



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE February 13, 2006

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on Perry Community School District in Perry, Iowa.

The District's revenues totaled \$16,754,347 for the year ended June 30, 2005. Revenues included \$4,529,524 in local taxes, charges for service of \$1,074,349, operating grants, contributions and restricted interest of \$2,442,993, capital grants, contributions and restricted interest of \$71,990, local option sales and services tax of \$713,794, income surtax of \$526,000, unrestricted state grants and contributions of \$7,303,408, unrestricted investment earnings of \$85,344 and other general revenues of \$6,945.

Expenses for District operations totaled \$16,682,300. Expenses included \$9,672,594 for instruction, \$4,479,939 for support services, \$1,579,163 for other expenditures and \$950,604 for food service operations.

The report contains recommendations to the Board to review operating procedures over various accounts and activities, including concession sales, lunch sales, vending machine collections, gate admissions and fundraisers, to obtain the maximum internal control possible under the circumstances. The report also included recommendations for compliance with various statutory requirements. The District's responses to the recommendations are included in the report.

A copy of the audit report is available for review in the District Secretary's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**PERRY COMMUNITY SCHOOL DISTRICT**

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

**JUNE 30, 2005**

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**Perry Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2004 Election)</b>		
Kent Fredrichsen	President	2006
Gary Huitt	Vice President	2006
Larry Lyons	Board Member	2004
David Menz	Board Member	2005
Kathryn Powell	Board Member	2006
<b>Board of Education</b>		
<b>(After September 2004 Election)</b>		
Kent Fredrichsen	President	2006
Gary Huitt	Vice President	2006
David Menz	Board Member	2005
Kathryn Powell	Board Member	2006
Scott Seeley	Board Member	2007
<b>School Officials</b>		
Dr. Randall McCaulley	Superintendent	2005
Shelly Clifford	District Secretary - appointed	2005
Dwayne Hochhalter	District Treasurer – appointed	2005
Brian Gruhn	Attorney - appointed	2005

**Perry Community School District**



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Independent Auditor's Report

To the Board of Education of  
Perry Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Perry Community School District, Perry Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Perry Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2005 on our consideration of Perry Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 18 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Perry Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The financial statements for the two years ended June 30, 2004 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The report of the other auditors stated the other supplementary information for the years ended June 30, 2004 and June 30, 2003 was subject to auditing procedures applied in their audit of the basic financial statements and, in their opinion, was fairly stated in all material respects in relation to the financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 21, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Perry Community School District is pleased to provide this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the District's financial performance is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

During fiscal year 2005, beginning net assets for governmental activities were restated (increased) by \$810,544 to correct errors in reporting prior year local option sales and services tax receivable, income surtax receivable and internal service activity. Beginning net assets for the business type activities were restated (decreased) by \$124,437 to correct an error in reporting internal service fund activity. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2004 amounts have been revised to reflect the change as if they had been made in the prior year.

- General Fund revenues increased from \$13,777,057 in fiscal 2004 to \$13,798,936 in 2005, a revenue increase of just \$21,879. General Fund expenditures increased from \$13,484,816 in 2004 to \$13,812,811 for fiscal year 2005, an increase of \$327,995. The District's General Fund balance decreased from \$128,291 at the end of fiscal year 2004 to \$112,116, a decrease of 12.6 percent.
- The General Fund solvency ratio has increased slightly for each of the last four years, from a low of -2.92% for fiscal year 2001 to a positive ratio of .65% for fiscal year 2005. The solvency ratio is widely used as a comparative tool and considered to be a good measure of a District's financial health. A graph showing nine years of solvency ratio history is included later in this section.
- The total of state and local General Fund revenues for fiscal year 2005 increased by more than \$400,000 over the prior year. However, federal revenues for that same period decreased by about \$566,000. This decrease in federal funding was primarily seen in the PACES (Perry's Academic, Cultural, and Enrichment Services) program. A multi-year \$1.8 million Federal grant for this program ended in 2004 and the District is currently funding the program entirely from local participation fees, private donations, corporate grants and other General Fund revenues.
- The District has utilized local option sales and services tax (LOSST) revenues for existing debt reduction and some new capital projects. The District's share of the 2005 LOSST revenues received from Boone, Dallas and Green Counties totaled \$713,794. Nearly all of this amount was budgeted for debt service payments of principal and interest on existing bond issue obligations. The District has committed a large portion of these revenues for debt service as a financial strategy to keep local property tax rates relatively stable. Local analysts have projected the Dallas County LOSST revenues will increase steadily each year.

### **Overview of the Financial Statements**

This annual report consists of five parts:

1. Management's Discussion and Analysis (this section)
2. Basic Financial Statements
3. Notes to Financial Statements
4. Required Supplementary Information
5. Other Supplementary Information.

The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first, the Statement of Net Assets and the Statement of Activities, are *District-wide Financial Statements* that provide information about the District as a whole and present an overall view of the District's finances.
- The second are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements, as follows:
  - The *Governmental Fund Statements* explain how basic services, such as regular and special education, were financed in the *short term* as well as what remains for future spending.
  - The *Proprietary Fund Statements* offer *short- and long-term* financial information about the activities the District operates *like a business*, such as food services.
  - The statements for *Fiduciary Funds* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, such as scholarship trusts.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The statements are followed by a section of Required Supplementary Information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

The following diagram, Figure A-1, shows how the various parts of this annual report are arranged and related to one another.

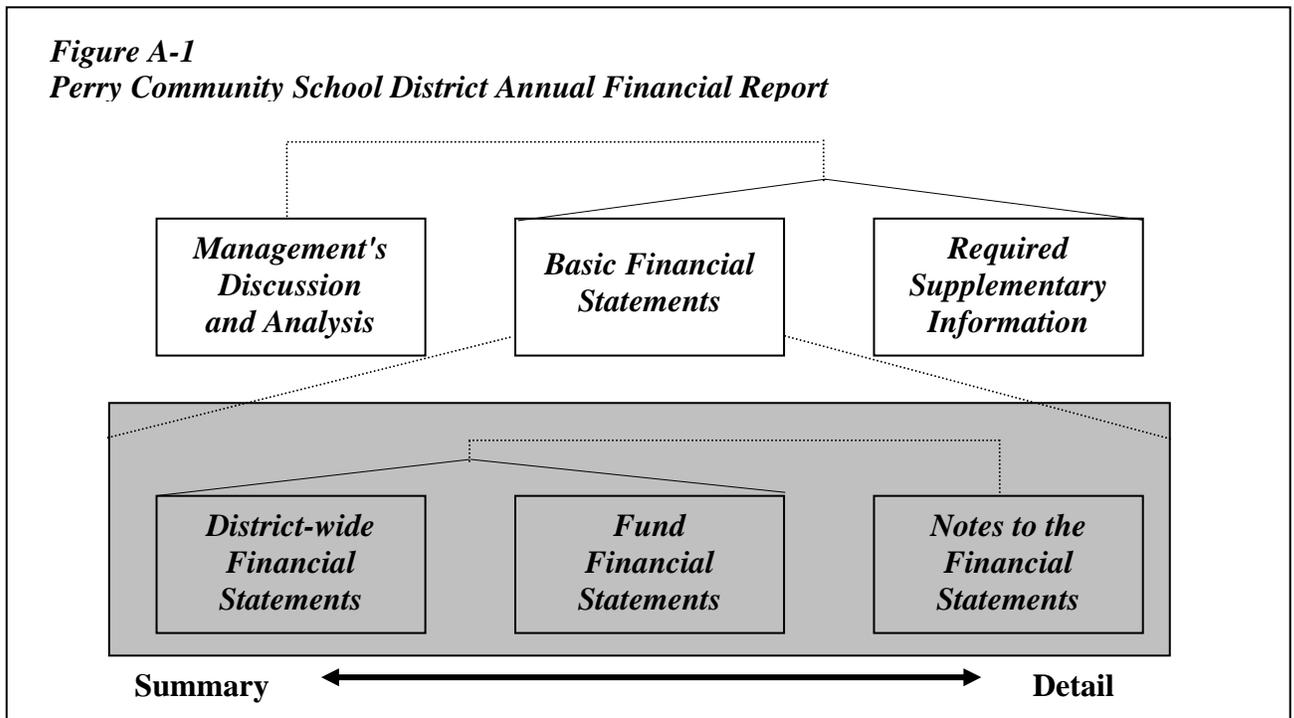


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

<i>Figure A-2</i>				
<b><i>Major Features of the District-Wide and Fund Financial Statements</i></b>				
	District-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, such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs.
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets Statement of revenues, expenses and changes in net assets	Statement of fiduciary net assets
	Statement of activities	Statements of revenues, expenditures and changes in fund balances	Statement of cash flows	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 after	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

## **District-wide Financial Statements**

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

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating.
- To assess the District's overall health, readers should consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's food services are included here, as reported in the School Nutrition Fund.

## **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 or by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for various student activity funds or to demonstrate it is properly using certain revenues.

The District has three types of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end 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 District-wide statements, reconciliations between the District-wide financial statements and the fund financial statements follow the fund financial statements.
  - The District's governmental funds include the General Fund, the Special Revenue Funds, the Capital Projects 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.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - The District's *enterprise funds*, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
  - *Internal service funds*, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently uses an internal service fund to account for employee benefits.
  - The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.
- *Fiduciary funds:* The District serves as the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds – These are funds for which the District administers and accounts for revenues and expenditures for the City of Perry's share of local option sales and services tax, early retiree health and dental insurance and COBRA insurance payments.

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

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

### Financial Analysis of the District as a Whole

**Net Assets** – Figure A-3 provides a summary of the District's net assets for the year ended June 30, 2005 compared to 2004.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
	Governmental Activities		Business Type Activities		Total School District		Percent Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 10,626,863	12,253,344	174,502	166,983	10,801,365	12,420,327	-13.03%
Capital assets	17,306,019	17,529,370	281,513	306,684	17,587,532	17,836,054	-1.39%
Total assets	<u>27,932,882</u>	<u>29,782,714</u>	<u>456,015</u>	<u>473,667</u>	<u>28,388,897</u>	<u>30,256,381</u>	-6.17%
Long-term liabilities	13,053,059	13,551,060	587	-	13,053,646	13,551,060	-3.67%
Other liabilities	9,304,022	10,731,616	71,717	86,240	9,375,739	10,817,856	-13.33%
Total liabilities	<u>22,357,081</u>	<u>24,282,676</u>	<u>72,304</u>	<u>86,240</u>	<u>22,429,385</u>	<u>24,368,916</u>	-7.96%
Net assets:							
Invested in capital assets, net of related debt	4,811,019	4,474,370	281,513	339,847	5,092,532	4,814,217	5.78%
Restricted	503,602	611,976	-	-	503,602	611,976	-17.71%
Unrestricted	261,180	413,692	102,198	47,580	363,378	461,272	-21.22%
Total net assets	<u>\$ 5,575,801</u>	<u>5,500,038</u>	<u>383,711</u>	<u>387,427</u>	<u>5,959,512</u>	<u>5,887,465</u>	1.22%

As shown in figure A-3, current and other assets decreased by about 13 percent, or by approximately \$1.6 million, from the prior year and other liabilities decreased by about 13 percent. These decreases were primarily due to the District's reduced participation in the Iowa School Cash Anticipation Program (ISCAP) during FY05.

