DISTRICT
PLEASANTVILLE, IOWA**

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

June 30, 2011

**Peak & Co., LLP
Certified Public Accountants
1370 NW 114th St., Suite 205
Clive, IA 50325**

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Pleasantville Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<u>Board of Education</u>		
Jennifer Dursky	President	2011
Jenny Hilsabeck	Vice-President	2013
Troy Padellford	Board Member	2011
Kenny Sutter	Board Member	2013
Phil Ray	Board Member	2011
<u>School Officials</u>		
David Isgrig	Superintendent	2011
Robert Friday	District Secretary/ Treasurer/Business Manager	Indefinite
Myers, Myers & Danks	Attorney	Indefinite
Dickinson, Mackaman, Tyler & Hagen, P.C.	Attorney	Indefinite

Pleasantville Community School District

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
CLIVE, IA 50325

(515) 277-3077

Independent Auditor's Report

To the Board of Education of
Pleasantville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pleasantville Community School District, Pleasantville, Iowa, 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. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Pleasantville Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U. S. generally accepted accounting principals.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2012, on our consideration of Pleasantville 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 Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pleasantville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report of this report, the financial statements for the year ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report of this report, the financial statements for the five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Co., LLP
Certified Public Accountants

January 31, 2012

Basic Financial Statements

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,812,172	30,268	2,842,440
Receivables:			
Property tax:			
Delinquent	40,446	-	40,446
Succeeding year	1,979,087	-	1,979,087
Accounts	5,296	13,180	18,476
Due from other governments	573,202	-	573,202
Inventories	-	5,409	5,409
Capital assets, net of accumulated depreciation	4,756,013	31,669	4,787,682
Total assets	10,166,216	80,526	10,246,742
Liabilities			
Accounts payable	217,674	-	217,674
Salaries and benefits payable	634,063	-	634,063
Due to other governments	46,495	-	46,495
Accrued interest payable	16,293	-	16,293
Deferred revenue:			
Succeeding year property tax	1,979,087	-	1,979,087
Other	1,565	-	1,565
Unearned revenue	-	10,558	10,558
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	170,000	-	170,000
Capital lease	134,842	-	134,842
Special assessment	6,301	-	6,301
Early retirement	10,262	-	10,262
Portion due after one year:			
Revenue bonds	545,000	-	545,000
Capital lease	348,476	-	348,476
Special assessment	25,204	-	25,204
Net OPEB liability	13,873	1,190	15,063
Total liabilities	4,149,135	11,748	4,160,883
Net assets			
Invested in capital assets, net of related debt	3,557,695	31,669	3,589,364
Restricted for:			
Categorical funding	777	-	777
Management levy purposes	331,184	-	331,184
Physical plant and equipment	118,456	-	118,456
Student activities	59,492	-	59,492
Debt service	367,191	-	367,191
School infrastructure	10,616	-	10,616
Unrestricted	1,571,670	37,109	1,608,779
Total net assets	\$ 6,017,081	68,778	6,085,859

See notes to financial statements.

Pleasantville Community School District

Exhibit B

Statement of Activities

Year ended June 30, 2011

Functions / Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,388,438	257,153	603,682	-	(2,527,603)	-	(2,527,603)
Special instruction	968,647	121,809	216,757	-	(630,081)	-	(630,081)
Other instruction	1,106,692	255,324	8,061	-	(843,307)	-	(843,307)
	<u>5,463,777</u>	<u>634,286</u>	<u>828,500</u>	<u>-</u>	<u>(4,000,991)</u>	<u>-</u>	<u>(4,000,991)</u>
Support services:							
Student	104,149	-	-	-	(104,149)	-	(104,149)
Instructional staff	167,433	-	-	-	(167,433)	-	(167,433)
Administration	731,851	-	-	-	(731,851)	-	(731,851)
Operation and maintenance of plant	520,587	1,117	-	18,870	(500,600)	-	(500,600)
Transportation	295,898	-	-	-	(295,898)	-	(295,898)
	<u>1,819,918</u>	<u>1,117</u>	<u>-</u>	<u>18,870</u>	<u>(1,799,931)</u>	<u>-</u>	<u>(1,799,931)</u>
Non-instructional programs	<u>18,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,651)</u>	<u>-</u>	<u>(18,651)</u>
Other expenditures:							
Facilities acquisition	106,109	-	-	-	(106,109)	-	(106,109)
Long-term debt interest	36,179	-	259	-	(35,920)	-	(35,920)
AEA flowthrough	253,163	-	253,163	-	-	-	-
Depreciation (unallocated)*	125,399	-	-	-	(125,399)	-	(125,399)
	<u>520,850</u>	<u>-</u>	<u>253,422</u>	<u>-</u>	<u>(267,428)</u>	<u>-</u>	<u>(267,428)</u>
Total governmental activities	<u>7,823,196</u>	<u>635,403</u>	<u>1,081,922</u>	<u>18,870</u>	<u>(6,087,001)</u>	<u>-</u>	<u>(6,087,001)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	269,685	165,235	137,767	-	-	33,317	33,317
Total	<u>\$ 8,092,881</u>	<u>800,638</u>	<u>1,219,689</u>	<u>18,870</u>	<u>(6,087,001)</u>	<u>33,317</u>	<u>(6,053,684)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,023,259	-	2,023,259
Capital outlay					216,678	-	216,678
Statewide sales, services and use tax					433,518	-	433,518
Income surtax					205,476	-	205,476
Unrestricted state grants					2,894,829	-	2,894,829
Unrestricted investment earnings					7,546	-	7,546
Other					123,627	-	123,627
Total general revenues					<u>5,904,933</u>	<u>-</u>	<u>5,904,933</u>
Change in net assets					(182,068)	33,317	(148,751)
Net assets beginning of year, as restated					6,199,149	35,461	6,234,610
Net assets end of year					<u>\$ 6,017,081</u>	<u>68,778</u>	<u>6,085,859</u>

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

See notes to financial statements.

