

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

Financial Report
Year Ended June 30, 2013



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Pleasant Valley Community School District

Officials

Year Ended June 30, 2013

Name	Title	Term Expires
Board of Education		
Chris Cournoyer	Board Member	2017
Heather Witters	Board Member	2017
Scott Isbell	Board Member	2015
Joe Bullock	Board Member	2015
Jean Dickson	Board Member	2017
Pamela Paulsen	Board Member	2015
Nikhil Wagle	Board Member	2015
School Officials		
Dr. James R. Spelhaug	Superintendent	2015
Brian Strusz	Assistant Superintendent	2014
Mike Clingingsmith	Chief Financial Officer	2014
Christine Harvey	District Secretary	2013
Joyce E. Bauwens	District Treasurer	2013
Lane & Waterman	Attorney	Indefinite

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pleasant Valley Community School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Pleasant Valley Community School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 13 to the basic financial statements, the District adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, and budgetary comparison information, on pages 4–17 and 47-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The District's basic financial statements for the years ended June 30, 2004 through 2010, which are not presented herein, were audited by other auditors whose report thereon dated December 21, 2010, expressed unmodified opinions on the basic financial statements. Their report on the Schedule of Revenues by Source and Expenditures by Function for the years ended June 30, 2004 through 2010 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended June 30, 2004 through 2010 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
October 16, 2013

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Pleasant Valley Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

Pleasant Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow:

2012-13 FINANCIAL HIGHLIGHTS

- The District's certified enrollment (resident headcount) for the 2012-13 fiscal year (taken on October 1, 2012) increased by 270.08 students (6.8%) over the certified enrollment for the 2011-12 fiscal year (taken on October 1, 2011). The District's certified enrollment as of October 1, 2012 was 4,229.95 students. The District's certified enrollment as of October 1, 2011 had been 3,959.87. A District's certified enrollment is used in determining funding through the state foundation formula in the fiscal year immediately after the fiscal year in which the certified enrollment count is taken.
- The district's solvency ratio (Assigned + Unassigned General Fund Balance / Actual General Fund Revenues – AEA Flowthrough) increased from 8.04% at June 30, 2012 to 9.53% at June 30, 2013. An increase in the cash reserve levy was the most significant cause of this increase.
- General Fund revenues (excluding proceeds from sale of capital assets) grew from \$35,810,897 in the 2011-12 fiscal year to \$37,050,184 in the 2012-13 fiscal year (3.5%). The most significant factors in this growth were an increase in state source revenues and an increase in property taxes received due to the increase in student certified enrollment of 270.08 students. An increase in the cash reserve levy was also a factor for the increase in property taxes received. General Fund expenses grew from \$34,974,438 in the 2011-12 fiscal year to \$36,437,868 in the 2012-13 fiscal year (4.2%). This was due, in part, to increases in current employees' salaries and benefits and the addition of several new employees due to the district's rapid growth. The difference between the 2012-13 revenues of \$37,050,686 and expenses of \$36,437,868 results in a net increase in fund balance in the General Fund of \$612,818. As a result, the District's General Fund balance increased from \$3,189,271 at June 30, 2012 to \$3,802,089 at June 30, 2013. This represents a 19.2% increase from the prior year.
- The district's overall property tax levy rate was decreased from \$14.74 (rounded to the nearest penny) per \$1,000 taxable valuation in the 2011-12 fiscal year to \$14.64 (rounded to the nearest penny) per \$1,000 taxable valuation in the 2012-13 fiscal year.
- Interest rates continued to remain low during the 2011-12 fiscal year. Interest earnings have decreased from \$322,983 during the 2007-08 fiscal year to only \$48,559 during the 2012-13 fiscal year.

USING THIS ANNUAL REPORT

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

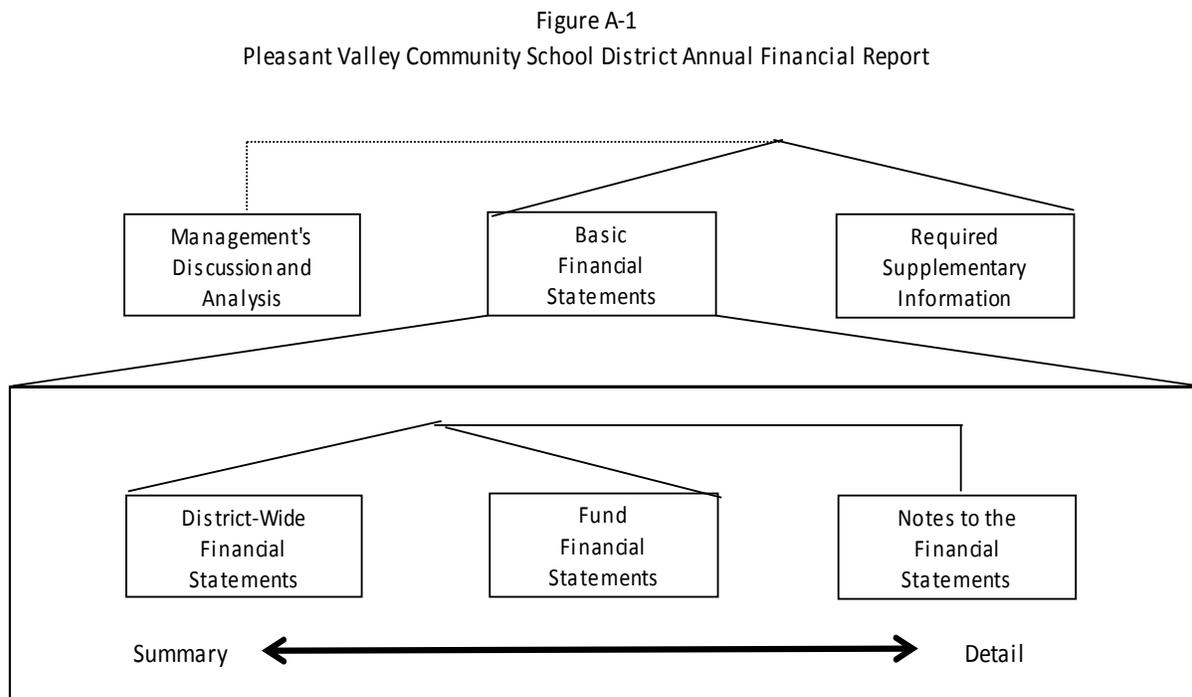
- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

Pleasant Valley Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Pleasant Valley Community School District as a whole and present an overall view of the District's finances.
- The fund financial statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Pleasant Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Pleasant Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other supplementary information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefitting the District.

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



Pleasant Valley Community School District

**Management’s Discussion and Analysis
Year Ended June 30, 2013**

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

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
Government-Wide Statements		Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: school nutrition and internal service fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs, reunion moneys and funds for District employee purchases of pop, etc.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Pleasant Valley Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between the two statements. The District's major governmental funds for 2012-13 were the

Pleasant Valley Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

General Fund and the Capital Projects Fund. The nonmajor governmental funds include two Special Revenue Funds (the Management Fund and Student Activities Fund) and the Debt Service Fund. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

1. **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses internal service funds, the other kind of proprietary fund, to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, which is used to account for the District's self-funded health and dental insurance plans.

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

- 2) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. This fund type includes Agency Funds.

Agency Funds: These are funds for which the District faculty accounts for certain revenue collected for District employee purchases of pop, funeral flowers, etc. and related expenditures and for revenues and expenditures of other various club accounts.

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

The required financial statements for fiduciary funds of the District include a statement of fiduciary assets and liabilities.

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

Pleasant Valley Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets as of June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2012-13
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	
Current and other assets	\$ 29,827,863	\$ 30,712,350	\$ 348,796	\$ 330,328	\$ 30,176,659	\$ 31,042,678	2.9%
Capital assets	40,638,488	44,482,057	823,880	738,225	41,462,368	45,220,282	9.1%
Total assets	70,466,351	75,194,407	1,172,676	1,068,553	71,639,027	76,262,960	6.5%
Long-term liabilities	2,907,230	4,058,784	3,193	4,178	2,910,423	4,062,962	39.6%
Other liabilities	6,963,662	6,445,242	40,252	69,769	7,003,914	6,515,011	-7.0%
Total liabilities	9,870,892	10,504,026	43,445	73,947	9,914,337	10,577,973	6.7%
Deferred inflows of resources	15,620,000	16,580,000	-	-	15,620,000	16,580,000	
Net position:							
Net investment in capital assets	39,438,488	42,382,057	823,880	738,225	40,262,368	43,120,282	7.1%
Restricted	2,059,359	2,240,011	18,333	5,264	2,077,692	2,245,275	8.1%
Unrestricted	3,477,612	3,488,313	287,018	251,117	3,764,630	3,739,430	-0.7%
Total net position	\$ 44,975,459	\$ 48,110,381	\$ 1,129,231	\$ 994,606	\$ 46,104,690	\$ 49,104,987	6.5%

The District's combined net position as of June 30, 2013 grew by \$3,000,297 (6.5%) over the June 30, 2012 combined net position. Net position in the governmental activities grew by \$3,134,922 (7.0%). The net position of the District's business-type activities decreased by \$134,625 (-11.9%).

The major factors for the increase in net position of the District were the construction of the building additions at Hopewell Elementary School for additional classroom space, the construction of the building addition at Pleasant Valley High School for additional classroom space, etc., the parking lot expansion at Pleasant Valley Junior High School and other facility improvements which were significant additional assets for the District.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$167,583 (8.1%) primarily due to the Management Fund levy.

Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) decreased by \$25,200 (-0.7%).