Restricted net assets decreased by \$108,274, or 17.71%. These net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation which limits how they can be used. The decrease in restricted net assets is primarily due to a decrease in grants and contributions from FY04 to FY05. Unrestricted assets, the part of net assets that can be used to finance day-to-day operations without constraints, decreased by \$97,894, or 21.22%, from the prior fiscal year while total net assets increased by about \$72,000, or 1.22 percent, from the prior year.

**Changes in Net Assets** – Figure A-4 shows a summary of the District's changes in net assets for the fiscal year ended June 30, 2005 as compared to fiscal 2004.

<b>Figure A-4</b>							
<b>Change in Net Assets</b>							
	Governmental		Business Type		Total		Percent
	Activities		Activities		School District		Change
	2005	2004	2005	2004	2005	2004	2004-2005
Revenues:							
Program revenues:							
Charges for service	\$ 706,183	691,121	368,166	309,333	1,074,349	1,000,454	7.4%
Operating grants, contributions and restricted interest	1,869,404	2,014,417	573,589	477,381	2,442,993	2,491,798	-2.0%
Capital grants, contributions and restricted interest	71,990	155,095	-	-	71,990	155,095	-53.6%
General revenues:							
Property tax	4,529,524	5,079,133	-	-	4,529,524	5,079,133	-10.8%
Local option sales and services tax	713,794	175,909	-	-	713,794	175,909	305.8%
Income surtax	526,000	626,914	-	-	526,000	626,914	-16.1%
Unrestricted state grants and contributions	7,303,408	7,233,519	-	-	7,303,408	7,233,519	1.0%
Unrestricted investment earnings	84,316	24,746	1,028	298	85,344	25,044	240.8%
Gain on disposal of capital asset	1,805	-	-	-	1,805	-	100.0%
Other	5,140	71,914	-	142	5,140	72,056	-92.9%
Interfund transfers	(4,105)	-	4,105	-	-	-	100.0%
Total revenues	<u>15,807,459</u>	<u>16,072,768</u>	<u>946,888</u>	<u>787,154</u>	<u>16,754,347</u>	<u>16,859,922</u>	<u>-0.6%</u>
Program expenses:							
Governmental activities:							
Instruction	9,672,594	9,264,801	-	-	9,672,594	9,264,801	4.4%
Support services	4,479,939	4,459,032	-	-	4,479,939	4,459,032	0.5%
Non-instructional programs	-	-	950,604	775,151	950,604	775,151	22.6%
Other expenses	1,579,163	1,845,361	-	-	1,579,163	1,845,361	-14.4%
Total expenses	<u>15,731,696</u>	<u>15,569,194</u>	<u>950,604</u>	<u>775,151</u>	<u>16,682,300</u>	<u>16,344,345</u>	<u>2.1%</u>
Change in net assets	<u>\$ 75,763</u>	<u>503,574</u>	<u>(3,716)</u>	<u>12,003</u>	<u>72,047</u>	<u>515,577</u>	<u>-86.0%</u>

Property tax and unrestricted state grants account for 70 percent of the District's total revenues in all funds, as shown above. The District's expenses are primarily in the instruction and support services, which total 85 percent of the total expenses shown in Figure A-4. Total District revenues were .6 percent lower than the prior year, and the corresponding expenses were 2.1 percent higher.

## Governmental Activities

Revenues for governmental activities were \$15,807,459, a 1.65% decrease from the prior year. Expenses were \$15,731,696, a 1% increase from the prior year. The District was able to balance the operating budget for FY05 by trimming expenses to match available revenues.

Revenues from the local option sales and services tax (LOSST) increased significantly from FY04 to FY05. The District began collecting LOSST in March 2004, so FY05 is the first full year of LOSST revenue. Revenues from unrestricted investment earnings increased significantly due to an increase in interest rates during FY05.

Other expenses decreased 14.4% from the prior year, primarily due to a decrease in unallocated depreciation and interest expense on long-term debt. This decrease was offset by an increase in expenses due to a new Headstart catering program. The District also hired an additional employee during FY05 to help with the lunch program.

The following table, Figure A-5, presents the cost of the four major District activities: Instruction, Support Services, Non-Instructional Programs and Other Expenses. The table shows each activity's *net* cost, which is the total expense less any fees generated by the activities and intergovernmental aid provided for specific programs. Therefore, the net cost indicates the financial burden placed on the District's taxpayers by each of these District functions.

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 9,672,594	7,913,037	9,264,801	7,567,195
Support services	4,479,939	4,170,916	4,459,032	4,310,316
Non-instructional programs	-	-	-	(31,786)
Other expenses	1,579,163	1,000,166	1,845,361	1,187,208
Total	\$ 15,731,696	13,084,119	15,569,194	13,032,933

The total cost of all governmental activities for FY05 was \$15,731,696. Some of this cost, or approximately \$700,000, was financed by users of the District's programs, such as from fees or admissions revenues. Another \$1.94 million was subsidized by federal and state governments through restricted program grants and contributions. These revenues are categorized as program revenues because they are specifically related to a certain program and, therefore, they must be expended within that program.

The net cost of services for all governmental activities was \$13,084,119, financed primarily with revenues from unrestricted state aid and local property tax. State aid and property tax are examples of general revenues, since they are not specific to a program and are available to be expended for more universal purposes within a specific fund. The differences in total cost of services versus net cost of services remained very similar from the prior year to the current year, as shown in the comparison above.

## Business-Type Activities

As previously discussed, the District's business-type fund is the School Nutrition Fund. Revenues for this fund were \$946,888, an increase of nearly \$160,000 from prior year. The increase was primarily seen in the Federal revenues, partly due to an increase in the National School Lunch Program for a new fruits and vegetables grant the District began receiving at mid-year. Similarly, FY05 expenses increased by approximately \$175,000, or 22.6%, over the prior year, totaling \$950,604, as shown in Figure A-4.

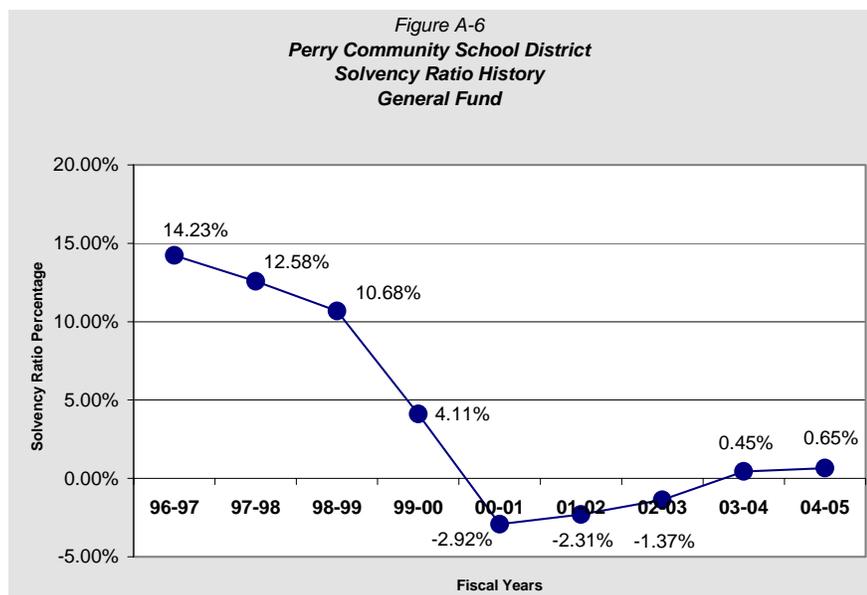
## Financial Analysis of the District's Funds

The Perry Community School District uses fund accounting to ensure and demonstrate compliance with finance-related statutory requirements. A summary financial analysis of individual District Funds follows, categorized into governmental and business types:

### Governmental Fund Highlights

The financial performance of the District as a whole is largely reflected in its governmental funds, particularly by analysis of the fund balances. Overall, the District's governmental funds had combined fund balances of \$755,625 at June 30, 2005, an increase of approximately \$24,000 over the prior year. The following is a closer look at each individual major fund:

- The **General Fund** reported an overall decrease in its fund balance of \$16,175, from \$128,291 at the end of fiscal 2004 to \$112,116 at the end of fiscal 2005. The decrease is primarily due to an increase in expenditures for instruction and support services. However, the undesignated and unreserved portion of this fund balance increased by nearly \$27,000, which is the factor by which solvency ratios are calculated. Figure A-6 below shows a history of the District's financial solvency ratio for several years. The solvency ratio is considered a measure of financial health and is calculated by dividing the District's undesignated and unreserved General Fund balance by its actual General Fund revenues. The ideal ratio is typically between 5 and 10 percent, according to the Iowa Association of School Boards. As shown below, the District has now had four years of positive and steady recovery after several years of sharp decline.



- The **Debt Service Fund** balance decreased \$14,499, or 48.8%, from the prior year. The decrease is due to a significant decrease in property tax revenues partially offset by an increase in transfers from the Capital Projects Fund.
- The **Capital Projects Fund** balance increased slightly from \$203,816 at the end of fiscal 2004 to \$205,307 at the end of fiscal 2005. The District collects local option sales and services tax and is required to account for these revenues and expenses in a separate fund since they may only be used for capital projects or debt reduction. The District's share of revenues from the local option sales and services tax from Boone, Dallas and Greene Counties was \$713,794 for fiscal 2005.