Pleasantville Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2011

	General	Special Revenue Management Levy	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,889,294	347,710	284,532	286,184	2,807,720
Receivables:					
Property tax:					
Delinquent	31,933	4,522	3,991	-	40,446
Succeeding year	1,552,148	200,001	226,938	-	1,979,087
Accounts	3,881	-	-	1,415	5,296
Due from other funds	26,794	-	22,257	1,397	50,448
Due from other governments	463,332	-	109,870	-	573,202
Total assets	\$ 3,967,382	552,233	647,588	288,996	5,456,199
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 69,529	-	142,078	6,067	217,674
Salaries and benefits payable	634,063	-	-	-	634,063
Due to other governments	46,495	-	-	-	46,495
Due to other funds	23,654	21,048	-	5,746	50,448
Deferred revenue:					
Succeeding year property tax	1,552,148	200,001	226,938	-	1,979,087
Other	238,633	-	-	-	238,633
Total liabilities	2,564,522	221,049	369,016	11,813	3,166,400
Fund balances:					
Restricted for:					
Categorical funding	777	-	-	-	777
Debt service	-	-	149,500	217,691	367,191
Management levy purposes	-	331,184	-	-	331,184
Student activities	-	-	-	59,492	59,492
School infrastructure	-	-	10,616	-	10,616
Physical plant and equipment	-	-	118,456	-	118,456
Unassigned	1,402,083	-	-	-	1,402,083
Total fund balances	1,402,860	331,184	278,572	277,183	2,289,799
Total liabilities and fund balances	\$ 3,967,382	552,233	647,588	288,996	5,456,199

See notes to financial statements.

Pleasantville Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (page 10)	\$ 2,289,799
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,756,013
The Internal Service Fund is used by management to charge the costs of the District's employee flexible spending plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Activities.	4,452
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	237,068
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(16,293)
Long-term liabilities, including revenue bonds payable, capital lease payable, special assessment payable, early retirement payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,253,958)</u>
Net assets of governmental activities (page 8)	<u>\$ 6,017,081</u>

See notes to financial statements.

Pleasantville Community School District

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Special Management Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,009,003	250,420	650,196	-	2,909,619
Tuition	311,810	-	-	-	311,810
Other	181,648	-	-	255,713	437,361
State sources	3,667,898	-	-	-	3,667,898
Federal sources	328,324	-	-	-	328,324
Total revenues	6,498,683	250,420	650,196	255,713	7,655,012
Expenditures:					
Current:					
Instruction:					
Regular	2,818,172	54,244	559,584	-	3,432,000
Special	962,787	5,163	-	-	967,950
Other	828,323	4,555	-	260,749	1,093,627
	4,609,282	63,962	559,584	260,749	5,493,577
Support services:					
Student	103,553	565	-	-	104,118
Instructional staff	122,056	433	74,862	-	197,351
Administration	654,405	67,004	-	-	721,409
Operation and maintenance of plant	510,135	22,188	-	-	532,323
Transportation	248,620	10,308	3,502	-	262,430
	1,638,769	100,498	78,364	-	1,817,631
Non-instructional programs	17,976	675	-	-	18,651
Other expenditures:					
Facilities acquisition	-	-	388,730	-	388,730
Long-term debt:					
Principal	-	-	-	347,995	347,995
Interest and fiscal charges	-	-	-	36,970	36,970
AEA flowthrough	253,163	-	-	-	253,163
	253,163	-	388,730	384,965	1,026,858
Total expenditures	6,519,190	165,135	1,026,678	645,714	8,356,717
Excess (deficiency) of revenues over (under) expenditures	(20,507)	85,285	(376,482)	(390,001)	(701,705)
Other financing sources (uses):					
Sale of capital assets	670	-	-	-	670
Proceeds from capital lease	-	-	555,012	-	555,012
Operating transfers in	-	-	-	387,228	387,228
Operating transfers out	(1,397)	-	(385,831)	-	(387,228)
Total other financing sources (uses)	(727)	-	169,181	387,228	555,682
Net change in fund balances	(21,234)	85,285	(207,301)	(2,773)	(146,023)
Fund balances beginning of year, as restated	1,424,094	245,899	485,873	279,956	2,435,822
Fund balances end of year	\$ 1,402,860	331,184	278,572	277,183	2,289,799

See notes to financial statements.

Pleasantville Community School District

Exhibit F

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 (page 12) **\$ (146,023)**

*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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 342,483	
Capital assets contributed by the Booster Club	18,870	
Depreciation expense	<u>(196,735)</u>	164,618

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. (33,424)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(555,012)	
Repaid	<u>347,995</u>	(207,017)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 791

The Internal Service Fund is used by management to charge the costs of the District's employee flexible spending plan to individual funds. The change in net assets of the Internal Service Fund is reported in governmental activities. 4,452

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

Early retirement	37,355	
Other postemployment benefits	<u>(2,820)</u>	<u>34,535</u>

Change in net assets of governmental activities (page 9) **\$ (182,068)**

See notes to financial statements.

Statement of Net Assets
Proprietary Funds

June 30, 2011

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Nonmajor Enterprise Fund - School Nutrition	Internal Service - Employee Flexible Spending
Assets		
Cash and cash equivalents	\$ 30,268	4,452
Accounts receivable	13,180	-
Inventories	5,409	-
Capital assets, net of accumulated depreciation	31,669	-
Total assets	<u>80,526</u>	<u>4,452</u>
Liabilities		
Unearned revenue	10,558	-
Net OPEB liability	1,190	-
Total liabilities	<u>11,748</u>	<u>-</u>
Net Assets		
Invested in capital assets	31,669	-
Unrestricted	37,109	4,452
Total net assets	<u>\$ 68,778</u>	<u>4,452</u>

See notes to financial statements.