Pleasant Valley Community School District

**Management’s Discussion and Analysis
Year Ended June 30, 2013**

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4 Changes in Net Position From Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2012-13
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	
Revenues:							
Program revenues:							
Charges for services	\$ 2,996,772	\$ 2,914,669	\$ 1,147,332	\$ 1,253,276	\$ 4,144,104	\$ 4,167,945	0.6%
Operating grants and contributions	5,471,355	5,057,477	360,182	419,960	5,831,537	5,477,437	-6.1%
Capital grants and contributions	-	-	249,500	-	249,500	-	-100.0%
General revenues:							
Property taxes	15,315,457	16,563,754	-	-	15,315,457	16,563,754	8.2%
State foundation aid	14,533,843	15,257,879	-	-	14,533,843	15,257,879	5.0%
Statewide sales and services tax	3,192,316	3,443,992	-	-	3,192,316	3,443,992	7.9%
Other	1,054,553	912,123	3,022	2,157	1,057,575	914,280	-13.5%
Total revenues	42,564,296	44,149,894	1,760,036	1,675,393	44,324,332	45,825,287	3.4%
Expenses:							
Instruction	25,609,104	28,141,999	-	-	25,609,104	28,141,999	9.9%
Support services	10,374,918	11,230,964	77,888	86,358	10,452,806	11,317,322	8.3%
Noninstructional programs	24,476	17,808	1,457,413	1,623,660	1,481,889	1,641,468	10.8%
Other	2,947,745	1,724,201	-	-	2,947,745	1,724,201	-41.5%
Total expenses	38,956,243	41,114,972	1,535,301	1,710,018	40,491,544	42,824,990	5.8%
Change in net position before transfers	3,608,053	3,034,922	224,735	(34,625)	3,832,788	3,000,297	-21.7%
Transfers	99,500	100,000	(99,500)	(100,000)	-	-	
Increase (decrease) in net position	\$ 3,707,553	\$ 3,134,922	\$ 125,235	\$ (134,625)	\$ 3,832,788	\$ 3,000,297	-21.7%

In 2012-13, local taxes (property taxes and statewide sales and services tax) and state foundation aid accounted for 79.9% of the revenue from governmental activities while charges for services and grants and contributions accounted for 99.9% of the revenue from business-type activities.

The District’s expenses primarily relate to instructional and support services which account for 92.1% of the total expenses.

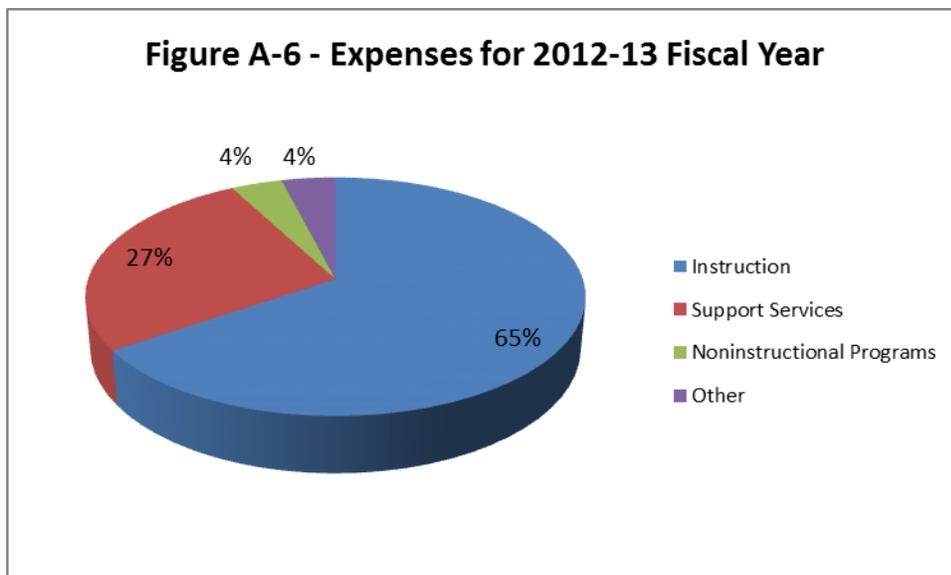
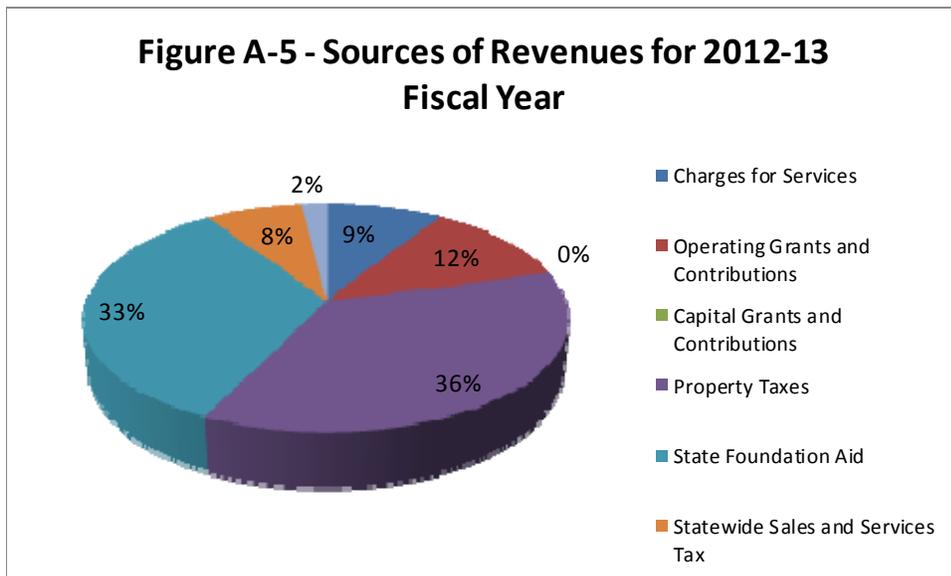
Total revenue for the District increased by \$1,500,955 (3.4%) in the fiscal year ended June 30, 2013. The most significant revenue category changes were due to an increase in property taxes, state foundation aid and statewide sales and services tax. Capital grants and contributions decreased by \$249,500 due to a contribution from the governmental activities to the business-type activities for nutrition equipment in the prior year. Property taxes increased by \$1,248,297 (8.2%) primarily due to increased assessed valuations in the district, increased enrollment and an increase in the cash reserve levy. State foundation aid increased \$724,036 (5.0%) primarily due to increased enrollment.

Pleasant Valley Community School District

**Management's Discussion and Analysis
Year Ended June 30, 2013**

Total District expenses increased by \$2,333.446 (5.8%), which was mainly attributable to an increase in expenses for instruction and support services and an increase in expenses for the food service program.

Figures A-5 and A-6, which follow, show charts reflecting sources of revenue and distribution of expenses for the 2012-13 fiscal year.



Pleasant Valley Community School District

**Management’s Discussion and Analysis
Year Ended June 30, 2013**

Governmental Activities

Revenue for the District’s governmental activities in 2012-13 increased by \$1,585,598 (3.7%) from the previous year, while total expenses increased by \$2,306,362 (5.9%). Governmental activities net position as of June 30, 2013 increased by \$2,987,289 (6.6%) over the June 30, 2012 balance.

Figure A-7 presents the total and net cost of the District’s four major governmental activities: instruction, support services, noninstructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-7 Net Cost of Governmental Activities

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
			Change			Change
	June 30, 2012	June 30, 2013		June 30, 2012	June 30, 2013	
Instruction	\$ 25,609,104	\$ 28,141,999	9.89%	\$ 20,887,578	\$ 21,718,509	4.0%
Support services	10,374,918	11,230,964	8.25%	8,008,378	11,158,507	39.3%
Noninstructional	24,476	17,808	-27.24%	24,476	17,808	-27.2%
Other	2,947,745	1,724,201	-41.51%	1,567,684	248,002	-84.2%
Total	\$ 38,956,243	\$ 41,114,972	5.54%	\$ 30,488,116	\$ 33,142,826	8.7%

For the year ended June 30, 2012:

- The cost financed by the users of the District’s programs was \$2,996,772.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$5,471,355.
- The net cost of governmental activities was financed with \$15,315,457 in property taxes, \$14,533,843 of unrestricted state grants, \$3,192,316 in statewide sales and services tax revenue, \$690,774 in other taxes, \$89,130 in investment earnings and \$274,649 in miscellaneous revenues.

For the year ended June 30, 2013:

- The cost financed by the users of the District’s programs was \$2,802,343.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$5,057,447.
- The net cost of governmental activities was financed with \$16,563,754 in property taxes, \$15,257,879 of unrestricted state grants, \$3,443,992 in statewide sales and services tax revenue, \$670,829 in other taxes, \$46,402 in investment earnings and \$194,892 in miscellaneous revenues.

Pleasant Valley Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

Business-Type Activities

The District's business-type activities include the School Nutrition Fund. Revenues of the District's business-type activities in 2012-13 were \$1,675,393; a decrease of \$84,643 (4.8%) from 2011-12. The decrease is mainly attributable to contributions of capital assets of \$249,500 of food service equipment in the prior year. Other revenues of these activities were comprised of charges for service, federal and state reimbursements, and interest. Expenses were \$1,710,018; an increase of \$174,717 (11.3%) from 2011-12 primarily due to the cost of food service operations in the current year.

Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,526,323, which reflects an increase of \$611,570 from last year's ending fund balances of \$4,914,753. The primary reason for the increase in combined fund balances at the end of the 2012-13 fiscal year is due to increases in local sources revenue and state foundation aid.