## Business-Type Fund Highlights

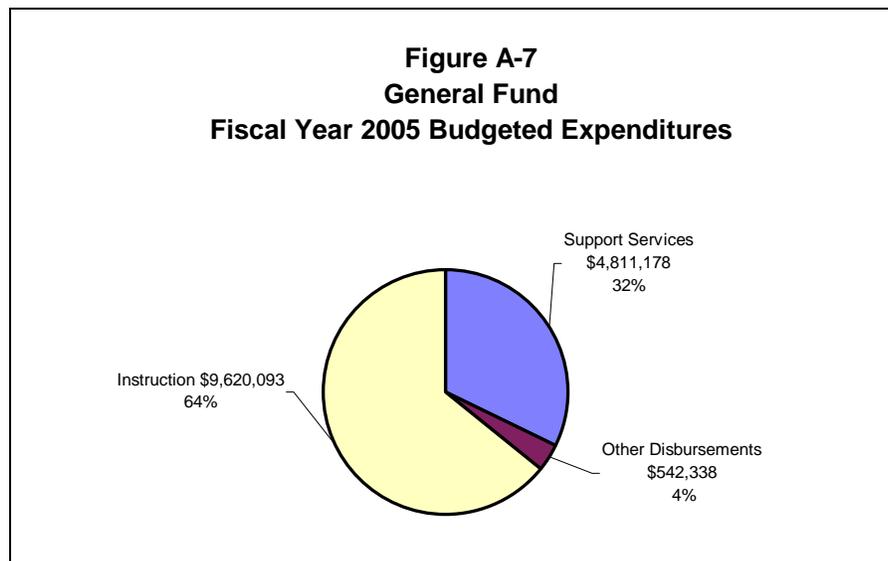
- The **School Nutrition Fund** balance remained steady, with a balance of \$387,427 at the end of fiscal year 2004 slightly decreasing to \$383,711 at June 30, 2005. Students and staff continued to enjoy high quality breakfasts and lunches with no increase in meal prices. The District also began providing food services to a local preschool, a tenant at the old Middle School building.

## General Fund Budgetary Highlights

### Disbursements

Total disbursements were \$2,290,822 less than budgeted disbursements, a variance of 12%. It is the District's practice to budget expenditures at the maximum authorized authority for the General Fund. For other funds, the District's policy is to set expenditures at the maximum available dollars. Spending for all funds is managed and controlled through the District's line-item budget.

Of all the Governmental Funds, the General Fund is by far the largest, comprising 78% percent of all Governmental Fund budgeted disbursements for the fiscal year. Total General Fund budgeted disbursements for fiscal year 2005 were \$14,973,609. Figure A-7 indicates the percentage budgeted by function for fiscal 2005.



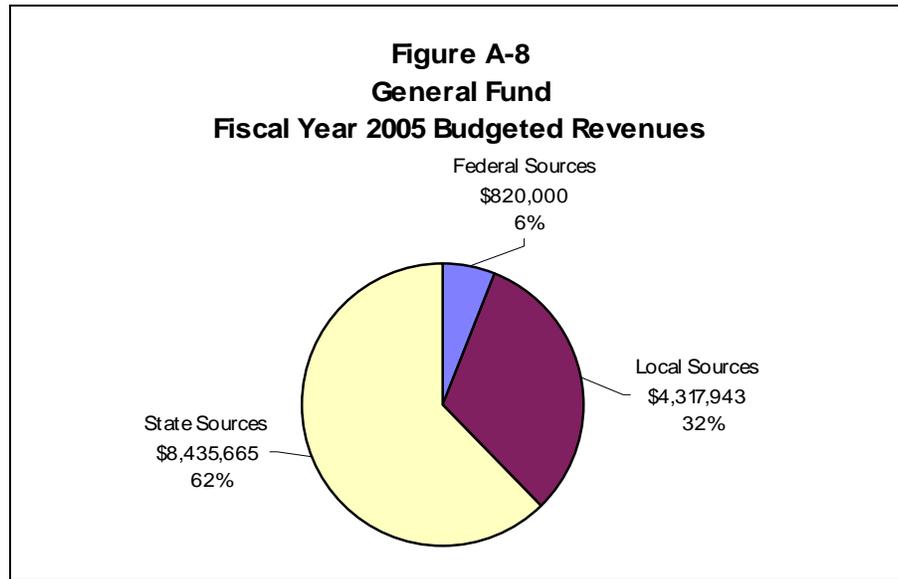
The General Fund budget is reviewed in detail in the business office and updated on an ongoing basis to reflect any anticipated changes in staffing or non-staffing costs. The Board of Directors receives a monthly summary of revenue and expense reports showing cash-basis comparisons from prior years. Principals and departmental supervisors also review their specific budgets monthly and are responsible for the first-level approval of any non-salary expenditures for the department they supervise.

### Receipts

The District's receipts were \$165,609 greater than budgeted receipts, a variance of less than 1%.

General Fund budgeted receipts totaled \$13,573,608 for fiscal year 2005. Figure A-8 shows a comparison of the three main revenue streams, according to the source of the funding.

The largest source of funding for the District is the State of Iowa, from which 62%, or approximately \$8.4 million, of its revenue is received. This includes unrestricted state aid and restricted program or categorical funds. Local sources provide over \$4.3 million, or 32%, of the District's General Fund revenues, mostly from property taxes levied. Other sources of local revenue are tuition, student fees and facility rental. Federal sources of revenue were 6%, or about \$820,000. Nearly all of the District's federal revenue is received in the form of restricted grants, such as the Title I reading program.



The District did not amend its budget during the fiscal year.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal year 2005, the District had invested, net of depreciation, about \$17.3 million in capital assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. As shown in Figure A-9, this amount represents a net decrease of 1.39% from the prior year.

**Figure A-9  
Capital Assets, net of Depreciation**

	Governmental Activities		Business type Activities		Total School District		Percent Change 2004-2005
	2005	2004	2005	2004	2005	2004	
Land	\$ 95,751	95,750	-	-	95,751	95,750	0.00%
Construction in progress	298,267	59,848	-	-	298,267	59,848	398.38%
Buildings	15,264,314	15,658,764	-	-	15,264,314	15,658,764	-2.52%
Improvements other than buildings	448,472	487,034	-	-	448,472	487,034	-7.92%
Furniture and equipment	1,199,215	1,227,974	281,513	306,684	1,480,728	1,534,658	-3.51%
<b>Total</b>	<b>\$ 17,306,019</b>	<b>17,529,370</b>	<b>281,513</b>	<b>306,684</b>	<b>17,587,532</b>	<b>17,836,054</b>	<b>-1.39%</b>

Construction in progress had a significant increase of nearly 400%, with a total of \$298,268 at June 30, 2005. This category typically can vary greatly from year to year, according to the timing of when construction projects are started or completed. Progress continued at the District's

athletic complex project, which is just north of the High School, with \$248,215 expended at fiscal year end. Also, while construction on the Middle School roof replacement project had not yet begun, \$50,052 had been expended for architectural fees. These projects were funded mainly by local option sales and services tax revenues.

Also shown in Figure A-6, buildings, improvements other than buildings and furniture and equipment asset categories decreased in value by relatively similar percentages. This decrease was mainly due to depreciation of the District's existing assets.

### Long-Term Debt

On June 30, 2005, the District had a total of \$13,053,059 in general obligation bonds and other long-term obligations outstanding. This represents a decrease of 3.67 % from the prior year, as shown in Figure A-10. As of June 30, 2005, the District did not exceed its legal debt limit of \$18,466,097.

Regular scheduled debt service payments of principal and interest on general obligation bonds were paid in fiscal 2005. This resulted in debt reduction of \$560,000, or 4.75%, for that category.

	Total		Percent
	School District		Change
	2005	2004	2004-2005
General obligation bonds	\$ 11,220,000	11,780,000	-4.75%
Local option tax revenue bonds	1,275,000	1,275,000	0.00%
Notes payable - QAZB	300,000	300,000	0.00%
Early retirement	219,691	154,047	42.61%
Compensated absences	38,368	42,013	-8.68%
Total	<u>\$ 13,053,059</u>	<u>13,551,060</u>	<u>3.67%</u>

The District issued \$300,000 in Qualified Zone Academy Bond (QZAB) capital loan notes in fiscal year 2003 to finance capital projects underway at that time. This was a relatively new financing instrument, federally subsidized, and available to school districts with qualifying low-income populations. Pursuant to the terms of the note, the District makes annual deposits to an escrow account held by a third party fiscal agent. The funds on deposit with the escrow agent, \$97,964 at June 30, 2005, are to be invested to provide funds to retire the note at its maturity on June 30, 2008.

Early retirement obligations rose from \$154,047 at the end of 2004 to \$219,691 at the end of 2005, an increase of over 42% over the prior year. This increase was due to more eligible staff taking advantage of this benefit during 2005 than in the prior year.

### Factors Bearing on the District's Future

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

- District enrollment increased at the start of the 2005-06 school year by 51 students, or by about 3% of the total 1,825 enrolled in the previous year. Under Iowa's school foundation formula, a school district's state aid funding is highly dependant upon its enrollment. Even though 3% is a small percentage, it

generates a substantial increase in funding over and above the allowable growth amount set by the Legislature. These enrollment figures reported in September 2005 will be the basis for the District's state funding for fiscal year 2007.

- The Jordan Creek shopping and entertainment area, along with other new developments near it, continue to increase the District's Local Option Sales and Services Tax (LOSST) revenues for Dallas County. This funding provides resources for the District's debt reduction, and has also been utilized for various capital projects. The LOSST funding has been instrumental in stabilizing property tax rates because of the District's ability to leverage future revenues.
- The District currently prepares its certified budget on a cash basis, but annual reporting and independent audits are prepared on a GAAP basis, (generally accepted accounting principles basis) as required by the Iowa Code. The District requested, and was granted, additional spending authority on September 12, 2005 from the School Budget Review Committee (SBRC) in order to convert to GAAP based budgeting. The effective date of the SBRC decision was made retroactive to June 30, 2005. Therefore, the District will amend its 2006 certified budget to reflect 14 months of expenditures for 2006 instead of 12. This conversion will have no effect on actual cash or fund balance, and will only affect the District's unspent balance with regard to spending authority. The conversion to GAAP based budgeting will result in financial statements that are more easily understood by credit analysts and investors, which can potentially reduce the interest costs on any future bonds sold.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's commitment of accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Shelly Clifford, Business Manager, Perry Community School District, 1219 Warford Street, Perry, Iowa 50220.