Pleasantville Community School District

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Nonmajor Enterprise Fund - School Nutrition	Internal Service - Employee Flexible Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 165,235	-
Employer contributions	-	18,913
Total operating revenue	<u>165,235</u>	<u>18,913</u>
Operating expenses:		
Non-instructional programs:		
Salaries	77,504	-
Benefits	13,208	-
Supplies	176,404	-
Other	-	14,461
Depreciation	2,569	-
Total operating expenses	<u>269,685</u>	<u>14,461</u>
Operating income (loss)	<u>(104,450)</u>	<u>4,452</u>
Non-operating revenues:		
State sources	2,683	-
Federal sources	135,084	-
Total non-operating revenues	<u>137,767</u>	<u>-</u>
Net income	33,317	4,452
Net assets beginning of year	<u>35,461</u>	<u>-</u>
Net assets end of year	<u>\$ 68,778</u>	<u>4,452</u>

See notes to financial statements.

Pleasantville Community School District

Exhibit I

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Nonmajor Enterprise Fund - School Nutrition	Internal Service - Employee Flexible Spending
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 172,142	-
Cash received from miscellaneous operating activities	-	18,913
Cash paid to employees for services	(90,469)	-
Cash paid to suppliers for goods and services	(157,880)	(14,461)
Net cash provided (used) by operating activities	<u>(76,207)</u>	<u>4,452</u>
Cash flows from non-capital financing activities:		
State grants received	2,683	-
Federal grants received	101,617	-
Net cash provided by non-capital financing activities	<u>104,300</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(31,387)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(3,294)	4,452
Cash and cash equivalents beginning of year	<u>33,562</u>	<u>-</u>
Cash and cash equivalents end of year	<u>\$ 30,268</u>	<u>4,452</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (104,450)	4,452
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	20,809	-
Depreciation	2,569	-
(Increase) in inventories	(2,285)	-
Increase in unearned revenue	6,907	-
Increase in other postemployment benefits	243	-
Net cash provided (used) by operating activities	<u>\$ (76,207)</u>	<u>4,452</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$20,809 of federal commodities.

See notes to financial statements.

Pleasantville Community School District

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 327,002
Total assets	<u>327,002</u>
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u>\$ 327,002</u>

See notes to financial statements.

Pleasantville Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Exhibit K

Year ended June 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 32,200
Interest income	8,868
Total additions	41,068
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	36,700
Change in net assets	4,368
Net assets beginning of year	322,634
Net assets end of year	\$ 327,002

See notes to financial statements.

Pleasantville Community School District

Notes to Financial Statements

June 30, 2011

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

Pleasantville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Pleasantville, Iowa, and the predominate agricultural territory of Marion and Warren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Pleasantville 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. The 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 do 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 Marion County Assessor's Conference Board.

B. Basis of Presentation

Government-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 the following categories:

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the 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 given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue, Management Levy Fund is used to account for revenues from property tax to be used for the payment of insurance, unemployment and early retiree benefits.

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

The District reports the following non-major proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the employee flexible spending monies. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, 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 the 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.

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

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

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

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% 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 government 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 and intangibles are reported in applicable governmental or business type activities columns in the government-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 repair 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds and income surtax, as well as property tax receivable, and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues are monies collected for meals that have not yet been served. The meal account balances will either be reimbursed, or will be used when meals are served. The meal account balances are reflected in the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. The District's policy is not to reimburse employees for sick leave or vacation. Vacation leave can only be used by the employee in the year it is earned. As a result, the District has no compensated absences liability at June 30, 2011.

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2011, and at other times during the fiscal year, were not 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.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Diversified Portfolio which are valued at an amortized cost of \$356,298, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

At June 30, 2011, the District had investments in U.S government bonds, with a fair value of \$203,918. The investments in the U.S. government bonds are valued at fair value.

Credit risk. The investment in the U.S. government bonds is not subject to risk categorization. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) **DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 5,746
	Special Revenue:	
	Management Levy	<u>21,048</u>
		<u>26,794</u>
Debt Service	General	<u>1,397</u>
Capital Projects	General	<u>22,257</u>
	Total	<u>\$ 50,448</u>

The above due from/to amounts represents corrections of incorrect recording of transactions.

(4) INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects:	
	Physical Plant and Equipment Levy	\$ 180,467
	Statewide Sales, Services and Use Tax	<u>205,364</u>
		<u>385,831</u>
Debt Service	General	<u>1,397</u>
	Total	<u>\$ 387,228</u>

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

(5) IOWA SCHOOLS CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The District did not borrow any funds from ISCAP during the fiscal year.

During the year ended June 30, 2011, the District paid \$0 of interest on the ISCAP warrants.

(6) CAPITAL ASSETS

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 64,500	-	-	64,500
Construction in progress	-	177,511	-	177,511
Total capital assets not being depreciated	64,500	177,511	-	242,011
Capital assets being depreciated:				
Buildings	6,343,070	79,853	-	6,422,923
Improvements other than buildings	278,901	13,875	-	292,776
Furniture and equipment	1,683,678	90,114	48,885	1,724,907
Total capital assets being depreciated	8,305,649	183,842	48,885	8,440,606
Less accumulated depreciation for:				
Buildings	2,103,812	123,434	-	2,227,246
Improvements other than buildings	266,819	1,965	-	268,784
Furniture and equipment	1,408,123	71,336	48,885	1,430,574
Total accumulated depreciation	3,778,754	196,735	48,885	3,926,604
Total capital assets being depreciated, net	4,526,895	(12,893)	-	4,514,002
Governmental activities capital assets, net	\$ 4,591,395	164,618	-	4,756,013
Business type activities:				
Furniture and equipment	\$ 26,064	31,387	-	57,451
Less accumulated depreciation	23,213	2,569	-	25,782
Business type activities capital assets, net	\$ 2,851	28,818	-	31,669

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Other

\$ 12,882

Support services:

Administration

12,464

Operation and maintenance of plant

12,658

Transportation

33,332

71,336

Unallocated

125,399

Total depreciation expense - governmental activities

\$ 196,735

Business type activities:

Food service operations

\$ 2,569

(7) **LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Capital loan notes	\$ 105,000	-	105,000	-	-
Revenue bonds	880,000	-	165,000	715,000	170,000
Capital lease	-	555,012	71,694	483,318	134,842
Special assessment as restated (See note 14)	37,806	-	6,301	31,505	6,301
Early retirement	47,617	50,705	88,060	10,262	10,262
Net OPEB liability	11,053	2,820	-	13,873	-
Total	<u>\$ 1,081,476</u>	<u>608,537</u>	<u>436,055</u>	<u>1,253,958</u>	<u>321,405</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 947	243	-	1,190	-

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of September 1, 2005		
		Principal	Interest	Total
2012	3.75%	\$ 170,000	24,190	194,190
2013	3.75%	175,000	17,721	192,721
2014	3.80%	180,000	11,020	191,020
2015	4.00%	190,000	3,800	193,800
Total		<u>\$ 715,000</u>	<u>56,731</u>	<u>771,731</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$435,000 bonds issued in September 2005. The bonds were issued for the purpose of financing a portion of the costs of major school improvements. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through fiscal year 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 46 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$771,731. For the current year, principal and interest paid on the bonds and total statewide sales, services and use tax revenues were \$195,471 and \$433,518, respectively.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- b) \$149,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited in the project account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Lease

During the year ended June 30, 2011, the District entered into a capital lease agreement for the purchase of computer equipment for the District's one-to-one laptop initiative. The lease will be paid from physical plant and equipment levy revenues. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2011.

Year Ended June 30,	Amount
2012	\$ 143,388
2013	143,388
2014	143,388
2015	71,693
Minimum Lease Payments	501,857
Less Amount Representing Interest	<u>(18,539)</u>
Present Value of Minimum Lease Payments	<u>\$ 483,318</u>

Special Assessment

During the year ended June 30, 2006, the District was assessed for road improvement costs by the City of Pleasantville. The assessment will be paid for from statewide sales, services and use tax revenues. The assessment is actually paid to the Marion County Treasurer, who in turn remits the proceeds to the City of Pleasantville. The following is a schedule of future minimum special assessment payments, together with the net present value of the minimum special assessment payments as of June 30, 2011.

Year Ended June 30,	Amount
2012	\$ 7,954
2013	7,629
2014	7,306
2015	6,979
2016	6,656
Minimum Special Assessment Payments	36,524
Less Amount Representing Interest and Fees	<u>(5,019)</u>
Present Value of Minimum Special Assessment Payments	<u>\$ 31,505</u>

Early Retirement

The District approved a voluntary early retirement plan for all employees. Eligible employees must be at least fifty-five and employees must have completed fifteen years of full-time service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirements benefit for each eligible employee is equal to 43% of the employee's current salary, less any other additional pay or supplemental pay. The retired employee may also continue participation in the District's health insurance group at the employee's own expense.

At June 30, 2011, the District had obligations to five participants with a total liability of \$10,262. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$88,060. Early retirement is recorded as a long-term liability of the Governmental Activities in the Statement of Net Assets.

(8) OPERATING LEASES

The District has entered into operating leases for copy machines at \$1,774 per month. Future minimum lease payments in relation to these leases are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2012	\$ 21,291
2013	21,291
2014	21,291
2015	<u>8,871</u>
Total	<u>\$ 72,744</u>

During the fiscal year, payments made under these lease agreements were \$25,954.

(9) PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$289,763, \$253,595 and \$239,140, respectively, equal to the required contributions for each year.

(10) 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 102 active and 12 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate 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 which, 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	\$ 55,000
Interest on net OPEB obligation	540
Adjustment to annual required contribution	<u>(477)</u>
Annual OPEB cost	55,063
Contributions made	<u>(52,000)</u>
Increase in net OPEB obligation	3,063
Net OPEB obligation beginning of year	<u>12,000</u>
Net OPEB obligation end of year	<u>\$ 15,063</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$52,000 to the medical plan. Plan members eligible for benefits contributed \$28,614, or 35% of the premium costs.

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 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 55,000	78.2%	\$ 12,000
June 30, 2011	55,063	94.4%	15,063

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$528,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$528,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.189 million and the ratio of the UAAL to covered payroll was 12.6%. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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

Projected claim costs of the medical plan are \$568 per month. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) RISK MANAGEMENT

Pleasantville 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.

(12) 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 \$253,163 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(13) BUDGET OVEREXPENDITURE

Per the Code of Iowa, expenditures may not legally exceed the certified budget amounts. During the year ended June 30, 2011 expenditures in the other expenditures functional area exceeded the amounts budgeted.

(14) COMMITMENTS/SUBSEQUENT EVENTS

The District owes \$20,000 to the City of Pleasantville for reimbursement for park improvements. The park is used by the District for school related activities.

The District issued \$4,100,000 in revenue notes in fiscal year 2012. This money is to be used to refinance existing debt and to provide funds for heating and cooling projects.

The District entered into contracts for approximately \$460,000 for a heating and cooling project at the Elementary building. This project will be paid for as work on the project progresses. It is anticipated that this project will be completed in fiscal year 2012.

In fiscal year 2012, the District will receive \$10,000 from the City of Pleasantville for the fiscal year 2011 contribution to the District fitness center.

The District has evaluated subsequent events through January 31, 2012, which is the date the financial statements were available to be issued.