Governmental Fund Highlights

- The fund balance in the District's General Fund increased by \$612,818 from \$3,189,271 as of June 30, 2012 to \$3,802,089 as of June 30, 2013. The General Fund experienced an increase in local taxes of \$1,023,210 due to increased assessed value of property in the District and an increase in the cash reserve levy. The General Fund also experienced an increase in state sources of \$963,658 primarily due to increased enrollment.
- The fund balance in the Capital Projects Fund decreased by \$198,516. The statewide sale, service and use tax generated \$253,792 more in revenue in 2012-13 than in the previous fiscal year. Local tax generated from the physical plant and equipment levy was \$2,130,952 compared to the prior year \$1,974,781 which represents a \$156,171 increase from the 2011-12. Total expenditures were \$6,857,589 in 2012-13 compared to \$7,621,675 in 2011-12. In the current year, major expenditures included the building additions for additional classroom space at Hopewell Elementary School, the building addition for additional classroom space, etc. at Pleasant Valley High School, the parking lot expansion at Pleasant Valley Junior High School and other facility improvements. The Capital Projects Fund also had proceeds from Capital loan notes issued of \$2,975,000.
- The fund balance in the Student Activities Fund increased by \$27,467 during the fiscal year due to the variance of student activities from year-to-year.
- The fund balance in the Management Fund increased by \$169,801 during 2012-13.
- The District had a Debt Service Fund in the current year to account for payment of principal and interest of \$2,077,774 on the capital loan notes issued in the current year for the Capital Projects Fund.

Pleasant Valley Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

Proprietary Fund Highlights

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

- The net position of the Nutrition Fund decreased by \$134,625 (11.9%) during 2012-13 primarily due to a capital contribution of \$249,500 for nutrition equipment in the prior year and increased food costs.
- The net position of the Internal Service Fund decreased by \$181,205 (8.3%) during 2012-13. This was mainly due to an increase in claims experienced in the current year for health and dental insurance.

Budgetary Highlights

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

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

Pleasant Valley Community School District's normal practice is to amend the certified budget one time during each fiscal year. Iowa law requires that actual spending in each functional area of the budget does not exceed the amount budgeted to be spent in that functional area at any time during the fiscal year. The District's practice is to amend the budget each year prior to expenses going over budget in any of the functional areas. The District's practice is also to amend the budget to reflect the entire fund balances in each of the various budgeted funds being spent down to a zero balance at the end of the fiscal year. This is the most significant reason for the amended budget showing \$7,682,853 more in expenditures than the original certified budget for the 2012-13 fiscal year. The other main reasons for the differences between the original budget and the amended budget are:

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

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

Pleasant Valley Community School District

**Management’s Discussion and Analysis
Year Ended June 30, 2013**

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

Capital Asset and Debt Administration

Capital Assets

By the end of the 2012-13 fiscal year, the District had invested \$45,220,282 (net of accumulated depreciation of \$31,483,732) in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. (See Figure A-8). This amount represents a net increase of \$3,757,914 or 9.1% from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was \$1,982,700.

Figure A-8 Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2012-13
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	
Land	\$ 1,172,030	\$ 1,360,555	\$ -	\$ -	\$ 1,172,030	\$ 1,360,555	16.1%
Buildings	30,483,409	29,936,670	-	-	30,483,409	29,936,670	-1.8%
Improvements other than buildings	3,554,884	4,360,335	-	-	3,554,884	4,360,335	22.7%
Furniture and equipment	1,206,591	1,130,381	823,880	738,225	2,030,471	1,868,606	-8.0%
Construction in progress	4,221,574	7,694,116	-	-	4,221,574	7,694,116	82.3%
Total	\$ 40,638,488	\$ 44,482,057	\$ 823,880	\$ 738,225	\$ 41,462,368	\$ 45,220,282	9.1%

Pleasant Valley Community School District

**Management’s Discussion and Analysis
Year Ended June 30, 2013**

Long-Term Liabilities

As of June 30, 2013, the District had \$2,100,000 in capital loan notes, \$416,561 in early retirement liabilities, \$769,463 in total compensated absence liabilities and \$776,938 in net OPEB liability for total outstanding long-term obligations of \$4,062,962 as reflected in Figure A-9 below.

Figure A-9 Outstanding Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	2012-13
	Capital loan notes	\$ 1,200,000	\$ 2,100,000	\$ -	\$ -	\$ 1,200,000	\$ 2,100,000
Early retirement	327,300	416,561	-	-	327,300	416,561	27.3%
Compensated absences	767,872	769,463	-	-	767,872	769,463	0.2%
Net OPEB liability	612,058	772,760	3,193	4,178	615,251	776,938	26.3%
Total	\$ 2,907,230	\$ 4,058,784	\$ 3,193	\$ 4,178	\$ 2,910,423	\$ 4,062,962	39.6%

As of June 30, 2012, the District had \$1,200,000 in capital loan notes, \$327,300 in early retirement liabilities, \$767,872 in total compensated absence liabilities and \$615,251 in net OPEB liability for total outstanding long-term obligations of \$2,910,423.

Payments of early retirement benefits usually come out of the District’s Management Fund. Payments of compensated absences are primarily made from the District’s General Fund.

During the 2011-12 fiscal year, the District issued a \$4,500,000 General Obligation School Capital Loan Note to help fund capital projects of the District. The Notes are payable solely from the revenues of the voter-approved Physical Plant and Equipment Levy. In the current fiscal year, \$2,975,000 was drawn on the note. \$2,075,000 was paid down on the Note during the fiscal year.

Pleasant Valley Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District continues to experience significant growth. The continuing growth will likely cause the District to make modifications to its Five Year Capital Projects Plan to increase the number of building additions and renovations in the next several years. An expanded amount of longer term borrowing would likely be necessary to complete those projects.
- The District has seen a significant increase in health insurance claims in the past year. This will likely have a negative effect on the health insurance premium rates for the District.
- The Iowa Legislature set the state supplemental aid percentage (formerly known as the allowable growth rate) at 2% for the 2013-14 fiscal year and at 4% for the 2014-15 fiscal year. The state also provided districts one-time non-recurring payments for the 2013-14 fiscal year, which equated to the same amount as an additional 2% allowable growth. The 4% growth rate set for the 2014-15 fiscal year is the largest level of growth set by the state since the 2009-10 fiscal year. The District already used $\frac{1}{2}$ (2% of the total 4%) of the 2014-15 state supplemental aid growth funds for ongoing expenditures related to the wage and benefit settlements for the 2013-14 fiscal year. The Iowa Legislature has not yet set the allowable growth rate for the 2015-16 fiscal year.
- The impact of the Affordable Care Act is concerning to the District at a time when the District is experiencing a significant increase in health insurance claims.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Pleasant Valley Community School District

Statement of Net Position

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	\$ 11,981,626	\$ 317,596	\$ 12,299,222
Receivables:			
Property tax:			
Current year	84,976	-	84,976
Succeeding year	16,580,000	-	16,580,000
Accounts	517,530	2,493	520,023
Due from other governments	1,478,591	-	1,478,591
Inventories	-	10,239	10,239
Prepaid expenses	69,627	-	69,627
Capital assets:			
Nondepreciable	9,054,671	-	9,054,671
Depreciable, net	35,427,386	738,225	36,165,611
Total assets	75,194,407	1,068,553	76,262,960
Liabilities			
Accounts payable	1,105,212	6,620	1,111,832
Salaries and benefits payable	3,601,779	-	3,601,779
Due to other governments	849,910	-	849,910
Claims incurred but not reported	554,040	-	554,040
Unearned revenue	334,301	63,149	397,450
Long-term liabilities:			
Portion due within one year:			
Early retirement	263,361	-	263,361
Compensated absences	308,526	-	308,526
Capital loan note	2,100,000	-	2,100,000
Portion due after one year:			
Early retirement	153,200	-	153,200
Compensated absences	460,937	-	460,937
Net OPEB liability	772,760	4,178	776,938
Total liabilities	10,504,026	73,947	10,577,973
Deferred Inflows of Resources , unavailable revenue	16,580,000	-	16,580,000
Net Position			
Net investment in capital assets	42,382,057	738,225	43,120,282
Restricted for:			
Categorical funding	343,577	-	343,577
Management levy	1,205,171	-	1,205,171
Physical plant and equipment levy	48,175	-	48,175
Other special revenue purposes	549,564	-	549,564
School infrastructure	93,524	-	93,524
Other	-	5,264	5,264
Unrestricted	3,488,313	251,117	3,739,430
Total net position	\$ 48,110,381	\$ 994,606	\$ 49,104,987

See Notes to Financial Statements.

Pleasant Valley Community School District

**Statement of Activities
Year Ended June 30, 2013**

Functions/Programs	Expenses
Governmental activities:	
Instruction:	
Regular instruction	\$ 21,218,305
Special instruction	3,234,334
Other	3,689,360
	<u>28,141,999</u>
Support services:	
Student services	1,351,144
Instructional staff services	1,516,098
Administration services	3,898,423
Operation and maintenance of plant services	3,179,559
Transportation services	1,285,740
	<u>11,230,964</u>
Noninstructional programs	<u>17,808</u>
Other expenditures:	
AEA flowthrough	1,476,199
Depreciation (unallocated) *	248,002
	<u>1,724,201</u>
Total governmental activities	<u>41,114,972</u>
Business-type activities:	
Support services:	
Administration services	40,932
Operation and maintenance of plant services	45,426
	<u>86,358</u>
Noninstructional programs, food service operations	<u>1,623,660</u>
Total business-type activities	<u>1,710,018</u>
Total	<u>\$ 42,824,990</u>
General revenues:	
Property tax levied for:	
General purposes	
Capital outlay	
Other specific purposes	
Statewide sales and services tax	
Other taxes	
Unrestricted state grants	
Unrestricted investment earnings	
Other	
Total general revenues	
Transfers	
Total general revenues and transfers	
Change in net position	
Net position, beginning of year	
Net position, end of year	

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

See Notes to Financial Statements.

Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 2,145,168	\$ 2,846,757	\$ -	\$ (16,226,380)	\$ -	\$ (16,226,380)
7,027	682,654	-	(2,544,653)	-	(2,544,653)
730,854	11,030	-	(2,947,476)	-	(2,947,476)
<u>2,883,049</u>	<u>3,540,441</u>	<u>-</u>	<u>(21,718,509)</u>	<u>-</u>	<u>(21,718,509)</u>
-	-	-	(1,351,144)	-	(1,351,144)
-	22,429	-	(1,493,669)	-	(1,493,669)
-	-	-	(3,898,423)	-	(3,898,423)
31,620	-	-	(3,147,939)	-	(3,147,939)
-	18,408	-	(1,267,332)	-	(1,267,332)
<u>31,620</u>	<u>40,837</u>	<u>-</u>	<u>(11,158,507)</u>	<u>-</u>	<u>(11,158,507)</u>
-	-	-	(17,808)	-	(17,808)
-	1,476,199	-	-	-	-
-	-	-	(248,002)	-	(248,002)
-	<u>1,476,199</u>	<u>-</u>	<u>(248,002)</u>	<u>-</u>	<u>(248,002)</u>
<u>2,914,669</u>	<u>5,057,477</u>	<u>-</u>	<u>(33,142,826)</u>	<u>-</u>	<u>(33,142,826)</u>
-	-	-	-	(40,932)	(40,932)
-	-	-	-	(45,426)	(45,426)
-	-	-	-	(86,358)	(86,358)
<u>1,253,276</u>	<u>419,960</u>	<u>-</u>	<u>-</u>	<u>49,576</u>	<u>49,576</u>
<u>1,253,276</u>	<u>419,960</u>	<u>-</u>	<u>-</u>	<u>(36,782)</u>	<u>(36,782)</u>
<u>\$ 4,167,945</u>	<u>\$ 5,477,437</u>	<u>\$ -</u>	<u>(33,142,826)</u>	<u>(36,782)</u>	<u>(33,179,608)</u>
			13,912,454	-	13,912,454
			2,053,152	-	2,053,152
			598,148	-	598,148
			3,443,992	-	3,443,992
			670,829	-	670,829
			15,257,879	-	15,257,879
			46,402	2,157	48,559
			194,892	-	194,892
			<u>36,177,748</u>	<u>2,157</u>	<u>36,179,905</u>
			100,000	(100,000)	-
			<u>36,277,748</u>	<u>(97,843)</u>	<u>36,179,905</u>
			3,134,922	(134,625)	3,000,297
			44,975,459	1,129,231	46,104,690
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>48,110,381</u>	<u>\$ 994,606</u>	<u>\$ 49,104,987</u>

Pleasant Valley Community School District

Balance Sheet
Governmental Funds
June 30, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 7,798,055	\$ 221,980	\$ 1,891,897	\$ 9,911,932
Receivables:				
Property tax:				
Current year	71,699	10,194	3,083	84,976
Succeeding year	13,970,000	2,020,000	590,000	16,580,000
Accounts	43,170	-	354	43,524
Due from other governments	761,939	716,652	-	1,478,591
Prepaid items	67,445	-	2,182	69,627
Total assets	\$ 22,712,308	\$ 2,968,826	\$ 2,487,516	\$ 28,168,650
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ 261,898	\$ 799,953	\$ 42,286	\$ 1,104,137
Salaries and benefits payable	3,601,779	-	-	3,601,779
Due to other governments	841,969	7,174	767	849,910
Unearned revenue	234,573	-	99,728	334,301
Total liabilities	4,940,219	807,127	142,781	5,890,127
Deferred Inflows of Resources:				
Unavailable revenue:				
Succeeding year property tax	13,970,000	2,020,000	590,000	16,580,000
Statewide sales and services tax	-	172,200	-	172,200
Total deferred inflows of resources	13,970,000	2,192,200	590,000	16,752,200
Fund balances (deficits):				
Nonspendable	67,445	-	2,182	69,627
Restricted for:				
Categorical funding	343,577	-	-	343,577
Management levy	-	-	1,205,171	1,205,171
Physical plant and equipment levy	-	48,175	-	48,175
Student activity purposes	-	-	547,382	547,382
Assigned primarily for transportation	1,537,285	-	-	1,537,285
Unassigned	1,853,782	(78,676)	-	1,775,106
Total fund balances (deficits)	3,802,089	(30,501)	1,754,735	5,526,323
Total liabilities, deferred inflows of resources, and fund balances	\$ 22,712,308	\$ 2,968,826	\$ 2,487,516	\$ 28,168,650

See Notes to Financial Statements.

Pleasant Valley Community School District

**Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position
June 30, 2013**

Total fund balances of governmental funds	\$ 5,526,323
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	44,482,057
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	172,200
The Internal Service Fund is used to charge costs of the District's self-funded insurance plan to the governmental funds. The net position of the Internal Service Fund is therefore included under governmental activities.	1,988,585
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Capital loan notes	(2,100,000)
Early retirement	(416,561)
Compensated absences	(769,463)
Net OPEB liability	(772,760)
Net position of governmental activities	<u><u>\$ 48,110,381</u></u>

See Notes to Financial Statements.

Pleasant Valley Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 14,480,574	\$ 5,562,402	\$ 623,057	\$ 20,666,033
Tuition	1,854,523	-	-	1,854,523
Other	582,889	82,775	798,220	1,463,884
State sources	19,449,544	818	249	19,450,611
Federal sources	682,654	15,852	-	698,506
Total revenues	37,050,184	5,661,847	1,421,526	44,133,557
Expenditures:				
Current:				
Instruction	25,234,126	269,466	907,060	26,410,652
Support services:				
Student services	1,348,167	-	2,977	1,351,144
Instructional staff services	1,449,868	62,860	3,370	1,516,098
Administration services	3,391,891	116,525	68,692	3,577,108
Operation and maintenance of plant services	2,254,462	223,155	221,766	2,699,383
Transportation services	1,283,033	-	2,707	1,285,740
	9,727,421	402,540	299,512	10,429,473
Noninstructional programs	122	-	17,686	17,808
Other expenditures:				
Facilities acquisition	-	6,185,583	-	6,185,583
AEA flowthrough	1,476,199	-	-	1,476,199
	1,476,199	6,185,583	-	7,661,782
Debt Service:				
Principal	-	-	2,075,000	2,075,000
Interest	-	-	2,774	2,774
	-	-	2,077,774	2,077,774
Total expenditures	36,437,868	6,857,589	3,302,032	46,597,489
Excess (deficiency) of revenues under (over) expenditures	612,316	(1,195,742)	(1,880,506)	(2,463,932)
Other financing sources (uses):				
Capital loan notes issued	-	2,975,000	-	2,975,000
Proceeds from sale of capital assets	502	-	-	502
Interfund transfers in	-	100,000	2,077,774	2,177,774
Interfund transfers out	-	(2,077,774)	-	(2,077,774)
Total other financing sources (uses)	502	997,226	2,077,774	3,075,502
Net change in fund balance	612,818	(198,516)	197,268	611,570
Fund balances, beginning of year	3,189,271	168,015	1,557,467	4,914,753
Fund balances (deficits), end of year	\$ 3,802,089	\$ (30,501)	\$ 1,754,735	\$ 5,526,323

See Notes to Financial Statements.

Pleasant Valley Community School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities
Year Ended June 30, 2013**

Net change in fund balances - total governmental funds \$ 611,570

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 5,782,988	
Depreciation expense	(1,897,137)	
Proceeds from sale of capital assets	(502)	
Loss on disposal of capital asset	<u>(41,780)</u>	3,843,569

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, change in unavailable revenues 12,542

The decrease in net position of the Internal Service Fund represents an undercharge to the governmental funds and is incorporated into the change in net position of governmental activities. (181,205)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. The issuance of debt increases liabilities in the Statement of Net Assets, while the repayment of long-term debt reduces long-term liabilities. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Issuance of capital loan notes	(2,975,000)	
Repayment of principal on capital loan notes	<u>2,075,000</u>	(900,000)

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	(89,261)	
Compensated absences	(1,591)	
Net OPEB liability	<u>(160,702)</u>	(251,554)

Change in net position of governmental activities \$ 3,134,922

See Notes to Financial Statements.

Pleasant Valley Community School District

Statement of Net Position

Proprietary Funds

June 30, 2013

	Enterprise Fund	
	School Nutrition	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 317,596	\$ 2,069,694
Accounts receivable	2,493	474,006
Inventories	10,239	-
Capital assets, net of accumulated depreciation	738,225	-
Total assets	1,068,553	2,543,700
Liabilities		
Accounts payable	6,620	1,075
Claims incurred but not reported	-	554,040
Unearned revenue, other	63,149	-
Net OPEB liability	4,178	-
Total liabilities	73,947	555,115
Net Position		
Net investment in capital assets	738,225	-
Restricted	5,264	-
Unrestricted	251,117	1,988,585
Total net position	\$ 994,606	\$ 1,988,585

See Notes to Financial Statements.