## **Basic Financial Statements**

Perry Community School District

Statement of Net Assets

June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	School Foundation
<b>Assets</b>				
Cash and cash equivalents:				
ISCAP	\$ 2,737,072	-	2,737,072	-
Held by fiscal agent	97,964	-	97,964	-
Other	2,670,642	135,975	2,806,617	122,367
Receivables:				
Property tax:				
Delinquent	69,622	-	69,622	-
Succeeding year	4,154,000	-	4,154,000	-
Income surtax	526,000	-	526,000	-
Accounts	24,412	1,397	25,809	-
ISCAP accrued interest	585	-	585	-
Due from other governments	346,566	29,222	375,788	-
Inventories	-	7,908	7,908	-
Capital assets, net of accumulated depreciation	17,306,019	281,513	17,587,532	-
<b>Total assets</b>	<b>27,932,882</b>	<b>456,015</b>	<b>28,388,897</b>	<b>122,367</b>
<b>Liabilities</b>				
Accounts payable	118,248	2,405	120,653	-
Salaries and benefits payable	1,477,484	62,401	1,539,885	-
ISCAP warrants payable	2,725,000	-	2,725,000	-
ISCAP accrued interest payable	456	-	456	-
ISCAP unamortized premium	36,597	-	36,597	-
Anticipatory warrant payable	700,000	-	700,000	-
Accrued interest payable	71,326	-	71,326	-
Deferred revenue:				
Succeeding year property tax	4,154,000	-	4,154,000	-
Other	20,911	6,911	27,822	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	580,000	-	580,000	-
Early retirement payable	89,966	-	89,966	-
Compensated absences	38,368	587	38,955	-
Portion due after one year:				
General obligation bonds payable	10,640,000	-	10,640,000	-
Revenue bonds payable	1,275,000	-	1,275,000	-
Notes payable	300,000	-	300,000	-
Early retirement payable	129,725	-	129,725	-
<b>Total liabilities</b>	<b>22,357,081</b>	<b>72,304</b>	<b>22,429,385</b>	<b>-</b>

Perry Community School District

Statement of Net Assets

June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	School Foundation
<b>Net assets</b>				
Invested in capital assets, net of related debt	4,811,019	281,513	5,092,532	-
Restricted for:				
General Mills grant	10,000	-	10,000	-
Physical plant and equipment levy	128,801	-	128,801	-
Other special revenue purposes	114,197	-	114,197	-
Debt service	45,297	-	45,297	-
Capital projects	205,307	-	205,307	-
Unrestricted	261,180	102,198	363,378	122,367
<b>Total net assets</b>	<b>\$ 5,575,801</b>	<b>383,711</b>	<b>5,959,512</b>	<b>122,367</b>

See notes to financial statements.

Perry Community School District

Statement of Activities

Year ended June 30, 2005

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,517,347	208,573	604,880	-
Special instruction	3,171,222	89,652	556,262	-
Other instruction	984,025	280,403	19,787	-
	<u>9,672,594</u>	<u>578,628</u>	<u>1,180,929</u>	<u>-</u>
Support services:				
Student services	805,137	101,953	151,153	-
Instructional staff services	652,733	-	30,315	-
Administration services	1,338,379	-	-	-
Operation and maintenance of plant services	1,287,539	20,655	-	-
Transportation services	392,688	4,947	-	-
Other services	3,463	-	-	-
	<u>4,479,939</u>	<u>127,555</u>	<u>181,468</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	65,470	-	-	71,990
Long-term debt interest	607,606	-	7,601	-
AEA flowthrough	499,406	-	499,406	-
Depreciation (unallocated)*	406,681	-	-	-
	<u>1,579,163</u>	<u>-</u>	<u>507,007</u>	<u>71,990</u>
Total governmental activities	<u>15,731,696</u>	<u>706,183</u>	<u>1,869,404</u>	<u>71,990</u>
Business type activities:				
Non-instructional programs:				
Food service operations	950,604	368,166	573,589	-
Total Primary Government	<u>\$ 16,682,300</u>	<u>1,074,349</u>	<u>2,442,993</u>	<u>71,990</u>
<b>Component Unit:</b>				
School Foundation	\$ 68,551	-	7,681	57,035

**General Revenues and Transfers:**

Property tax levied for:
General purposes
Debt service
Capital outlay
Local option sales and services tax
Income surtax
Unrestricted state grants and contributions
Unrestricted investment earnings
Gain on sale of equipment
Other
Transfers
Total general revenues and transfers
Change in net assets
Net assets beginning of year, as restated
Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	School Foundation
(4,703,894)	-	(4,703,894)	-
(2,525,308)	-	(2,525,308)	-
(683,835)	-	(683,835)	-
(7,913,037)	-	(7,913,037)	-
(552,031)	-	(552,031)	-
(622,418)	-	(622,418)	-
(1,338,379)	-	(1,338,379)	-
(1,266,884)	-	(1,266,884)	-
(387,741)	-	(387,741)	-
(3,463)	-	(3,463)	-
(4,170,916)	-	(4,170,916)	-
6,520	-	6,520	-
(600,005)	-	(600,005)	-
-	-	-	-
(406,681)	-	(406,681)	-
(1,000,166)	-	(1,000,166)	-
(13,084,119)	-	(13,084,119)	-
-	(8,849)	(8,849)	-
(13,084,119)	(8,849)	(13,092,968)	-
-	-	-	(3,835)
3,861,963	-	3,861,963	-
608,831	-	608,831	-
58,730	-	58,730	-
713,794	-	713,794	-
526,000	-	526,000	-
7,303,408	-	7,303,408	-
84,316	1,028	85,344	1,577
1,805	-	1,805	-
5,140	-	5,140	-
(4,105)	4,105	-	-
13,159,882	5,133	13,165,015	1,577
75,763	(3,716)	72,047	(2,258)
5,500,038	387,427	5,887,465	124,625
\$ 5,575,801	383,711	5,959,512	122,367

**Exhibit C**

## Perry Community School District

Balance Sheet  
Governmental Funds

June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments:					
ISCAP	\$ 2,737,072	-	-	-	2,737,072
Held by fiscal agent	-	-	-	97,964	97,964
Other	1,395,513	709,488	115,720	354,208	2,574,929
Receivables:					
Property tax:					
Delinquent	56,108	9,171	-	4,343	69,622
Succeeding year	3,548,000	282,000	-	324,000	4,154,000
Income surtax	405,000	-	-	121,000	526,000
Accounts	8,570	-	-	2,453	11,023
ISCAP accrued interest	585	-	-	-	585
Due from other governments	212,733	-	133,833	-	346,566
<b>Total assets</b>	<b>\$ 8,363,581</b>	<b>1,000,659</b>	<b>249,553</b>	<b>903,968</b>	<b>10,517,761</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 38,017	-	44,246	35,985	118,248
Salaries and benefits payable	1,477,484	-	-	-	1,477,484
ISCAP warrants payable	2,725,000	-	-	-	2,725,000
ISCAP accrued interest payable	456	-	-	-	456
ISCAP unamortized premium	36,597	-	-	-	36,597
Anticipatory warrants payable	-	700,000	-	-	700,000
Anticipatory warrant accrued interest payable	-	3,440	-	-	3,440
Deferred revenue:					
Succeeding year property tax	3,548,000	282,000	-	324,000	4,154,000
Income surtax	405,000	-	-	121,000	526,000
Other	20,911	-	-	-	20,911
Total liabilities	8,251,465	985,440	44,246	480,985	9,762,136
Fund balances:					
Reserved for:					
Talented and gifted	12,982	-	-	-	12,982
General Mills grant	10,000	-	-	-	10,000
Debt service	-	15,219	-	97,964	113,183
Unreserved, reported in:					
General fund	89,134	-	-	-	89,134
Special revenue funds	-	-	-	325,019	325,019
Capital projects fund	-	-	205,307	-	205,307
Total fund balances	112,116	15,219	205,307	422,983	755,625
<b>Total liabilities and fund balances</b>	<b>\$ 8,363,581</b>	<b>1,000,659</b>	<b>249,553</b>	<b>903,968</b>	<b>10,517,761</b>

See notes to financial statements.

Perry Community School District

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

June 30, 2005

<b>Total fund balances of governmental funds (page 24)</b>	\$ 755,625
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	17,306,019
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	526,000
The Internal Service Fund is used by management to charge the costs of the district's health and other insurance benefits to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	109,102
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(67,886)
Long-term liabilities, including bonds and notes payable, compensated absences and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(13,053,059)</u>
<b>Net assets of governmental activities (page 19)</b>	<b><u>\$ 5,575,801</u></b>

See notes to financial statements.

**Exhibit E**

## Perry Community School District

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

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 4,119,997	608,831	713,794	427,610	5,870,232
Tuition	234,106	-	-	-	234,106
Other	333,868	7,601	70,286	283,976	695,731
State sources	8,380,161	511	-	239	8,380,911
Federal sources	730,804	-	-	-	730,804
Total revenues	<u>13,798,936</u>	<u>616,943</u>	<u>784,080</u>	<u>711,825</u>	<u>15,911,784</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	5,257,854	-	-	162,689	5,420,543
Special instruction	3,137,673	-	-	33,232	3,170,905
Other instruction	686,168	-	-	271,432	957,600
	<u>9,081,695</u>	<u>-</u>	<u>-</u>	<u>467,353</u>	<u>9,549,048</u>
Support services:					
Student services	790,076	-	-	12,014	802,090
Instructional staff services	656,313	-	-	5,287	661,600
Administration services	1,205,599	8,230	-	62,849	1,276,678
Operation and maintenance of plant services	1,248,489	-	-	36,023	1,284,512
Transportation services	327,770	-	-	3,783	331,553
Other services	3,463	-	-	-	3,463
	<u>4,231,710</u>	<u>8,230</u>	<u>-</u>	<u>119,956</u>	<u>4,359,896</u>
Other expenditures:					
Facilities acquisition	-	-	253,989	119,053	373,042
Long-term debt:					
Principal	-	560,000	-	-	560,000
Interest and fiscal charges	-	591,812	-	-	591,812
AEA flowthrough	499,406	-	-	-	499,406
	<u>499,406</u>	<u>1,151,812</u>	<u>253,989</u>	<u>119,053</u>	<u>2,024,260</u>
Total expenditures	<u>13,812,811</u>	<u>1,160,042</u>	<u>253,989</u>	<u>706,362</u>	<u>15,933,204</u>
Excess (deficiency) of revenues over (under) expenditures	(13,875)	(543,099)	530,091	5,463	(21,420)
<b>Other financing sources (uses):</b>					
Sale of equipment	1,805	-	-	-	1,805
Operating transfers in	-	528,600	-	-	528,600
Operating transfers out	(4,105)	-	(528,600)	-	(532,705)
Total other financing sources (uses)	<u>(2,300)</u>	<u>528,600</u>	<u>(528,600)</u>	<u>-</u>	<u>(2,300)</u>
Net change in fund balances	(16,175)	(14,499)	1,491	5,463	(23,720)
Fund balances beginning of year, as restated	128,291	29,718	203,816	417,520	779,345
Fund balances end of year	<u>\$ 112,116</u>	<u>15,219</u>	<u>205,307</u>	<u>422,983</u>	<u>755,625</u>

See notes to financial statements.