(15) ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 297,199	188,674
Change in fund type classification per implementation of GASB Statement No. 54	<u>188,674</u>	<u>(188,674)</u>
Balances July 1, 2010, as restated	<u>\$ 485,873</u>	<u>-</u>

The beginning net asset balance in the Statement of Activities was changed to reflect the special assessment payable, not previously recorded in the financial statements. The effect of this reclassification is as follows:

	<u>Statement of Activities Governmental Activities</u>
Balance June 30, 2010, as previously reported	\$ 6,236,955
Addition of Special Assessment Payable at June 30, 2010	<u>(37,806)</u>
Balance July 1, 2010, as restated	<u>\$ 6,199,149</u>

Required Supplementary Information

Pleasantville Community School District

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts	Budget to Net Variance
Revenues:							
Local sources	\$ 3,658,790	184,148	3,842,938	(18,913)	3,824,025	4,010,599	(186,574)
State sources	3,667,898	2,683	3,670,581	-	3,670,581	4,102,118	(431,537)
Federal sources	328,324	135,084	463,408	-	463,408	336,000	127,408
Total revenues	7,655,012	321,915	7,976,927	(18,913)	7,958,014	8,448,717	(490,703)
Expenditures/Expenses:							
Instruction	5,493,577	-	5,493,577	-	5,493,577	5,713,931	220,354
Support services	1,817,631	-	1,817,631	-	1,817,631	2,356,330	538,699
Non-instructional programs	18,651	284,146	302,797	(14,461)	288,336	419,934	131,598
Other expenditures	1,026,858	-	1,026,858	-	1,026,858	950,218	(76,640)
Total expenditures/expenses	8,356,717	284,146	8,640,863	(14,461)	8,626,402	9,440,413	814,011
Excess (deficiency) of revenues over (under) expenditures/expenses	(701,705)	37,769	(663,936)	(4,452)	(668,388)	(991,696)	323,308
Other financing sources, net	555,682	-	555,682	-	555,682	-	555,682
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(146,023)	37,769	(108,254)	(4,452)	(112,706)	(991,696)	878,990
Balances beginning of year	2,435,822	35,461	2,471,283	-	2,471,283	2,416,154	55,129
Balances end of year	\$ 2,289,799	73,230	2,363,029	(4,452)	2,358,577	1,424,458	934,119

See accompanying independent auditor's report.

Pleasantville Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard 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 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 GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend the budget during the year.

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amounts budgeted.

Pleasantville Community School District

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

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)
2010	July 1, 2009	\$ -	528	528	0.0%	\$ 3,931	13.4%
2011	July 1, 2009	-	528	528	0.0%	4,189	12.6%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	<u>Special Revenue</u>		
	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 64,144	222,040	286,184
Receivables:			
Accounts	1,415	-	1,415
Due from other funds	-	1,397	1,397
Total assets	\$ 65,559	223,437	288,996
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 6,067	-	6,067
Due to other funds	-	5,746	5,746
Total liabilities	6,067	5,746	11,813
Fund balances:			
Restricted for:			
Debt service	-	217,691	217,691
Student activities	59,492	-	59,492
Total fund balances	59,492	217,691	277,183
Total liabilities and fund balances	\$ 65,559	223,437	288,996

See accompanying independent auditor's report.

Pleasantville Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2011

	<u>Special Revenue</u>		
	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:			
Local sources:			
Other	\$ 255,455	258	255,713
Total revenues	<u>255,455</u>	<u>258</u>	<u>255,713</u>
Expenditures:			
Current:			
Instruction:			
Other	260,749	-	260,749
Other expenditures:			
Long-term debt:			
Principal	-	347,995	347,995
Interest and fiscal charges	-	36,970	36,970
Total expenditures	<u>260,749</u>	<u>384,965</u>	<u>645,714</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,294)</u>	<u>(384,707)</u>	<u>(390,001)</u>
Other financing sources (uses):			
Operating transfers in	-	387,228	387,228
Total other financing sources (uses)	<u>-</u>	<u>387,228</u>	<u>387,228</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(5,294)</u>	<u>2,521</u>	<u>(2,773)</u>
Fund balances beginning of year, as restated	<u>64,786</u>	<u>215,170</u>	<u>279,956</u>
Fund balances end of year	<u>\$ 59,492</u>	<u>217,691</u>	<u>277,183</u>

See accompanying independent auditor's report.

Pleasantville Community School District

Schedule 3

Combining Balance Sheet
Capital Projects Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 170,067	114,465	284,532
Receivables:			
Property tax:			
Delinquent	-	3,991	3,991
Succeeding year	-	226,938	226,938
Due from other funds	22,257	-	22,257
Due from other governments	109,870	-	109,870
Total assets	\$ 302,194	345,394	647,588
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 142,078	-	142,078
Deferred revenue:			
Succeeding year property tax	-	226,938	226,938
Total liabilities	142,078	226,938	369,016
Fund balances:			
Restricted for:			
Debt service	149,500	-	149,500
School infrastructure	10,616	-	10,616
Physical plant and equipment	-	118,456	118,456
Total fund balances	160,116	118,456	278,572
Total liabilities and fund balances	\$ 302,194	345,394	647,588

See accompanying independent auditor's report.

Pleasantville Community School District

Schedule 4

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Capital Projects Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 433,518	216,678	650,196
Total revenues	<u>433,518</u>	<u>216,678</u>	<u>650,196</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	559,584	559,584
Support services:			
Instructional staff	74,862	-	74,862
Transportation	3,502	-	3,502
Other expenditures:			
Facilities acquisition	286,873	101,857	388,730
Total expenditures	<u>365,237</u>	<u>661,441</u>	<u>1,026,678</u>
Excess (deficiency) of revenues over (under) expenditures	<u>68,281</u>	<u>(444,763)</u>	<u>(376,482)</u>
Other financing sources (uses):			
Proceeds from capital lease	-	555,012	555,012
Operating transfers out	(205,364)	(180,467)	(385,831)
Total other financing sources (uses)	<u>(205,364)</u>	<u>374,545</u>	<u>169,181</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(137,083)</u>	<u>(70,218)</u>	<u>(207,301)</u>
Fund balances beginning of year, as restated	<u>297,199</u>	<u>188,674</u>	<u>485,873</u>
Fund balances end of year	<u>\$ 160,116</u>	<u>118,456</u>	<u>278,572</u>

See accompanying independent auditor's report.