Pleasant Valley Community School District

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2013**

	Enterprise Fund	
	School Nutrition	Internal Service Fund
Operating revenues:		
Local sources, charges for services	\$ 1,253,276	\$ 3,213,028
Operating expenses:		
Support services:		
Salaries	38,399	-
Benefits	6,215	3,398,028
Purchased services	20,554	-
Supplies	20,540	-
Other	650	-
	<u>86,358</u>	<u>3,398,028</u>
Noninstructional programs:		
Salaries	448,302	-
Benefits	102,756	-
Purchased services	651	-
Supplies	984,217	-
Depreciation	85,563	-
Other	2,171	-
	<u>1,623,660</u>	<u>-</u>
Total operating expenses	<u>1,710,018</u>	<u>3,398,028</u>
Operating (loss)	<u>(456,742)</u>	<u>(185,000)</u>
Nonoperating revenues (expenses):		
Interest on investments	2,157	3,795
State sources	12,293	-
Federal sources	407,667	-
Total nonoperating revenues	<u>422,117</u>	<u>3,795</u>
(Loss) before capital contributions and transfers	<u>(34,625)</u>	<u>(181,205)</u>
Transfers out	<u>(100,000)</u>	<u>-</u>
Change in net position	<u>(134,625)</u>	<u>(181,205)</u>
Net position, beginning of year	1,129,231	2,169,790
Net position, end of year	<u>\$ 994,606</u>	<u>\$ 1,988,585</u>

See Notes to Financial Statements.

Pleasant Valley Community School District

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Enterprise Fund		Internal
	School		Service Fund
	Nutrition		
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 1,277,231	\$	-
Cash received from miscellaneous operating activities	-		3,120,850
Cash payments to employees for services	(594,687)		-
Cash payments to suppliers for goods or services	(894,736)		(3,331,009)
Net cash (used in) operating activities	(212,192)		(210,159)
Cash flows from noncapital financing activities:			
Transfers to other funds	(100,000)		-
State grants received	12,293		-
Federal grants received	298,430		-
Net cash provided by noncapital financing activities	210,723		-
Cash flows from capital related financing, proceeds from of capital assets	91		-
Cash flows from investing activities, interest on investments	2,157		3,795
Net increase(decrease) in cash and cash equivalents	779		(206,364)
Cash and cash equivalents, beginning of year	316,817		2,276,058
Cash and cash equivalents, end of year	<u>\$ 317,596</u>	<u>\$</u>	<u>2,069,694</u>
Reconciliation of operating (loss) to net cash (used in) operating activities:			
Operating (loss)	\$ (456,742)	\$	(185,000)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:			
Depreciation	85,563		-
Commodities used	109,237		-
(Increase) in accounts receivable	(972)		(92,178)
Decrease in inventories	20,220		
Increase in accounts payable	4,590		26
Increase in net OPEB liability	985		-
Increase in claims incurred but not reported	-		66,993
Increase in unearned revenue	24,927		-
Net cash (used in) operating activities	\$ (212,192)	\$	(210,159)
Schedule of noncash items:			
Noncapital financing activities, federal commodities	\$ 109,237	\$	-

See Notes to Financial Statements.

Pleasant Valley Community School District

Statement of Assets and Liabilities

Agency Fund

June 30, 2013

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 27,809
Total assets	<u>\$ 27,809</u>
Liabilities	
Accounts payable	4,690
Other payables	23,119
Total liabilities	<u>\$ 27,809</u>

See Notes to Financial Statements.

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Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

Pleasant Valley Community School District (the District) is a political subdivision of the state of Iowa and operates public schools for children in grades kindergarten through twelve. The District also operates a preschool program. The geographic area served includes the Township of Pleasant Valley, Iowa, the City of LeClaire, Iowa, portions of the City of Bettendorf, Iowa and portions of the agricultural territory of Scott County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting entity:

For financial reporting purposes, Pleasant Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Pleasant Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

Basis of presentation:

District-wide financial statements: The Statement of Net Position 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customer or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The other governmental funds of the District are considered nonmajor and are as follows:

Special Revenue Funds: Are used to account for the revenue sources that are legally restricted to expenditures for specific purposes:

The Management Fund accounts for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Student Activity Fund accounts for money held by the District on behalf of the students who have raised these funds and are responsible for their disposition for co-curricular to extracurricular activities of the District.

Debt Service Fund: Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Revenue of the fund primarily consists of local property taxes.

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

The District also reported fiduciary funds. The District's fiduciary funds include the following:

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

Measurement focus and basis of accounting:

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

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

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

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

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position 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.

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

Assets, liabilities and fund equity:

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

Cash, pooled investments and cash equivalents: The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for nonnegotiable certificates of deposit, which are stated at cost.

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

Property tax receivable: Property tax in governmental funds is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is a deferred inflow of resources in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied. The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with 1½ percent per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Due from other governments: Due from other governments represents amounts due from the state of Iowa, various shared revenues, grants and reimbursements from other governments.

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

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

Asset Class	Amount
Land	\$ 1
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

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

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

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Unearned revenue: Proprietary funds defer revenue recognition in connection with resources that have been received but not earned. Unearned revenue in the governmental funds arises when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenue consists primarily of school registration fees and meal revenues collected for the programs and services in the next school year.

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

Compensated absences: District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and by the Special Revenue Fund, Management Levy.

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

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fund equity: In the governmental fund financial statements fund balances are classified as follows:

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

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

Committed: Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The authority to assign fund balances has been delegated to the Chief Financial Officer.

Unassigned: All amounts not included in other spendable classifications as well as any deficit fund balance of any other governmental fund is reported as unassigned.

When an expenditure is incurred for purposes for which amounts in the committed, assigned, or unassigned fund balance classifications could be used, the District's policy is generally to first apply the expenditure to restricted fund balance and then to less restrictive classifications – committed, assigned and then unassigned fund balances.

Deferred outflows/inflows of resources: In addition to assets, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District does not have deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenue in the governmental funds balance sheet from the statewide sales and services tax and property tax. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. In the District's government-wide statements, only the succeeding year property tax revenue remains as a deferred inflow of resources under the full accrual basis of accounting and will become an inflow in the year for which levied.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Net position: In proprietary funds, fiduciary funds, and government-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted by enabling legislation as of June 30, 2013 consists of \$343,577 for categorical funding, \$1,205,171 for management levy purposes, \$48,175 for physical plant and equipment levy, \$549,564 for student activities, and \$93,524 for school infrastructure.

Net position flow assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

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

Budgets and budgetary control:

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's cash and pooled investment consisted of depository accounts at financial institutions including certificate of deposits. The District's deposits in banks as of June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
Capital Projects Fund	Nutrition Fund	100,000
Debt Service Fund	Capital Projects Fund	<u>2,077,774</u>
		<u>\$ 2,177,774</u>

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

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,172,030	\$ 188,525	\$ -	\$ 1,360,555
Construction in progress	4,221,574	4,551,246	1,078,704	7,694,116
Total capital assets not being depreciated	5,393,604	4,739,771	1,078,704	9,054,671
Capital assets being depreciated:				
Buildings	51,676,829	855,768	-	52,532,597
Improvements other than buildings	5,293,360	1,083,600	-	6,376,960
Furniture and equipment	7,336,969	182,553	62,331	7,457,191
Total capital assets being depreciated	64,307,158	2,121,921	62,331	66,366,748
Less accumulated depreciation for:				
Buildings	21,193,420	1,402,507	-	22,595,927
Improvements other than buildings	1,738,476	278,149	-	2,016,625
Furniture and equipment	6,130,378	216,481	20,049	6,326,810
Total accumulated depreciation	29,062,274	1,897,137	20,049	30,939,362
Total capital assets being depreciated, net	35,244,884	224,784	42,282	35,427,386
Governmental activities capital assets, net	\$ 40,638,488	\$ 4,964,555	\$ 1,120,986	\$ 44,482,057
Business-type activities:				
Furniture and equipment	\$ 1,282,815	\$ -	\$ 220	\$ 1,282,595
Less accumulated depreciation	458,936	85,563	129	544,370
Business-type activities capital assets, net	\$ 1,741,751	\$ (85,563)	\$ 91	\$ 738,225

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 4. Capital Assets (Continued)

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

Governmental activities:	
Instruction	\$ 1,513,069
Support services:	
Administration	103,039
Operation and maintenance of plant services	33,027
	<u>1,649,135</u>
Unallocated depreciation	248,002
Total governmental activities depreciation expense	<u><u>\$ 1,897,137</u></u>
Business-type activities, food service operations	<u><u>\$ 85,563</u></u>

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Capital loan note	\$ 1,200,000	\$ 2,975,000	\$ 2,075,000	\$ 2,100,000	\$ 2,100,000
Early retirement	327,300	306,400	217,139	416,561	263,361
Compensated absences	767,872	527,492	525,901	769,463	308,526
Net OPEB liability	612,058	188,368	27,666	772,760	-
Total	<u>\$ 2,907,230</u>	<u>\$ 3,997,260</u>	<u>\$ 2,845,706</u>	<u>\$ 4,058,784</u>	<u>\$ 2,671,887</u>
Business-type activities, net OPEB liability	<u>\$ 3,193</u>	<u>\$ 985</u>	<u>\$ -</u>	<u>4,178</u>	<u>\$ -</u>

Capital loan note: In July 2011, the District entered into a \$4,500,000 General Obligation School Capital Loan Note Anticipatory Note. The Note can be drawn in installments of \$5,000. The Note matures on June 1, 2014, or upon redemption prior thereto, and bears interest on the outstanding principal at a rate of 2.49%. Interest is payable on December 1 and June 1 until maturity. The notes are payable solely from the revenues of a voter-approved Physical Plant and Equipment Levy. The total principal and interest remaining to be paid on the notes as of June 30, 2013 was \$2,101,415. During the year ended June 30, 2013, \$2,075,000 of principal and \$2,774 of interest was paid on the bonds. The Physical Plant and Equipment Levy revenues were \$1,710,521.

Subsequent to June 30, 2013, \$2,100,000 was paid on the note on July 16, 2013 and \$1,200,000 was borrowed on August 30, 2013.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

Early retirement: The District offers a voluntary early retirement plan to its certified, administrative and classified employees. Eligible employees must be at least age 55 and employees must have completed 15 years of service to the District. Employees must complete an application which is required to be approved by the Board of Education.