Perry 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, 2005

**Net change in fund balances - total governmental funds (page 26)** \$ (23,720)

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

Expenditures for capital assets	\$ 339,993	
Depreciation expense	<u>(563,344)</u>	(223,351)

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. (102,025)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 560,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (15,794)

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	(65,644)	
Compensated absences	<u>(38,368)</u>	(104,012)

The Internal Service Fund is used by management to charge the costs of the District's health and other insurance benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (15,335)

**Change in net assets of governmental activities (page 23)** \$ 75,763

See notes to financial statements.

Perry Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2005

	Business Type Activities	Governmental Activities
	School Nutrition	Internal Service
<b>Assets</b>		
Cash and cash equivalents	\$ 135,975	95,713
Accounts receivable	1,397	13,389
Due from other governments	29,222	-
Inventories	7,908	-
Capital assets, net of accumulated depreciation	281,513	-
<b>Total assets</b>	<b>456,015</b>	<b>109,102</b>
<b>Liabilities</b>		
Accounts payable	2,405	-
Salaries and benefits payable	62,401	-
Deferred revenue	6,911	-
Compensated absences	587	-
<b>Total liabilities</b>	<b>72,304</b>	<b>-</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	281,513	-
Unrestricted	102,198	109,102
<b>Total net assets</b>	<b>\$ 383,711</b>	<b>109,102</b>

See notes to financial statements.

Perry Community School District

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

Year ended June 30, 2005

	Business Type Activities	Governmental Activities
	School Nutrition	Internal Service
Operating revenues:		
Local sources:		
Charges for service	\$ 368,166	1,209,438
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	325,609	-
Benefits	70,811	-
Purchased services	23,198	-
Supplies	498,458	-
Depreciation	32,528	-
Insurance:		
Purchased services	-	1,224,773
Total operating expenses	950,604	1,224,773
Operating loss	(582,438)	(15,335)
Non-operating revenues:		
State sources	10,042	-
Federal sources	563,547	-
Interest income	1,028	-
Total non-operating revenues	574,617	-
Net loss before transfers	(7,821)	(15,335)
Transfers in	4,105	-
Change in net assets	(3,716)	(15,335)
Net assets beginning of year	387,427	124,437
Net assets end of year	\$ 383,711	109,102

See notes to financial statements.

**Exhibit I**

## Perry Community School District

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2005

	Business Type Activities	Governmental Activities
	School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 369,639	-
Cash received from operating funds and employees	-	1,210,176
Cash paid to employees for services	(357,213)	-
Cash paid to suppliers for goods or services	(531,294)	(1,224,773)
Net cash used by operating activities	<u>(518,868)</u>	<u>(14,597)</u>
Cash flows from non-capital financing activities:		
State grants received	10,042	-
Federal grants received	503,263	-
Transfers in	4,105	-
Net cash provided by non-capital financing activities	<u>517,410</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(7,357)	-
Cash flows from investing activities:		
Interest on investments	1,028	-
Net decrease in cash and cash equivalents	(7,787)	(14,597)
Cash and cash equivalents beginning of year	143,762	110,310
Cash and cash equivalents end of year	<u>\$ 135,975</u>	<u>95,713</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (582,438)	(15,335)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	31,062	-
Depreciation	32,528	-
Decrease in inventories	13,171	-
Decrease in accounts receivable	745	738
Increase in accounts payable	2,405	-
Increase in deferred revenues	728	-
(Decrease) in salaries and benefits payable	(17,656)	-
Increase in compensated absences	587	-
Net cash used by operating activities	<u>\$ (518,868)</u>	<u>(14,597)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2005, the District received \$31,062 of federal commodities.

See notes to financial statements.

Perry Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2005

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets</b>		
Cash and pooled investments	\$ 1,140,745	26,804
Due from other governments	-	128,109
	<u>1,140,745</u>	<u>154,913</u>
<b>Liabilities</b>		
Due to other governments	-	128,109
Trusts payable	-	26,804
Total liabilities	<u>-</u>	<u>154,913</u>
<b>Net assets</b>		
Reserved for scholarships	<u>\$ 1,140,745</u>	<u>-</u>

See notes to financial statements.

**Exhibit K**

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Perry Community School District

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

June 30, 2005

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 20,950
Interest income	32,808
Total additions	<u>53,758</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>67,888</u>
Change in net assets	(14,130)
Net assets beginning of year	<u>1,154,875</u>
Net assets end of year	<u>\$ 1,140,745</u>

See notes to financial statements.

Perry Community School District

Notes to Financial Statements

June 30, 2005

**(1) Summary of Significant Accounting Policies**

Perry Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Perry, Iowa, and the predominate agricultural territory in Dallas, Greene and Boone counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Perry 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.

These financial statements present the Perry Community School District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The School Foundation is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. The Foundation's primary purpose is to collect funds and provide financial support for activities of the Perry Community School District. The Foundation is governed by a twelve member Board of Directors appointed by the Directors. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented.

Jointly Governed Organization – 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 the Dallas County Assessor's Conference Board.

In addition, pursuant to Chapter 28E of the Code of Iowa, the City of Perry, the Perry Community School District and the Dallas County Hospital (Members), created the Perry Area Child Development Corporation to provide a full service child day care center for the community served by the members. The unincorporated association's board consists of a representative from each of the members plus two at-large representatives from the community. No fees or capital contributions are required unless the amounts are agreed upon by unanimous vote of all members.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and the collection and use of the local option sales and services tax.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

Additionally, the District reports the following Proprietary Fund:

The Internal Service Fund is used to finance and account for services and commodities provided by designated departments or agencies to other departments and agencies of the District.

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

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

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. The District's Agency Fund accounts for the City of Perry's share of the local option sales and services tax revenue shared pursuant to a 28E agreement between the District and the City, early retiree health and dental insurance and COBRA insurance.

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Improvements other than buildings	5-20 years
Furniture and equipment	2-20 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, income surtax, succeeding year property tax and other receivables not collected within sixty days after year end.

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 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.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 29,771</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

At June 30, 2005, the District also had the following investment:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity</u>
United States Treasury Bond	<u>\$ 14,088</u>	May 2018

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 528,600
School Nutrition	General	<u>4,105</u>
Total		<u>\$ 532,705</u>

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

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06A	6/28/04	6/28/06	\$ 2,737,072	585	2,725,000	456

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ -	1,000,000	1,000,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2005-06A	3.500	3.903

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 95,751	-	-	95,751
Construction in progress	59,848	272,878	(34,459)	298,267
Total capital assets not being depreciated	155,599	272,878	(34,459)	394,018
Capital assets being depreciated:				
Buildings	19,892,123	-	-	19,892,123
Improvements other than buildings	853,185	-	-	853,185
Furniture and equipment	2,069,037	101,573	(52,746)	2,117,864
Total capital assets being depreciated	22,814,345	101,573	(52,746)	22,863,172
Less accumulated depreciation for:				
Buildings	4,233,359	394,450	-	4,627,809
Improvements other than buildings	366,151	38,562	-	404,713
Furniture and equipment	841,063	130,332	(52,746)	918,649
Total accumulated depreciation	5,440,573	563,344	(52,746)	5,951,171
Total capital assets being depreciated, net	17,373,772	(461,771)	-	16,912,001
Governmental activities capital assets, net	\$ 17,529,371	(188,893)	(34,459)	17,306,019
<b>Business type activities:</b>				
Furniture and equipment	\$ 456,920	7,357	-	464,277
Less accumulated depreciation	150,236	32,528	-	182,764
Business type activities capital assets, net	\$ 306,684	(25,171)	-	281,513

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 17,870
Special	317
Other	26,425

Support services:

Instructional staff	2,778
Administration	38,608
Operation and maintenance of plant	12,882
Transportation	57,783

Unallocated

156,663  
406,681

Total depreciation expense - governmental activities

\$ 563,344

Business type activities:

Food service operations	\$ 32,528
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**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year, as restated	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 11,780,000	-	560,000	11,220,000	580,000
Revenue bonds	1,275,000	-	-	1,275,000	-
Notes payable	300,000	-	-	300,000	-
Early retirement	154,047	151,178	85,534	219,691	89,966
Compensated absences	42,013	112,810	116,455	38,368	38,368
<b>Total</b>	<b>\$ 13,551,060</b>	<b>263,988</b>	<b>761,989</b>	<b>13,053,059</b>	<b>708,334</b>

The July 1, 2004 long-term liabilities balance for governmental activities has been restated as follows:

Balance June 30, 2004, as previously reported	\$13,428,285
Early retirement previously reported as a fund liability	80,762
Compensated absences previously not reported	<u>42,013</u>
Balance July 1, 2004, as restated	<u>\$13,551,060</u>

General Obligation Bonds

Details of the district's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 1999			Bond Issue of Feb 1, 2000		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2006	4.00%	\$ 355,000	62,170	5.375%	\$ 195,000	97,288
2007	4.10	370,000	47,970	5.375	205,000	86,806
2008	4.10	385,000	32,800	5.375	215,000	75,788
2009	4.15	410,000	17,015	5.375	215,000	64,232
2010		-	-	5.375	655,000	52,676
2010-2015		-	-	5.375	325,000	17,468
2016-2019		-	-		-	-
<b>Total</b>		<b>\$ 1,520,000</b>	<b>159,955</b>		<b>\$ 1,810,000</b>	<b>394,258</b>

Year Ending June 30,	Bond Issue of May 1, 2002			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2006	3.750-3.875%	\$ 30,000	373,673	\$ 580,000	533,131
2007	4.000-4.050	30,000	372,510	605,000	507,286
2008	4.150-4.250	35,000	371,291	635,000	479,879
2009	4.250-4.350	40,000	369,705	665,000	450,952
2010	4.350	35,000	367,975	690,000	420,651
2010-2015	4.350-4.750	3,725,000	1,503,501	4,050,000	1,520,969
2016-2019	4.450-5.000	3,995,000	457,770	3,995,000	457,770
Total		\$ 7,890,000	3,816,425	\$ 11,220,000	4,370,638

### Revenue Bonds

Details of the District's June 30, 2005 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2004			
	Interest Rates	Principal	Interest	Total
2006	3.000-4.200%	\$ -	46,870	46,870
2007	3.000-4.200	-	46,870	46,870
2008	3.000	165,000	46,870	211,870
2009	3.250	170,000	41,920	211,920
2010	3.500	175,000	36,395	211,395
2011-2014	3.700-4.200	765,000	78,480	843,480
Total		\$ 1,275,000	297,405	1,572,405

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the district. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Monies from the Revenue Account shall be disbursed to make deposits into a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account.
- d) Any monies remaining in the Revenue Account after the required transfers to the Sinking and Reserve Accounts may be transferred to the Project Account to be used for any lawful purpose.