Pleasantville Community School District

Schedule 5

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance			Intrafund Transfers	Balance End of Year
	Beginning of Year	Revenues	Expenditures		
Elementary Book Fair	\$ 3,886	6,911	6,922	-	3,875
Elementary Fundraiser	34,821	26,979	25,776	-	36,024
Miscellaneous	6,251	1,092	1,092	-	6,251
Library Club	(549)	1,735	1,735	-	(549)
Industrial Arts Club	(7,679)	697	1,813	-	(8,795)
Vocal	2,508	21,600	22,461	-	1,647
Elementary Band	(3,044)	914	811	-	(2,941)
Athletic Resale	(3,730)	6	6	(118)	(3,848)
Vocational Agriculture Club	(11,970)	3,402	4,687	-	(13,255)
HS Band	(489)	5,444	6,189	-	(1,234)
Drill Team	(3,663)	868	2,258	-	(5,053)
Athletics - Summer Program	(327)	-	-	327	-
Boys Basketball	9,453	10,048	7,865	-	11,636
Football	29,335	12,938	13,396	-	28,877
Baseball	(13,012)	8,960	10,634	-	(14,686)
Boys Track	(8,675)	577	1,085	-	(9,183)
Weightlifting	(45)	-	-	45	-
General HS Athletic Supplies	9,738	12,093	9,587	275	12,519
Boys Golf	(6,783)	77	795	-	(7,501)
Wrestling	5,135	9,082	8,358	-	5,859
Girls Basketball	6,464	8,322	7,756	-	7,030
Volleyball	(580)	3,721	4,119	-	(978)
Girls Softball	(11,453)	7,819	11,063	342	(14,355)
Girls Track	(5,279)	569	350	-	(5,060)
Girls Golf	(5,968)	433	2,458	-	(7,993)
Activity Concessions	(1,416)	18,440	16,826	-	198
Elementary Pop	1,306	1,915	1,864	-	1,357
High School Lounge	(2,441)	646	1,180	-	(2,975)
Yearbook	(22,001)	11,533	6,367	-	(16,835)
Clubs:					
Elementary Student Council	314	-	-	-	314
JH Student Council	2,525	-	433	-	2,092
Student Council	745	4,093	3,427	730	2,141
Future Farmers of America	7,135	32,754	28,502	-	11,387
National Honor Society	848	529	167	500	1,710
Future Business Leaders	221	-	-	-	221
Cheerleaders	1,444	2,548	4,384	-	(392)
Spanish	2,556	-	-	-	2,556
Science	258	8	152	-	114
Rifle Club	(1,043)	-	-	-	(1,043)

Pleasantville Community School District

Schedule 5

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Student Activities:					
Postage	\$ 91	-	-	-	91
Class of:					
2000	398	-	-	(398)	-
2001	181	-	-	(181)	-
2003	8	-	-	(8)	-
2004	432	-	-	(432)	-
2005	421	-	-	(421)	-
2006	900	-	-	(900)	-
2007	(140)	-	-	140	-
2008	753	-	-	(753)	-
2009	927	-	500	(427)	-
2010	2,860	-	1,682	(2,028)	(850)
2011	947	2,741	2,483	-	1,205
2012	304	4,614	3,840	-	1,078
2013	-	100	-	-	100
Prom	494	-	-	2,006	2,500
D.C. Trip	8,655	6,546	8,597	-	6,604
TAG	1,028	49	135	-	942
Band/Vocal/Art Confederation	3	-	-	-	3
Home Ec	2,371	5,425	5,956	-	1,840
Art/Photo	4,654	2,860	5,320	-	2,194
Savings	10,991	125	-	(1,000)	10,116
Community Service	(1,693)	-	-	1,350	(343)
Plays	1,927	2,963	4,206	-	684
Social Studies	(210)	-	-	553	343
Community Resources	4,239	32	386	398	4,283
Student Council Resale - Trojan Track	3,222	10,239	11,247	-	2,214
Trojan Tribute	693	25	170	-	548
High School Fundraising	-	120	-	-	120
Middle School Fundraising	5,534	2,863	1,709	-	6,688
Total	\$ 64,786	255,455	260,749	-	59,492

See accompanying independent auditor's report.

Pleasantville Community School District

Schedule 6

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Seven Years

	Modified Accrual Basis						
	2011	2010	2009	2008	2007	2006	2005
Revenues:							
Local sources:							
Local tax	\$ 2,259,423	2,921,456	2,886,060	2,664,447	2,621,839	2,364,972	2,261,154
Tuition	962,006	197,656	224,811	217,259	254,641	241,652	202,346
Other	437,361	393,590	420,352	479,156	496,232	477,451	461,408
State sources	3,667,898	3,347,341	3,865,412	3,631,724	3,409,873	2,952,470	2,878,737
Federal sources	328,324	577,481	177,303	118,710	115,904	117,402	141,269
Total	<u>\$ 7,655,012</u>	<u>7,437,524</u>	<u>7,573,938</u>	<u>7,111,296</u>	<u>6,898,489</u>	<u>6,153,947</u>	<u>5,944,914</u>
Expenditures:							
Instruction:							
Regular	\$ 3,432,000	2,543,424	4,426,231	4,079,767	4,143,414	3,945,967	3,834,127
Special	967,950	1,087,674	-	-	-	-	-
Other	1,093,627	1,016,887	-	-	-	-	-
Support services:							
Student	104,118	105,686	131,947	73,254	150,696	107,209	102,746
Instructional staff	197,351	106,516	121,478	174,701	160,887	271,802	129,272
Administration	721,409	607,441	582,120	606,430	576,138	563,512	524,227
Operation and maintenance of plant	532,323	466,556	524,352	506,382	520,629	518,104	450,505
Transportation	262,430	317,430	239,425	198,788	187,830	248,667	195,510
Non-instructional programs	18,651	22,627	9,233	2,061	13,324	9,728	38,583
Other expenditures:							
Facilities acquisition	388,730	179,841	93,148	104,997	292,533	1,404,187	338,881
Long-term debt:							
Principal	347,995	366,718	426,339	405,000	390,000	240,000	225,000
Interest and other charges	36,970	49,841	67,502	79,468	94,003	86,191	57,828
AEA flowthrough	253,163	253,457	232,544	216,305	205,440	183,683	183,306
Total	<u>\$ 8,356,717</u>	<u>7,124,098</u>	<u>6,854,319</u>	<u>6,447,153</u>	<u>6,734,894</u>	<u>7,579,050</u>	<u>6,079,985</u>

See accompanying independent auditor's report.