For administrative and certified personnel, the early retirement incentive for each eligible employee is equal to 50 percent of the employee's base salary calculated by using the current year regular salary schedule. For classified personnel, the early retirement incentive for each eligible employee is the product of 50 percent of the number of unused sick leave days (limited to a maximum number of days in the employee's letter of assignment) times the employee's hourly wage rate on the last day of employment times the daily hours worked.

As of June 30, 2013, the District had obligations to 22 participants with a total liability of \$416,561. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$217,139. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements. Early retirement obligations are generally liquidated by the Management Fund or the General Fund.

Note 6. Other Postemployment Benefits (OPEB)

Plan description: The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 313 active and 20 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 6. Other Postemployment Benefits (OPEB) (Continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 214,329
Interest on net OPEB obligation	15,461
Adjustment to annual required contribution	<u>(40,437)</u>
Annual OPEB cost	189,353
Contributions made	<u>27,666</u>
Increase in net OPEB obligation	161,687
Net OPEB obligation beginning of year	615,251
Net OPEB obligation end of year	<u><u>\$ 776,938</u></u>

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, 2013 and the two preceding years are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	194,092	12.0%	440,052
June 30, 2012	197,827	11.4%	615,251
June 30, 2013	189,353	14.7%	776,938

Funded status and funding progress: As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,539,858, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,539,858. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$22,555,000 and the ratio of the UAAL to covered payroll was 6.83 percent. As of June 30, 2013, there were no trust fund assets.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 6. Other Postemployment Benefits (OPEB) (Continued)

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 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, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 6 percent.

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

The UAAL is being amortized as a level dollar of projected payroll expense on a closed basis over 30 years.

Note 7. Transportation Contract

The District entered into a transportation contract/equipment lease, effective July 1, 2007, for busing equipment and services required for the busing of all District students. The terms call for the leasing of 30 buses at varying rates per bus. All services are provided by the lessor. The lease runs for six years, beginning July 1, 2007, and can be renewed for two additional three-year terms. For the year ended June 30, 2013, the equipment portion of the lease called for payments of \$1,600 per bus for 27 buses at 12 months per year, or an annual payment of \$518,400. The lease payments for the year ended June 30, 2013, totaled \$914,796.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78 percent of their annual covered salary and the District is required to contribute 8.67 percent of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$1,913,050, \$1,681,046, and \$1,344,502, respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for incurred but unpaid claims. Changes in the claims liability amounts for the years ended June 30, 2013 and 2012 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claim Payments	Ending
2013	\$ 487,047	\$ 3,760,594	\$ 3,693,601	\$ 554,040
2012	153,289	3,707,976	3,374,218	487,047

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,476,199 for the year ended June 30, 2013 and is recorded in the General Fund.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding as of June 30, 2013 is comprised of the following programs:

Program	Amount
Professional development for model core curriculum	\$ 187,295
Four-year old preschool program	105,367
Limited english proficiency	26,892
Market factor incentives	10,297
Other	11,726
State decategorization	2,000
Total	\$ 343,577

Note 12. Commitments

The District has entered into various contracts totaling \$10,478,095 for administrative building expansion, and elementary, junior high and high school classroom additions. As of June 30, 2013, costs of \$8,071,573 had been incurred against the contracts. The balance of \$2,406,522 remaining as of June 30, 2013 will be paid as work on the projects progress.

In June 2012, the District signed a proposal regarding transfer of approximately 14 acres of land from Eastern Iowa Community College to the District. In return the District would provide improvements to the soccer field and baseball field. In addition, beginning in the fall of 2013 and continuing for four years, the District will contribute \$25,000 annually to Scott Community College Foundation and \$25,000 annually to fund an endowment with Pleasant Valley Educational Foundation for scholarships for the District students to attend Scott Community College.

Note 13. Governmental Accounting Standards Board (GASB)

The District adopted the following statements during the year ended June 30, 2013:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnerships.

GASB Statement No 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. This Statement is intended to improve financial reporting for governmental financial reporting entities by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 13. Governmental Accounting Standards Board (GASB) (Continued)

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

The implementation of the above statements did not have a material impact to the District's financial statements other than GASB Statement No. 63 and No. 65. The adoption of these Statements changed the presentation of the basic financial statements to a statement of net position format.

As of June 30, 2013, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 66, *Technical Corrections – 2012*, issued April 2012, will be effective for the District with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the District beginning with its year ending June 30, 2014. This Statement revises existing guidance for the financial reports of most pension plans. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

Pleasant Valley Community School District

Notes to Basic Financial Statements

Note 13. Governmental Accounting Standards Board (GASB) (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the District beginning with its year ending June 30, 2015. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, is effective for the District beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013, is effective for the District beginning with its year ending June 30, 2014. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The District's management has not yet determined the effect these GASB Statements will have on the District's financial statements.

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Pleasant Valley Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Enterprise Fund
Required Supplementary Information
Year Ended June 30, 2013**

	Governmental Funds - Actual	Enterprise Fund - Actual	Total Actual
Revenues:			
Local sources	\$ 23,984,440	\$ 1,255,433	\$ 25,239,873
State sources	19,450,611	12,293	19,462,904
Federal sources	698,506	407,667	1,106,173
Total revenues	44,133,557	1,675,393	45,808,950
Expenditures/expenses:			
Instruction	26,410,652	-	26,410,652
Support services	10,429,473	86,358	10,515,831
Noninstructional programs	17,808	1,623,660	1,641,468
Other expenditures	9,739,556	-	9,739,556
Total expenditures/expenses	46,597,489	1,710,018	48,307,507
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,463,932)	(34,625)	(2,498,557)
Other financing sources (uses):			
Capital loan note issuance	2,975,000	-	2,975,000
Proceeds from sale of capital assets	502	-	502
Interfund transfers in	2,177,774	-	2,177,774
Interfund transfers out	(2,077,774)	(100,000)	(2,177,774)
Total other financing sources (uses)	3,075,502	(100,000)	2,975,502
Net change in fund balance	611,570	(134,625)	476,945
Balance, beginning of year	4,914,753	1,129,231	6,043,984
Balance, end of year	<u>\$ 5,526,323</u>	<u>\$ 994,606</u>	<u>\$ 6,520,929</u>

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 24,770,481	\$ 24,770,481	\$ 469,392
19,587,975	19,587,975	(125,071)
925,194	925,194	180,979
45,283,650	45,283,650	525,300
26,774,820	30,448,800	4,038,148
10,926,469	12,321,334	1,805,503
1,706,997	2,452,456	810,988
8,864,978	10,733,527	993,971
48,273,264	55,956,117	7,648,610
(2,989,614)	(10,672,467)	8,173,910
2,855,000	2,855,000	120,000
-	-	502
2,750,682	2,750,682	(572,908)
(2,750,682)	(2,750,682)	572,908
2,855,000	2,855,000	120,502
(134,614)	(7,817,467)	8,294,412
6,043,984	6,043,984	-
\$ 5,909,370	\$ (1,773,483)	\$ 8,294,412

Pleasant Valley Community School District

Note to Required Supplementary Information – Budgetary Reporting

Note 1. Budgets and Budgetary Information

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes or expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$7,682,853.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Pleasant Valley Community School District

**Required Supplementary Information
 Schedule of Funding Progress for the Retiree Health Plan
 Year Ended June 30, 2013**

Year Ended June 30:	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	7/1/2008	\$ -	\$ 1,253	\$ 1,253	0.00%	\$ 19,093	6.56%
2010	7/1/2008	-	1,253	1,253	0.00%	19,093	6.56%
2011	7/1/2010	-	1,576	1,576	0.00%	19,345	8.15%
2012	7/1/2010	-	1,576	1,576	0.00%	19,345	8.15%
2013	7/1/2012	-	1,540	1,540	0.00%	22,555	6.83%

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

Note: Amounts reported in thousands.

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Pleasant Valley Community School District

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Assets				
Cash and pooled investments	\$ 1,202,461	\$ 689,436	\$ -	\$ 1,891,897
Receivables:				
Property tax:				
Current year	3,083	-	-	3,083
Succeeding year	590,000	-	-	590,000
Accounts	354	-	-	354
Prepaid items	-	2,182	-	2,182
Total assets	\$ 1,795,898	\$ 691,618	\$ -	\$ 2,487,516
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 42,286	\$ -	\$ 42,286
Due to other governments	727	40	-	767
Unearned revenue	-	99,728	-	99,728
Total liabilities	727	142,054	-	142,781
Deferred inflows of resources, Unavailable revenue-succeeding year property tax	590,000	-	-	590,000
Fund balances:				
Nonspendable	-	2,182	-	2,182
Restricted	1,205,171	547,382	-	1,752,553
Total fund balances	1,205,171	549,564	-	1,754,735
Total liabilities, deferred inflows of resources and fund balances	\$ 1,795,898	\$ 691,618	\$ -	\$ 2,487,516

Pleasant Valley Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013**

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 623,057	\$ -	\$ -	\$ 623,057
Other	55,855	742,365	-	798,220
State sources	249	-	-	249
Total revenues	679,161	742,365	-	1,421,526
Expenditures:				
Current:				
Instruction	203,589	703,471	-	907,060
Support services:				
Student services	2,977	-	-	2,977
Instructional staff services	3,370	-	-	3,370
Administration services	68,150	542	-	68,692
Operation and maintenance of plant services	210,881	10,885	-	221,766
Transportation services	2,707	-	-	2,707
Noninstructional programs	17,686	-	-	17,686
Debt Service:				
Principal	-	-	2,075,000	2,075,000
Interest	-	-	2,774	2,774
Total expenditures	509,360	714,898	2,077,774	3,302,032
Other financing sources (uses):				
Transfers in	-	-	2,077,774	2,077,774
Total other financing sources (uses)	-	-	2,077,774	2,077,774
Net change in fund balances	169,801	27,467	-	197,268
Fund balances, beginning of year	1,035,370	522,097	-	1,557,467
Fund balances, end of year	\$ 1,205,171	\$ 549,564	\$ -	\$ 1,754,735