At June 30, 2005, the District had not established the required sinking and reserve accounts.

### Notes Payable

On September 1, 2002, the District issued \$300,000 Capital Loan Notes designated as Qualified Zone Academy Bonds, pursuant to the provisions of Chapter 297.36 of the Code of Iowa, and with a tax credit rate of 6.28%. The notes were issued to make immediately available proceeds from the voted property, plant and equipment levy.

The note bears no interest and matures on June 30, 2008. The note requires annual deposits of \$48,285 to an escrow account held by a third party fiscal agent, with the final deposit due June 30, 2008. The funds on deposit with the escrow agent total \$97,974 at June 30, 2005 and are to be invested to provide funds sufficient to retire the note at maturity. The balance remaining on the note at June 30, 2005 is \$300,000.

### Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the district. The employee must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application is subject to approval by the Board of Education. Early retirement benefits are equal to 60% of the employee's regular contractual salary in effect during the employee's last year of employment, with a maximum retirement benefit of \$30,000. Early retirement expenditures for the year ended June 30, 2005 totaled \$85,534.

### Defeased Debt

In a prior year, the District defeased general obligation bonds totaling \$7,620,000 by placing the proceeds of refunding bonds into an irrevocable escrow agreement with Bankers Trust Company, N.A. to provide for all future debt service payments on the bonds. Accordingly, the assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2005, the defeased debt totaled \$7,450,000.

### **(7) Anticipatory Warrant**

On April 29, 2005, the District entered into an agreement with Raccoon Valley Bank, Perry, Iowa to provide for the issuance of a \$700,000 warrant in anticipation of school infrastructure local option sales and services tax receipts. The warrant, which bears interest at 3.90 percent per annum and matures on May 15, 2006, is payable solely from the revenues of the school infrastructure local option sales and services tax.

### **(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$521,080, \$512,785 and \$501,223, respectively, equal to the required contributions for each year.

**(9) Risk Management**

The 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.

**(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 \$499,406 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(11) Construction Commitments**

The District entered into a contract totaling \$253,815 for the construction of an athletic complex. As of June 30, 2005, costs of \$208,899 had been incurred against the contract. The balance of \$44,916 remaining at June 30, 2005 will be paid as work on the project progresses. The project will be funded with local option sales and services tax.

The District has entered into a contract totaling \$849,103 for the replacement of the Middle School roof. As of June 30, 2005, costs of \$50,052 had been incurred against the contract. The balance of \$799,051 remaining at June 30, 2005 will be paid as work on the project progresses. The project will be funded with local option sales and services tax.

**(12) Subsequent Event**

On October 4, 2005, the District issued \$112,000 of local option infrastructure sales and services tax revenue bonds to provide funds for surfacing tiles for two areas at the elementary playground. The bonds are payable solely from revenues from the local option sales and services tax.

**(13) Restatements**

Beginning fund balance for the Management and Capital Projects funds have been restated to correct errors in reporting prior year early retirement payable and local option sales and services tax receivable. The restatement increased the beginning fund balances as follows:

	Management	Capital Projects
Fund balance June 30, 2004, as previously reported	\$ 58,651	144,624
Early retirement payable previously reported as a fund liability	154,047	-
Local option sales and services tax receivable not previously reported	-	59,192
Fund balance July 1, 2004, as restated	<u>\$ 212,698</u>	<u>203,816</u>

Beginning net assets for governmental activities has been restated to correct errors in reporting prior year local option sales and services tax receivable, income surtax receivable and internal service activity. The restatement increased the beginning net assets, as follows:

	<u>Amount</u>
Net assets June 30, 2004, as previously reported,	\$ 4,689,494
Local option sales and services tax receivable not previously reported	59,192
Income surtax receivable not previously reported	626,915
Internal service fund activity previously reported as business type activities	<u>124,437</u>
Net assets July 1, 2004, as restated	<u>\$ 5,500,038</u>

Beginning net assets for business type activities has been restated to correct an error in reporting internal service fund activity. The restatement decreased the beginning net assets, as follows:

	<u>Amount</u>
Net assets June 30, 2004, as previously reported,	\$ 511,864
Internal service fund activity previously reported as business type activities	<u>(124,437)</u>
Net assets July 1, 2004, as restated	<u>\$ 387,427</u>

**Required Supplementary Information**

Perry Community School District

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Fund (Enterprise Fund) Actual	Total Actual	Original and Final Budgeted Amounts	Budget to Net Variance
Receipts:					
Local sources	\$ 6,775,584	370,667	7,146,251	7,050,896	95,355
Intermediate sources	-	-	-	10,000	(10,000)
State sources	8,402,612	10,042	8,412,654	8,460,665	(48,011)
Federal sources	870,002	503,263	1,373,265	1,245,000	128,265
Total receipts	16,048,198	883,972	16,932,170	16,766,561	165,609
Disbursements:					
Instruction	9,552,539	-	9,552,539	10,211,832	(659,293)
Support services	4,401,851	-	4,401,851	5,012,077	(610,226)
Non-instructional programs	-	895,864	895,864	1,477,329	(581,465)
Other expenditures	1,978,138	-	1,978,138	2,417,976	(439,838)
Total disbursements	15,932,528	895,864	16,828,392	19,119,214	(2,290,822)
Excess (deficiency) of receipts over (under) disbursements	115,670	(11,892)	103,778	(2,352,653)	(2,456,431)
Other financing sources, net	197,700	4,105	201,805	-	201,805
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	313,370	(7,787)	305,583	(2,352,653)	(2,658,236)
Balances beginning of year, as restated	2,359,523	143,762	2,503,285	3,437,146	933,861
Balances end of year	\$ 2,672,893	135,975	2,808,868	1,084,493	(1,724,375)

See accompanying independent auditor's report.

Perry Community School District

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 16,048,198	136,414	15,911,784
Expenditures	15,932,528	(676)	15,933,204
Net	115,670	137,090	(21,420)
Other financing sources	197,700	200,000	(2,300)
Beginning fund balances	2,359,523	1,580,178	779,345
Ending fund balances	\$ 2,672,893	1,917,268	755,625

	Proprietary Fund		
	Enterprise		
	Cash	Accrual	Accrual
Basis	Adjust- ments	Accrual Basis	
Revenues	\$ 883,972	(58,811)	942,783
Expenses	895,864	(950,604)	950,604
Net	(11,892)	891,793	(7,821)
Other financing sources	4,105	(4,105)	4,105
Beginning fund assets	143,762	(387,427)	387,427
Ending net assets	\$ 135,975	500,261	383,711

Perry Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

On May 9, 2005, the Perry Community School District requested modified allowable growth from the School Budget Review Committee (SBRC) for fiscal 2005. Specifically, the SBRC decision for the District, dated September 12, 2005, stated: "Approved modified allowable growth for the 2004-2005 school year in an amount sufficient to convert to the generally accepted accounting principles, (GAAP) basis of budgeting. This amount is the amount necessary to maintain the calculations of miscellaneous income and actual expenditures from the Certified Annual Report, (CAR) to be used in the unspent balance report at the same levels on the GAAP basis as they would have been on the cash basis." This amount has not yet been determined by the Department of Education, (Department) but will be available when the Department finalizes the District's fiscal 2005 CAR.

The modified allowable growth pertains to the District's maximum General Fund spending authority. However, because this amount was not yet determinable, the District did not amend its fiscal 2005 certified budget to reflect conversion to GAAP basis. Accordingly, as previously noted, the District's fiscal 2005 certified budget is reported on the cash basis, which is the basis it was prepared and certified. Subsequent certified budgets will be prepared and reported in accordance with GAAP.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted and the District's General Fund disbursements did not exceed the authorized budget.

**Other Supplementary Information**

**Schedule 1**

Perry Community School District  
Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2005

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	
<b>Assets</b>				
Cash and pooled investments	\$ 199,563	113,653	40,992	354,208
Cash and investments held by fiscal agent	-	-	97,964	97,964
Receivables:				
Property tax:				
Delinquent	3,458	-	885	4,343
Succeeding year	216,000	-	108,000	324,000
Income surtax	-	-	121,000	121,000
Accounts	-	2,453	-	2,453
<b>Total assets</b>	<b>\$ 419,021</b>	<b>116,106</b>	<b>368,841</b>	<b>903,968</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	1,909	34,076	35,985
Deferred revenue:				
Succeeding year property tax	216,000	-	108,000	324,000
Income surtax	-	-	121,000	121,000
Total liabilities	216,000	1,909	263,076	480,985
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	97,964	97,964
Unreserved	203,021	114,197	7,801	325,019
Total fund equity	203,021	114,197	105,765	422,983
<b>Total liabilities and fund equity</b>	<b>\$ 419,021</b>	<b>116,106</b>	<b>368,841</b>	<b>903,968</b>

See accompanying independent auditor's report.

Perry Community School District  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 224,193	-	203,417	427,610
Other	5,559	276,713	1,704	283,976
State sources	190	-	49	239
Total revenues	<u>229,942</u>	<u>276,713</u>	<u>205,170</u>	<u>711,825</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	159,897	-	2,792	162,689
Special instruction	33,232	-	-	33,232
Other instruction	8,031	263,401	-	271,432
Support services:				
Student services	12,014	-	-	12,014
Instructional staff services	5,287	-	-	5,287
Administration services	11,774	-	51,075	62,849
Operation and maintenance of plant services	5,601	-	30,422	36,023
Transportation services	3,783	-	-	3,783
Other expenditures:				
Facilities acquisition	-	-	119,053	119,053
Total expenditures	<u>239,619</u>	<u>263,401</u>	<u>203,342</u>	<u>706,362</u>
Excess (deficiency) of revenues over (under) expenditures	(9,677)	13,312	1,828	5,463
Fund balances beginning of year, as restated	212,698	100,885	103,937	417,520
Fund balances end of year	<u>\$ 203,021</u>	<u>114,197</u>	<u>105,765</u>	<u>422,983</u>

See accompanying independent auditor's report.