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of
Pleasantville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pleasantville 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 31, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pleasantville 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 our opinion on the effectiveness of Pleasantville Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pleasantville Community School District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A), (B), (C), (D), (E) and (F) to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings as item (G) to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pleasantville 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Pleasantville Community School District and other parties to whom the Pleasantville Community School District may report, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Pleasantville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Co., LLP
Certified Public Accountants

January 31, 2012

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) **Segregation of Duties** – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are sometimes all done by the same person. In addition, at times the Board Secretary also stamps the Board President's name on checks issued by the District. Also, in many instances, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- (B) **Fixed Assets** – Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person.

Recommendation – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets.

Response – We will review this situation.

Conclusion – Response accepted.

- (C) **Financial Reporting** – During the audit, we identified material amounts of receivables, payables, fixed assets, revenues, expenditures and other financing sources (uses) which were either incorrectly recorded or not recorded at all in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all transactions are identified and included in the District's financial statements.

Response – We will double check these issues in the future to avoid missing any receivables, payables, fixed asset and all other transactions.

Conclusion – Response accepted.

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2011

- (D) Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Pleasantville Community School District does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that District officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than to rely on external assistance.

Response – We recognize our limitations; however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response accepted.

- (E) Bank Reconciliations – For some bank accounts, monthly bank reconciliations were not consistently performed. For other bank accounts, there were material differences between the reconciled bank balances and the book balances. As a result, it would appear that the financial records maintained by the District are not entirely accurate. In addition, the Board has not been consistently receiving accurate financial records during the fiscal year. In order to make management and financial decisions, the Board needs to receive accurate financial information on a timely basis.

Recommendation – Bank reconciliations should be prepared on a timely basis, for all bank accounts, and all differences should be investigated and resolved. In addition, the Board or District management should review all bank reconciliations on a monthly basis, with all differences timely investigated.

Response - We will implement these recommendations.

Conclusion – Response accepted.

- (F) Receipts – Instances were noted where receipts were not timely deposited. For example, some receipts were held several weeks prior to deposit to the bank. In addition, for School Nutrition Fund and General Fund monies, there does not appear to be an immediate record of receipt of the monies.

Recommendation – The District implement procedures to ensure all receipts are timely deposited to the bank accounts. Receipts should be deposited daily when cash and checks on hand exceed \$100. Also, an immediate record of receipt should be documented for all monies received.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2011

- (G) Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. Several accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Several student activity accounts are negative as of June 30, 2011.

While the District requires reconciliations to be completed for fundraising activities, in some cases it was noted that the District personnel did not complete these reconciliations.

Recommendation – The District should review the propriety of all of the accounts in the Special Revenue, Student Activity Fund, and determine which accounts meet the Iowa Department of Education requirements to be included in the Special Revenue, Student Activity Fund. All accounts which do not meet the requirements to be included in the Special Revenue, Student Activity Fund should be recorded in another appropriate fund.

Procedures should be implemented to ensure all student activity accounts have a positive balance.

The District should also require that all sponsors complete an accurate reconciliation of all fundraising activities. Any material differences should then be followed up on by District management on a timely basis.

Response – We will review this area and make changes as appropriate.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- (1) **Certified Budget** – Expenditures for the year ended June 30, 2011 exceeded the certified budget amount in the other expenditures function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

- (2) **Questionable Disbursements** – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) **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.
- (4) **Business Transactions** – No business transactions between the District and District officials or employees were noted.
- (5) **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 ensure the coverage is adequate for current operations.
- (6) **Board Minutes** – Some Board minutes were not timely published, and the published Board minutes did not include a schedule of bills allowed, as required by Chapter 279.35 of the Code of Iowa.

For closed sessions, the Board minutes did not document the specific information regarding the closed sessions as required by Chapter 21 of the Code of Iowa, commonly known as the open meetings law.

Recommendation – The District implement procedures to ensure that all Board minutes are timely published, and include a schedule of bills allowed by the Board. In addition, the minutes should be documented to ensure compliance with Chapter 21 of the Code of Iowa, commonly known as the open meetings law.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (7) **Certified Enrollment** – The number of basic resident students reported to the Iowa Department of Education on the Certified Enrollment Certification Form for October 2010 was understated by 2.4 students.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

- (8) **Supplementary Weighting** – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2011

- (9) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and District's investment policy were noted, except that the Board specified maximum amount which may be kept on deposit in each depository was exceeded as of June 30, 2011, and at times during the year. In addition, bank interest earned on the cash balance in the Capital Projects, Statewide Sales, Services and Use Tax Fund is not credited to that fund as required by Chapter 12C.9 of the Code of Iowa.

Recommendation – To be in compliance with Chapter 12C of the Code of Iowa, the Board should implement procedures to ensure the Board minutes document the maximum amount which may be kept on deposit in each depository. In addition, the District should credit bank interest earned on balances in the Capital Projects, Statewide Sales, Services and Use Tax Fund to that fund, as required by the Code of Iowa.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (10) Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education. However, we noted variances between the amounts reported on the Certified Annual Report and the financial statements.

Recommendation – The District should implement procedures to ensure the amounts reported on the certified annual report agree to the accounting records. The District should contact the Iowa Department of Education to resolve this situation.