Pleasant Valley Community School District

Schedule of Combining Balance Sheet
 Capital Project Fund - By Account
 June 30, 2013

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 57,392	\$ 164,588	\$ 221,980
Receivables:			
Property tax:			
Current year	-	10,194	10,194
Succeeding year	-	2,020,000	2,020,000
Due from other governments	716,652	-	716,652
Total assets	\$ 774,044	\$ 2,194,782	\$ 2,968,826
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable	680,520	119,433	799,953
Due to other governments	-	7,174	7,174
Total liabilities	680,520	126,607	807,127
Deferred Inflows of Resources:			
Unavailable revenue-succeeding year property tax	-	2,020,000	2,020,000
Unavailable revenue-statewide sales and services tax	172,200	-	172,200
Total deferred inflows of resources	172,200	2,020,000	2,192,200
Fund Balances:			
Restricted for:			
Physical plant and equipment	-	48,175	48,175
Unassigned	(78,676)	-	(78,676)
Total fund balances	(78,676)	48,175	(30,501)
Total liabilities and fund balances	\$ 774,044	\$ 2,194,782	\$ 2,968,826

Pleasant Valley Community School District

Schedule of Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Capital Project Fund - By Account
 Year Ended June 30, 2013

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 3,431,450	\$ 2,130,952	\$ 5,562,402
Other	2,748	80,027	82,775
State sources	-	818	818
Federal sources	-	15,852	15,852
Total revenues	3,434,198	2,227,649	5,661,847
Expenditures:			
Current:			
Instruction	-	269,466	269,466
Support services:			
Instructional staff services	-	62,860	62,860
Administration services	-	116,525	116,525
Operation and maintenance of plant services	-	223,155	223,155
Other expenditures, facilities acquisition	4,142,802	2,042,781	6,185,583
Debt service, interest	-	-	-
Total expenditures	4,142,802	2,714,787	6,857,589
Excess (deficiency) of revenues over (under) expenditures	(708,604)	(487,138)	(1,195,742)
Other financing sources (uses):			
Capital loan note issued	-	2,975,000	2,975,000
Transfers in	1,010,000	530,000	1,540,000
Transfers out	(530,000)	(2,987,774)	(3,517,774)
Total other financing sources (uses)	480,000	517,226	997,226
Net change in fund balance	(228,604)	30,088	(198,516)
Fund balance, beginning of year	149,928	18,087	168,015
Fund balance (deficit), end of year	\$ (78,676)	\$ 48,175	\$ (30,501)

Pleasant Valley Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary and Junior High Activities:				
P.V.J.H. Athletics	\$ 4,626	\$ 3,316	\$ 1,871	\$ 6,071
P.V.J.H. Band	76	2,040	1,672	444
P.V.J.H. Vocal Music	236	238	56	418
P.V.J.H. Bookstore	89	84	-	173
P.V.J.H. Drama	7,049	3,725	2,896	7,878
P.V.J.H. Chorus	2,552	7,620	6,650	3,522
P.V.J.H. General Activities	9,926	4,312	4,801	9,437
P.V.J.H. PTA	1,505	1,296	1,293	1,508
P.V.J.H. Home Economics	974	380	110	1,244
P.V.J.H. Quest Program	327	-	-	327
P.V.J.H. Science	14	-	-	14
P.V.J.H. Special Olympics	197	-	-	197
P.V.J.H. Student Council	900	2,372	2,413	859
P.V.J.H. Weightlifting Club	-	3,660	2,957	703
P.V.J.H. Orchestra	-	3,410	3,299	111
P.V.J.H. Yearbook	2,564	11,642	8,932	5,274
Bridgeview Bookstore	577	955	1,000	532
Bridgeview General Activities	11,069	6,450	4,767	12,752
Bridgeview Student Activity	123	50	164	9
Bridgeview Vocal Music	298	200	303	195
Cody Band	7	-	4	3
Cody Book Club	525	570	566	529
Cody Bookstore	295	-	-	295
Cody Candy Sales	505	2,303	2,340	468
Cody General Activities	19,410	5,569	3,519	21,460
Cody Student Fund	429	-	-	429
Cody Vocal Music	624	200	296	528
Cody Yearbook	3,699	1,659	1,504	3,854
Cody Student Council	65	-	-	65
Hopewell General Activities	3	1,820	774	1,049
Hopewell PTA	9,066	11,856	13,857	7,065
Hopewell Book Club	384	1,111	384	1,111
Hopewell Vocal Music	-	200	196	4
Hopewell Yearbook	5	3,441	3,268	178
Pleasant View General Activities	16,082	5,895	11,185	10,792
Pleasant View PTA	8,490	19,413	22,747	5,156
Pleasant View Vocal Music	362	200	-	562
Pleasant View Book Club	529	2,540	2,456	613
Pleasant View Yearbook	-	7,584	6,992	592
Riverdale Book Club	5,145	735	-	5,880
Riverdale Bookstore	249	-	-	249
Riverdale Jump for Heart	42	-	-	42
Riverdale General Activities	12,500	3,215	3,736	11,979
Riverdale PTA	176	9,734	5,753	4,157
Riverdale Student Council	1,652	-	-	1,652

(Continued)

Pleasant Valley Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts (Continued)
 Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary and Junior High Activities:				
Riverdale Science	\$ 853	\$ -	\$ 10	\$ 843
Riverdale Band	500	-	-	500
Riverdale Vocal Music	528	-	315	213
Riverdale Yearbook	-	5,900	5,367	533
District-Wide Garage Sale	1,433	-	187	1,246
District-Wide Wellness	219	-	-	219
Interest	40,372	1,130	-	41,502
6th Grade Choir	-	525	172	353
High School Activities:				
General Administrative	2,112	3,341	4,265	1,188
Clubs and Organizations	28,034	32,929	31,744	29,219
Drama	26,504	38,930	18,921	46,513
Therapy Dog	-	2,105	56	2,049
High School Athletics	144,768	53,378	87,744	110,402
Sparkles	3,727	50	304	3,473
Music Clubs	36,463	37,573	36,123	37,913
Habitat	1,088	868	1,956	-
Knowledge Bowl	-	6,180	6,180	-
Mock Trial	165	427	592	-
Casey's Award	941	-	-	941
FCCLA	-	2,625	1,588	1,037
Croquet/Gentlemen's Club	151	-	-	151
PV Pals	424	-	56	368
PV Shining Stars	1,128	205	585	748
PVMCSA	145	-	-	145
Event Planning Class	89	6,514	6,603	-
Multi-occupations	72	-	-	72
First Robotics Club	-	500	462	38
Academic Resale	2,204	-	-	2,204
Valenian	-	54,365	30,721	23,644
Athletic Support Groups	85,497	189,350	196,359	78,488
Interest	21,334	13,848	-	35,182
Intrafund Transfers	-	161,827	161,827	-
Total	\$ 522,097	\$ 742,365	\$ 714,898	\$ 549,564

Pleasant Valley Community School District

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Fund

Year Ended June 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 26,552	\$ 107,455	\$ 106,198	\$ 27,809
Total assets	\$ 26,552	\$ 107,455	\$ 106,198	\$ 27,809
Liabilities				
Accounts payable	\$ 465	\$ 71,379	\$ 67,154	\$ 4,690
Other payables	26,087	115,162	118,130	23,119
Total liabilities	\$ 26,552	\$ 186,541	\$ 185,284	\$ 27,809

Pleasant Valley Community School District

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds - Modified Accrual Basis

Last Ten Years

	Years Ended June 30:			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 20,666,033	\$ 19,183,890	\$ 18,102,184	\$ 16,347,650
Tuition	1,854,523	1,996,345	1,987,224	1,870,960
Other	1,463,884	1,531,422	1,499,540	1,428,429
Intermediate sources	-	-	-	-
State sources	19,450,611	18,487,056	16,628,060	14,308,611
Federal sources	698,506	1,350,925	886,727	2,563,579
Total revenues	\$ 44,133,557	\$ 42,549,638	\$ 39,103,735	\$ 36,519,229
Expenditures:				
Instruction	\$ 26,410,652	\$ 25,271,552	\$ 23,782,798	\$ 22,789,053
Support services:				
Student services	1,351,144	1,141,984	1,002,834	989,168
Instructional staff services	1,516,098	1,704,452	1,241,087	1,416,350
Administration services	3,577,108	3,496,290	3,200,486	3,085,309
Operation and maintenance of plant services	2,699,383	2,575,190	2,348,522	2,268,270
Transportation services	1,285,740	1,362,563	1,476,472	1,359,967
Central and other support services	-	-	-	-
Noninstructional programs	17,808	24,476	31,633	34,120
Other expenditures:				
Facilities acquisition	6,185,583	6,914,507	3,707,280	8,479,269
Long-term debt:				
Principal	2,075,000	1,050,000	-	-
Interest and fiscal charges	2,774	13,174	-	-
AEA flowthrough	1,476,199	1,380,061	1,426,627	1,378,910
Total expenditures	\$ 46,597,489	\$ 44,934,249	\$ 38,217,739	\$ 41,800,416