**Schedule 3**

## Perry Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
District-Wide Activity	\$ -	145	-	-	145
Interest Revenue	-	983	-	-	983
Student Pictures	10,754	903	-	(8,951)	2,706
Nurses Fund	819	-	-	-	819
Misc Student Activity	5,883	20,575	10,836	(10,014)	5,608
Elem Pencil Fund	1,662	1,080	898	-	1,844
Elem Rainforest	7,908	7,176	7,301	-	7,783
Elem Homework Club	(1,385)	2,000	1,817	1,202	-
Elem Tag	-	1,669	897	-	772
Elem Spanish Camp	1,571	-	-	-	1,571
Elem At-Risk	679	-	212	-	467
MS Student Activity	11,946	26,441	24,340	(2,126)	11,921
MS Vocal Music	3,806	126	702	-	3,230
MS Band	108	13,231	8,762	-	4,577
MS Cheerleaders	2,080	-	-	-	2,080
MS Cross Country	69	20	45	-	44
MS Boys Basketball	-	1,247	868	-	379
MS Football	-	1,483	2,340	1,433	576
MS Boys Track	1,180	557	1,711	124	150
MS Wrestling	132	1,000	658	-	474
MS Girls Basketball	-	1,083	1,262	179	-
MS Volleyball	-	1,081	466	-	615
MS Girls Track	652	1,063	2,105	390	-
MS Industrial Tech	708	-	-	-	708
MS TSA	119	86	200	-	5
MS Student Council	4,256	2,623	4,861	-	2,018
MS Pencil Fund	210	202	259	-	153
HS Student Activity	-	766	4,891	4,871	746
HS Drama	871	2,907	2,010	-	1,768
HS Speech	-	183	1,099	916	-
HS Vocal Music	5,561	2,356	482	-	7,435
HS Vocal Music Trips	487	4,154	3,532	-	1,110
HS Vocal Music Robes	8	-	-	-	8
HS Band	581	1,117	1,332	-	367
HS Band Trips	3,865	5,020	3,416	-	5,469
HS Band Olympics	2,131	10,365	10,011	-	2,484
HS Academic Decathlon	-	-	791	791	-
HS Mock Trial	-	-	331	331	-
HS Cheerleaders	2,127	3,787	2,763	-	3,151
HS Athletics	201	10,848	10,514	378	913
HS Cross Country	919	4,137	3,465	-	1,591

Perry Community School District  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
HS Boys Basketball	1,701	11,373	5,595	(378)	7,101
HS Football	808	28,744	19,229	(7,165)	3,158
HS Boys Soccer	255	1,909	934	(942)	288
HS Baseball	437	8,521	9,154	213	17
HS Boys Track	350	2,426	4,334	1,624	66
HS Boys Golf	-	746	2,473	1,727	-
HS Wrestling	600	8,228	6,836	(1,250)	742
HS Girls Basketball	2,357	6,997	1,839	(1,952)	5,563
HS Volleyball	-	3,796	2,119	(859)	818
HS Girls Soccer	1,009	2,745	1,520	(498)	1,736
HS Softball	-	6,992	5,309	(507)	1,176
HS Girls Track	309	3,373	3,774	93	1
HS Girls Golf	-	1,399	3,149	1,751	1
HS Girls Swimming	342	3,133	3,369	-	106
HS Dance Team	923	1,467	962	-	1,428
HS VICA/TSA	1,975	18,409	19,406	3,339	4,317
HS FCCLA	-	130	93	-	37
HS Journalism	-	6,733	23,354	16,621	-
HS Photo Club	338	-	-	-	338
HS Student Council	1,801	2,960	2,419	-	2,342
HS Art Club	145	25	136	-	34
HS French Club	847	209	226	-	830
HS Spanish Club	3,727	-	-	-	3,727
HS BEAC Club	491	121	-	-	612
HS Interact Club	389	25	47	-	367
HS Bowling Club	23	771	575	-	219
HS Concessions	4,444	13,768	16,872	(1,339)	-
PHS TV	2,833	6,691	9,488	-	35
HS S.A.D.D.	-	250	-	-	250
HS Jag	4,873	4,358	5,012	-	4,218
<b>Total</b>	<b>\$ 100,885</b>	<b>276,713</b>	<b>263,401</b>	<b>-</b>	<b>114,197</b>

See accompanying independent auditor's report.

**Schedule 4**

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## Perry Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund

Year ended June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 31,582	701,897	706,675	26,804
Due from other governments	-	128,109	-	128,109
<b>Total assets</b>	<b>\$ 31,582</b>	<b>830,006</b>	<b>706,675</b>	<b>154,913</b>
<b>Liabilities</b>				
Due to other governments	\$ -	742,221	614,112	128,109
Trusts payable	31,582	87,785	92,563	26,804
<b>Total liabilities</b>	<b>\$ 31,582</b>	<b>830,006</b>	<b>706,675</b>	<b>154,913</b>

See accompanying independent auditor's report.

## Perry Community School District

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

For the Last Three Years

	Modified Accrual Basis		
	2005	2004	2003
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 5,870,232	*	*
Tuition	234,106	*	*
Other	695,731	*	*
Total local sources	6,800,069	6,617,122	5,654,194
Intermediate sources	-	-	50,414
State sources	8,380,911	8,112,480	8,204,265
Federal sources	730,804	1,297,185	1,098,809
Total	\$ 15,911,784	16,026,787	15,007,682
<b>Expenditures:</b>			
Instruction:			
Regular instruction	\$ 5,420,543	*	*
Special instruction	3,170,905	*	*
Other instruction	957,600	*	*
Total instruction	9,549,048	9,292,389	8,847,894
Support services:			
Student services	802,090	*	*
Instructional staff services	661,600	*	*
Administration services	1,276,678	*	*
Operation and maintenance of plant services	1,284,512	*	*
Transportation services	331,553	*	*
Other services	3,463	*	*
Total support services	4,359,896	4,437,156	4,302,666
Other expenditures:			
Facilities acquisition	373,042	1,610,330	1,506,158
Long-term debt:			
Principal	560,000	*	*
Interest and other charges	591,812	*	*
Total long-term debt	1,151,812	1,112,897	772,949
AEA flowthrough	499,406	503,058	533,914
Total	\$ 15,933,204	16,955,830	15,963,581

\* Information not readily available

See accompanying independent auditor's report.

**Schedule 6**

Perry Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Grant Number	Expen- ditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY05	\$ 31,062
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY05	93,098
National School Lunch Program	10.555	FY05	412,703
Special Milk Program for Children	10.556	FY05	1,308
Summer Food Services Program for Children	10.559	FY05	25,376
			<u>532,485</u>
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	FY05	5,000
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY05	331,910
Migrant Education - State Grant Program	84.011	FY05	74,880
Vocational Education - Basic Grants to States	84.048	FY05	25,760
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY05	11,383
State Grants for Innovative Programs	84.298	FY05	11,015
Education Technology State Grants	84.318	FY05	4,128
Improving Teacher Quality State Grants	84.367	FY05	73,744
Grants for State Assessments and Related Activities (Title VI A)	84.369	FY05	10,452
Iowa Department of Education - Division of Vocational Rehabilitation Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY05	27,322
Washington Community School District:			
Fund for the Improvement of Education	84.215	FY05	18,700
Heartland Area Education Agency II:			
Special Education - Grants to States	84.027	FY05	104,964
Total			<u>\$ 1,262,805</u>

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

See accompanying independent auditor's report.

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

**Perry Community School District**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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

To the Board of Education of  
Perry Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Perry Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 21, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

## Compliance and Other Matters

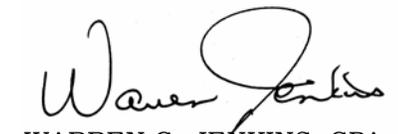
As part of obtaining reasonable assurance about whether Perry Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in 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, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Perry Community School District and other parties to whom Perry Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 21, 2005

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

**Perry Community School District**



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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Perry Community School District:

Compliance

We have audited the compliance of Perry Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Perry Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Perry Community School District's management. Our responsibility is to express an opinion on Perry Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perry Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Perry Community School District's compliance with those requirements.

In our opinion, Perry Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

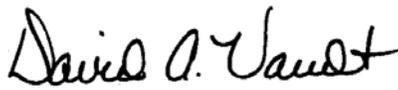
Internal Control Over Compliance

The management of Perry Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Perry Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Perry Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable conditions are described as items III-A-05, III-B-05 and III-C-05 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Perry Community School District and other parties to whom Perry Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 21, 2005

Perry Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.556 – Special Milk Program for Children
    - CFDA Number 10.559 – Summer Food Services Program for Children
  - CFDA Number 84.010 – Title I Grants to Local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Perry Community School District did not qualify as a low-risk auditee.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Payroll preparation and data entry of pay rates for employees were performed by the same person. An independent review of the payroll register is not performed.

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

Response and Corrective Action Planned – A payroll log sheet is now being maintained, listing any new employees. A business office staff member with no other payroll duties verifies pay rates and initials the log for any new employees entered into the computerized financial accounting system. Another business office staff member compares the payroll register listing to the actual checks prepared by the payroll accountant. Rates will be verified in the same manner as annual pay increases are entered in the system.

Conclusion – Response accepted.

II-B-05 Information Systems – During our review of internal control, the existing control activities in the District's computer based financial systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the District's computer based financial systems were noted:

- Users are not restricted to programs and functions within those programs for which they have legitimate need.
- Passwords are not required to be changed periodically (at least every 60-90 days). The system does not force the user to change log-ins/passwords periodically and does not deny access to the user after several unsuccessful attempts to enter an unauthorized password.
- The District does not have a written disaster recovery plan covering the computer based financial system.

Recommendation – The District should develop written policies and implement procedures to address the above items in order to improve the District's control over the computer based financial systems. A written disaster recovery plan should be developed.

Perry Community School District

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Response – A new District policy regarding security of the computerized financial accounting system has been drafted for the Board of Directors' consideration. The District has restricted access to only the programs and functions for which a specific user has a legitimate need. While the current system is not capable of periodically forcing users to change passwords, the accounting staff will change their passwords every 90 days. An upgrade suggestion for this enhancement has been forwarded to the District's software vendor. The District Technology Committee is currently developing a written disaster recovery plan.

Conclusion – Response accepted.