Response – We have contacted the Iowa Department of Education and will make adjustments through the certified annual report for the next fiscal year.

Conclusion – Response accepted.

- (11) Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds. However, in some cases the District did not record expenditures related to categorical funding until the end of the fiscal year. The Iowa Department of Education requires that all categorical funding be recorded to specific account codes. Since the District did not record categorical funding, in some cases, to specific account codes during the year, it appears the District is not in compliance with the Iowa Department of Education requirements.

Recommendation – The District should consult the Iowa Department of Education regarding corrective action to be taken.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- (12) Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use 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, services and use 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2011

Beginning balance		\$ 297,199
Revenues/transfers in:		
Sales tax revenues		<u>433,518</u>
		730,717
Expenditures/transfers out:		
School infrastructure construction	\$ 202,012	
Equipment	111,707	
Other	51,518	
Transfers to other funds:		
Debt service fund	<u>205,364</u>	<u>570,601</u>
Ending balance		<u><u>\$ 160,116</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- (13) Disbursements – While the Board generally approves the list of bills, the Board President does not sign the list of approved bills. Without this, there is less assurance that the actual bills paid by the District were approved by the Board.

The Board Secretary does not consistently sign all District checks, even though this is required by Chapter 291.8 of the Code of Iowa.

IRS 1099-Misc. forms were not issued to some vendors as required.

Recommendation – The Board President should sign the list of approved bills, with the list retained by the District. In addition, the Board Secretary should sign all District checks as required by the Code of Iowa. Also, IRS 1099-Misc. forms should be issued to all applicable vendors.

Response – We will review this area and take action as necessary. Also, beginning on January 1, 2011, the Board Secretary signs all District checks.

Conclusion – Response accepted.

- (14) Payroll – I9 forms could not all be located by the District. The District paid some substitute pay compensation to the wrong employee. The Board has not approved the part-time employee wage rates in several years.

Recommendation – I9 forms should be on file for all employees. The District should ensure all employees are paid the correct amount, and the Board should approve all part-time employee wage rates.

Response – We will implement these recommendations.

Conclusion – Response accepted.

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2011

- (15) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and the back of each cancelled check. However, the District did not consistently obtain an image of the front and/or back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We have implemented this recommendation. Beginning in January, 2011, we are receiving an image of both the front and back of each cancelled check.

Conclusion – Response accepted.

- (16) Outstanding Checks – The District has several outstanding checks on the books which are older than one year old. These old checks should be turned over to the State Unclaimed Property Fund, as required by the State of Iowa.

Recommendation – The District turn over these old outstanding checks to the State Unclaimed Property Fund.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- (17) Fuel Procedures – The District has diesel barrels to store fuel for subsequent use, and also buys fuel from a vendor in town. While a vehicle log is kept for some vehicles, this vehicle log does not document gallons of fuel used in the vehicle and the mileage of the vehicle.

Recommendation – To provide increased accountability over fuel purchased, and the fuel used from the District barrels, the District should periodically reconcile fuel purchased as recorded on the vendor invoices and fuel used per the barrels, with the vehicle logs. Any material differences and any unusual amount of fuel used should be periodically investigated and followed up on a timely manner.

Response – We will review our procedures in relation to this.

Conclusion – Response accepted.

- (18) Miscellaneous – It appears the District has never filed a state gas tax refund claim. This could amount to several hundred dollars due the District each year.

The District does not appear to have procedures in place to ensure all open enrollment in monies due to the District from other Districts are appropriately received. The effects of these errors amounted to approximately \$2,700 due to the District. This situation was not known by the District until we brought this to their attention.

As a result of misclassifications, at June 30, 2011, \$3,502 is due from the General Fund to the Capital Projects Fund, Statewide Sales, Services and Use Tax Account.

The Special Revenue, Management Levy Fund balance is in excess of one year's expenditures. As a result, the balance in this fund may be excessive.

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2011

Recommendation – The District should file for state gas tax refunds in the future. The District should also implement procedures to ensure all open enrollment in fees are appropriately billed and collected. In addition, the above transfer should be made. The District should also review the balance in the Special Revenue, Management Levy Fund, and consider reducing the balance in this fund.

Response – We will file for a gas tax refunds in the future. In addition, we are in the process of resolving all of the open enrollment in billing issues as noted above. The above transfer will also be made. Also, we will evaluate the balance in the Special Revenue, Management Levy Fund for reasonableness.

Conclusion – Response accepted.

- (19) Interfund Loans – It does not appear the District has met the Department of Education requirements as outlined in a Declaratory Order Adm. Doc. No. 4672 in relation to the proper procedures for handling, recording and repayment of interfund loans.

Recommendation – The District should implement procedures to ensure the Department of Education requirements are met in relation to the handling, recording and repayment of interfund loans.

Response – We will implement this to the best of our ability.

Conclusion – Response accepted.

- (20) Public Improvement – The District did not publish a notice of public hearing, or hold a public hearing on an Elementary School heating and cooling project, as required by Chapter 26 of the Code of Iowa.

Recommendation – The District should give notice and hold a public hearing on projects which cost in excess of \$100,000, as required by the Code of Iowa.

Response – This will be implemented in the future.

Conclusion – Response accepted.

- (21) Equipment Sale – The District sold a bus during the year. However, it does not appear the District advertised for the sale of this bus for two consecutive weeks in the newspaper, as required by Chapter 297.22 of the Code of Iowa.

Recommendation – The District implement procedures to ensure the Code of Iowa requirements are met in relation to sales of District property.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- (22) Disbursements – There is no consistent documentation that merchandise is received prior to payment. In addition, one instance was noted in which a disbursement was paid, even though no supporting documentation existed.

Recommendation – The District implement procedures to ensure all merchandise is received and that invoices are received, prior to payment of the claims.

Response – We will implement this to the best of our ability.

Conclusion – Response accepted.