							Years Ended June 30:					
2009		2008		2007		2006		2005		2004		
\$	16,046,535	\$	14,640,807	\$	13,847,708	\$	13,203,261	\$	12,554,703	\$	12,514,026	
	1,860,076		2,065,220		1,796,259		1,713,736		1,399,116		1,230,012	
	1,548,385		1,323,572		1,600,321		1,575,514		1,886,916		1,645,656	
	-		-		-		-		-		5,362	
	16,083,230		15,093,333		13,645,019		12,432,419		11,960,868		10,420,014	
	939,513		494,426		429,739		488,597		338,066		397,878	
\$	36,477,739	\$	33,617,358	\$	31,319,046	\$	29,413,527	\$	28,139,669	\$	26,212,948	
<hr/>												
\$	21,884,158	\$	20,201,496	\$	18,647,048	\$	13,233,621	\$	12,464,043	\$	12,147,421	
	985,819		828,575		863,301		1,184,164		1,404,326		688,197	
	1,354,842		1,164,236		1,143,765		2,557,612		2,183,842		2,008,349	
	3,048,787		2,892,734		2,694,447		2,166,720		1,991,262		1,690,047	
	2,358,107		2,429,130		2,110,392		1,077,201		951,153		905,464	
	1,364,899		1,255,851		1,148,507		-		-		-	
	-		-		-		-		-		5,220	
	27,014		8,482		5,619		4,376		34,014		31,111	
	2,999,831		1,730,515		2,622,079		2,713,005		3,796,019		2,320,548	
	17,037		100,008		94,271		110,645		-		-	
	109		2,869		8,606		10,086		-		-	
	1,213,051		1,105,685		1,013,545		924,268		871,361		849,410	
\$	35,253,654	\$	31,719,581	\$	30,351,580	\$	23,981,698	\$	23,696,020	\$	20,645,767	

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Pleasant Valley Community School District

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Federal Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY13 4552	\$ 24,805
National School Lunch Program	10.555	FY13 4553	273,625
National School Lunch Program (Noncash)	10.555	FY13	109,237
Total U.S. Department of Agriculture			<u>407,667</u>
U.S. Department of Transportation:			
Iowa Department of Education:			
Highway Planning Construction, Safe Routes to School	20.205	FY13 4689	<u>1,872</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	FY13 4501	<u>134,054</u>
Improving Teacher Quality State Grants	84.367	FY13 4643	<u>71,178</u>
Grants for State Assessments and Related Activities	84.369	FY13 4648	<u>25,584</u>
Mississippi Bend Area Education Agency:			
Special Education - Grants to States IDEA, Part B	84.027	FY13 4521	<u>187,398</u>
Career and Technical Education - Basic Grants to States	84.048	FY13 4531	<u>2,761</u>
Total U.S. Department of Education			<u>420,975</u>
U.S. Department of Health and Human Services:			
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	FY13 4577	<u>575</u>
Total expenditures of federal awards			<u>\$ 831,089</u>

See notes to schedule of expenditures of federal awards.

Pleasant Valley Community School District

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of Pleasant Valley Community School District under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Pleasant Valley Community School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Pleasant Valley Community School District.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual or accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue from federal awards is recognized when the District has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal awards is recognized when it is both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Pleasant Valley Community School District

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013**

	Findings	Status	Corrective Action Plan or Other Explanation
Other Findings Related to Statutory Reporting:			
IV-F-12	The District did not publish the Board minutes within two weeks of the meeting.	Not corrected.	See response and corrective action plan at IV-F-13.
IV-G-12	The District had a variance of one student in the certified enrollment certification.	Corrected.	

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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
Pleasant Valley Community School District
Bettendorf, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pleasant Valley Community School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pleasant Valley Community School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
October 16, 2013

**Independent Auditor's Report on Compliance For Each
Major Federal Program and Report on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Pleasant Valley Community School District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
October 16, 2013

Pleasant Valley Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Part I: Summary of the Independent Auditor's Results

- a) Unmodified opinions were issued on the financial statements.
- b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any noncompliance which is material to the financial statements.
- d) A significant deficiency over internal control over major programs is identified by the audit of the financial statements.
- e) Type of auditor's reports issued on compliance for each major program: Unmodified
- f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
 - Child Nutrition Program Cluster:
 - CFDA 10.553 School Breakfast Program
 - CFDA 10.555 National School Lunch Program
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Pleasant Valley Community School District qualified as a low-risk auditee.

(Continued)

Pleasant Valley Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Part II: Findings Related to the Basic Financial Statements

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

2013-001

**U.S. Department of Agriculture
Passed Through Iowa Department of Education
Child Nutrition Cluster Program:
School Breakfast Program (CFDA 10.553)
National School Lunch Program (CFDA 10.555)
Federal Award Year 2013**

Finding: The District does not have an adequate system in place for documentation of suspension and debarment requirements.

Criteria: The Office of Management and Budget requires federal programs that enter into procurement contracts expected to equal or exceed \$25,000 to obtain verification that the vendor has not been suspended or debarred. This verification may be accomplished by documenting results of searching the excluded parties list on the federal government database site or collecting a certification from the vendor.

Condition: The District did not require vendors bidding on goods and services outside of the consortium for the Child Nutrition Cluster Program to provide evidence that they have not been suspended or debarred. The District did not document a search of the federal government database site.

Context: There were three invitations to vendors for bids outside of the consortium.

Effect: The District may contract with a vendor that has been suspended and debarred.

Pleasant Valley Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Cause: The District was not aware that this requirement applied to vendors outside of the purchasing consortium process.

Recommendation: We recommend the District require bidders to include a certification that they have not been suspended or debarred in their response.

Response and Corrective Action Plan: The District will require vendors to provide the required certification or maintain documentation that a search was performed on the federal database site prior to entering into a contract.

Part IV: Other Findings Related to Statutory Reporting

IV-A-13

Certified Budget – Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted at year-end.

IV-B-13

Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-13

Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13

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

IV-E-13

Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

(Continued)

Pleasant Valley Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

IV-F-13

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

Finding: In accordance with Chapters 279.35 and 279.36, the Board of Education meeting minutes must be published within 2 weeks in a community paper. Three of the four selected meetings tested did not have the minutes published within the required time frame.

Recommendation: We recommend the District publish the minutes for each Board meeting within the required time frame.

Response and Corrective Action Plan: The District will review options for publication of Board minutes to comply with state requirements.

Conclusion: Response accepted.

IV-G-13

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

IV-H-13

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

IV-I-13

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

IV-J-13

Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-13

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

(Continued)

Pleasant Valley Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

IV-L-13

Statewide Sales and Services Tax – No instances of noncompliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales and services tax revenue in the District’s CAR:

Beginning balance	\$	149,928
Revenue / transfers in:		
Statewide sales and services tax revenue		3,431,450
Interest		2,748
Transfers in/other		1,010,000
Expenditures/transfers out:		
Transfers out		530,000
School infrastructure:		
Buildings		4,142,802
Ending balance	\$	<u>(78,676)</u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	<hr/>	<hr/>
Debt service levy	\$ 2.69000	\$ 3,431,450

IV-M-13

Deficit Balances:

Observation: The Capital Projects Fund has a deficit fund balance as of June 30, 2013.

Recommendation: We recommend the District continue to monitor the fund balance.

Response and Corrective Action Plan: The deficit fund balance is a result of retainages payable as of June 30, 2013. The District prudently only draws on the capital loan note when the cash flow is required.

Conclusion: Response accepted.

Pleasant Valley Community School District

**Corrective Action Plan
Year Ended June 30, 2013**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiency over Federal Awards:				
2013-001	The District does not have an adequate system in place for documentation of suspension and debarment requirements.	See response and corrective action plan at 2013-001.	Fiscal Year 2014	Andrea Mahler
Other Findings Related to Required Statutory Reporting:				
IV-F-13	The District did not publish the Board minutes within two weeks of the meeting.	See response and corrective action plan at IV-F-13.	Fiscal Year 2014	Mike Clingingsmith
IV-M-13	The Capital Projects Fund has a deficit fund balance.	See response and corrective action plan at IV-M-13.	Fiscal Year 2014	Mike Clingingsmith



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

In connection with our audit of the financial statements of the Pleasant Valley Community School District as of and for the year ended June 30, 2013, we identified deficiencies in internal control over financial reporting (control deficiencies).

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

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

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

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

- The District has consistently used the full year depreciation method for general assets and the method of taking no depreciation in the first year for nutrition fund assets. Business Procedures Series 800 – Fixed Asset Capitalization – states that general assets should use actual month method of depreciation and nutrition fund assets should take depreciation in the first year if purchased in the first half of the fiscal year. We recommend the policy be revised to reflect consistent past practice.
- The District currently obtains certifications for the Food Service employees annually through the contract and letter of assignment process. The Office of Management and Budget requires employees that are expected to work solely on a single federal award to prepare semi-annual certifications signed by the employee stating the employee worked solely on that program for the period covered by the certification. We recommend the District consider a semi-annual certification process for the Food Service employees to comply with the federal documentation requirements.

- The year-end sales report for the food service program reported a reconciling difference between total food sales and the total cash collected of approximately \$32,000. The difference occurs when the total deposit for the day is not entered into the food service software program timely. Entering the deposit into the program is a control point to ensure the amounts collected agree to the amounts entered into student accounts. In order to improve controls over the food service receipts, we recommend the District require the daily deposit for food service to be timely entered into the food service program and the Food Service Director to review monthly reports to ensure the sales and cash collected reconcile.
- The District's General Athletic Supplies expenditure account in the Student Activity Fund includes an invoice for shirts for the high school. The invoice did not specify the purpose of the purchase and there was no documentation as to whether the shirts were for students or District employees or both. The State Auditor's Office and the Iowa Department of Education issued updated guidance during fiscal year 2013 regarding expenditures in Student Activity Funds. The guidance specifically addresses shirts, jackets, or other clothing items purchased in the Student Activity Fund and the documentation required. We recommend the District implement a documentation requirement of public purpose and benefit as well as consideration of the IRS rules when providing clothing to employees.

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

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
October 16, 2013