II-C-05 Capital Assets – The following items were noted regarding capital assets:

- A physical observation of capital assets has not been performed periodically and reconciled to the detailed capital asset records by employees having no responsibility for the assets.
- The Board does not have a written policy establishing the useful life of the various classifications of capital assets.
- The District has not followed the established capitalization threshold policy for capital assets.

Recommendation – Capital assets should be tested periodically, including physical observation, and reconciled to the detailed capital asset records by employees having no responsibility for the assets. The Board should adopt written policies to establish useful lives for each asset classification. The capitalization threshold policy should be reviewed and modified, if necessary, and the District should comply with established policies for capitalization thresholds.

Response – Capital assets will be tested periodically by the business office staff as part of the internal audit process. The District policies will be updated to establish useful lives for each asset classification, and to update current asset capitalization thresholds. These established parameters for capitalization and depreciation purposes will be applied to all future acquisitions.

Conclusion – Response accepted.

II-D-05 Accounting Procedures Manual – We encourage the development of an office procedures and standardized accounting manual. The manual should provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.

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Recommendation – An office procedures and accounting manual should be prepared.

Response – An Accounting Procedures Manual currently exists in draft form. The District intends to post this manual on the shared computer network. In maintaining the manual electronically, procedural changes or additions can easily be made. Staff members would be alerted to any changes through an email message or via communication through their supervisors.

Conclusion – Response accepted.

- II-E-05 Restrictive Endorsement – A restrictive endorsement (for deposit only) is not placed on checks immediately upon receipt.

Recommendation – A restrictive endorsement (for deposit only) should be placed on checks as they are received.

Response – The person opening mail in each building has been instructed to stamp a restrictive endorsement on checks as they are received. This practice will also be described in the Accounting Procedures Manual.

Conclusion – Response accepted.

- II-F-05 Pre-numbered Receipts – The business office distributes pre-numbered receipt books to the office of each of the District's school building offices. Each building's office issues pre-numbered receipts for collections. These receipts do not identify the collections as cash versus check. Each building office deposits the collections and summarizes the receipts on a cash remittance report which is submitted to the business office, along with a copy of each receipt. The numerical sequence of the receipts issued by each building office is not accounted for by the business office.

Recommendation - To provide additional control over the proper recording of all collections, each building office should identify collections as cash versus check on each receipt and the business office should account for the numeric sequence of pre-numbered receipts.

Response – All school offices and departments issuing receipts have been instructed to identify and indicate "cash" or "check" on the written receipt. The business office will keep a log of all receipts, properly accounting for the numeric sequence of each department's pre-numbered receipts.

Conclusion – Response accepted.

- II-G-05 Special Needs Concession Sales – Special needs students sell concessions during the lunch period at the high school. A concession cash box containing an established change fund is provided to the special needs teacher or associate each lunch period and collections for the day are added to the box. The cash box (change fund and collections) is returned to the building office after the lunch period. A daily record or log of concession sales is not maintained and the cash in the box is not counted until the end of the week, at which time the

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

collections are separated from the established change fund. A receipt is issued by building office personnel for the week's collections.

Recommendation – Concession sales should be recorded in a log at the time of sale. The log should be reconciled daily to the cash and checks in the cash box, including the established change fund. The log and cash box should then be forwarded to the building office for verification and recording the amount collected.

Response – We will record all concession sales in a log at the time of sale. The log will be reconciled daily to the cash and checks in the cash box, including the established change fund. The log and cash box will be forwarded to the building office for verification and recording the amount collected.

Conclusion – Response accepted.

II-H-05 School Lunch Program

- (1) Hot Lunch Sales – Two cash register terminals are utilized at the Middle School and High School to record daily breakfast and lunch sales, including prepaid sales of breakfast and lunch. Each day, after breakfast and again after lunch, the cash in each terminal is counted by the cashier who records the cash collected on a cash count sheet, which includes space to separately record cash and checks collected. The cash is forwarded to the head cashier for deposit and the count sheets are forwarded to the kitchen manager who reconciles the count sheets to the deposit and the daily summary reports. However, this reconciliation does not include determining the breakdown between cash and checks per the count sheets agrees to the breakdown of cash and checks on the deposit slip. In addition, variances noted between the summary reports and cash count sheets were not investigated and resolved.

Recommendation – The reconciliation of the daily count sheets to deposit should include ensuring the breakdown between cash and checks per the deposit is accurate and consistent with the count sheets. Variances noted between daily summary reports and the cash count sheets should be investigated and resolved timely.

Response and Corrective Action Planned – The Food Service cashiers will reconcile the daily count sheet to ensure accuracy of the total received and also to ensure that the breakdown of cash and checks are consistent with the count sheets. Any variances noted will be investigated in a timely manner by the Food Service Director and business office.

Conclusion – Response accepted.

- (2) Vending Machines – Vending machines located in the high school cafeteria are available to students throughout the day. Cash is emptied from District-operated vending machines and counted by the ala carte cashier twice a week. The cash is forwarded to the head kitchen cashier who recounts the cash prior to depositing.

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The Special Needs program operates vending machines in the high school cafeteria as a project for the program participants. Cash is emptied from these vending machines periodically by the special needs associate. The collections are not counted by the associate, but are forwarded to the high school office. Collections from the machines are not always deposited intact. Instead, the funds are sometimes used to re-establish change boxes used for athletic events.

Recommendation – To improve control over vending machine collections when emptied, the cash collections should be counted by two individuals simultaneously. The cash collected should be documented on a count sheet and signed by the individuals counting the cash.

Petty cash or change boxes should be replenished through the claims requisition process rather than from cash collections.

Response and Corrective Action Planned – We will have two individuals count simultaneously the collected cash from the vending machines, when the machines are regularly emptied of cash. The cash collected will be documented on a count sheet and signed by the two individuals counting the cash. Changes boxes will be replenished through the claims requisition process.

Conclusion – Response accepted.

- (3) Lunch Card Sales – The District's record (WINSNAP software) of customer account balances (unearned revenue) resulting from unused lunch sales does not agree to the amount of unearned revenue recorded in the accounting records. At June 30, 2005, the variance of \$544 had not been resolved.

Recommendation – The District should review and resolve the \$544 variance. The customer account balance record should be reconciled to the amount of unearned revenue per the accounting records monthly. Variances, if any, should be investigated and resolved timely.

Response and Corrective Action Planned – Lunch account refunds made to students may have been posted to the general ledger incorrectly. The District will review the lunch account balances and entries made to the food service general ledger, and make appropriate corrections. The District will reconcile the student lunch account balances to deferred revenue on a monthly basis and timely resolve any discrepancies.

Conclusion – Response accepted.

- II-I-05 Athletic Change Boxes - Change funds on hand at the high school are not maintained on an imprest basis and are not included in the District's financial records at the correct amount. In addition, as noted in II-H-05 above, vending machine collections are used to replenish change boxes.

Recommendation – Change funds should be maintained on an imprest basis to provide additional control over the funds. Imprest systems improve the

Perry Community School District

Schedule of Findings and Questioned Costs

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accountability for cash and enhance reconciliation of receipts and deposits. All change funds should be included on the financial reports at the established amounts.

Response – Change funds will be maintained on an imprest basis to provide additional control over funds. All change funds will be included on the financial reports at the established amounts.

Conclusion – Response accepted.

II-J-05 Pay Rate Approval – Pay rates for two of eight employees tested were not approved by the Board.

Recommendation – Pay rates for all employees should be approved by the Board.

Response – Pay rates for regular employee pay, extra duties or non-contractual work will be established and approved by the Board.

Conclusion – Response accepted.

II-K-05 Student Activity Fund – Gate Admissions, Concessions and Fundraisers

(1) Athletic Event Gate Admissions – District policy requires the use of pre-numbered tickets for admission to athletic events and a reconciliation of the tickets sold to actual collections by the ticket sellers. Ticket sellers are required to sign the reconciliations to evidence verification of the information. The following conditions regarding reconciliation of tickets sold to collections were noted:

- Two ticket sellers were not always used at each gate.
- Pre-numbered tickets were not always issued at gates.
- Four of six gate reconciliations tested included unresolved variances between tickets sold and amounts collected.
- Four of six gate reconciliations tested were not signed by the ticket sellers.

Recommendation – Variances between tickets sold and amounts collected, if any, should be resolved timely. Board policy for ticket seller signature on the reconciliation forms should be adhered to.

The District should implement procedures to monitor compliance with its established policies and to maximize accountability over admissions. Specifically:

- (a) Cash or change boxes should be established with a specified amount.
- (b) The District should use pre-numbered tickets.
- (c) Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash

Perry Community School District

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collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.

- (d) At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold and the amount of the beginning cash.
- (e) To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any, should be minimal and should be resolved timely.
- (f) A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- (g) The cash and change box should be given to the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- (h) The AD or designee should be required to take the cash collections to the night depository at the bank or, at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- (i) A pre-numbered receipt should be issued by the Building Office the next working day for the amount of the confirmed deposit.
- (j) Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response – The District has an approved method for gate admissions that was developed and consensus reached between the District's Athletic Director and the District's Business Manager, for the fall 2005 athletic season. Exhibit A outlines the event gate admission procedures that are now in place for all athletic events in the District. Each individual who serves as a ticket taker is given a copy of the procedure and the procedure is reviewed with the individual for the particular event that he/she is working. The District's primary method of ticket taking is used for anticipated large crowds. The District will make adjustments in the procedure, depending on the particular event and anticipated size of crowd (Appendix A).

For example, only one ticket taker is used for sparsely attended events, such as Junior Varsity (JV) basketball or middle school volleyball events. For such events, the cost of providing additional ticket takers would exceed the amount of money collected for ticket sales. Every effort is made to provide accountability for such events by having the administrator on duty at the event serve as an oversight individual. In addition, two people are used to count the money and tickets and to complete the reconciliation report for each event.

Conclusion – Response accepted.

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- (2) Concessions Sales – Collections are counted by the concessions coordinator, who records the amount on a slip of paper and places it in the cash box. The cash box is forwarded to the high school office. The cash is recounted to verify the total and a pre-numbered receipt is issued for the total collections.

Recommendation – To improve control over collections, the cash should be counted by two individuals simultaneously. The cash collected should be documented on a count sheet and signed by the individuals who counted the cash. The District should continue its practice of recounting the cash before the pre-numbered receipt is issued.

Response – The cash from concession sales will be counted by two individuals simultaneously at the closing of the concession stand for an event. The cash collected will be documented on a count sheet and signed by the two individuals who counted the cash. The District will continue its practice of recounting the cash before the pre-numbered receipt is issued.

Conclusion – Response accepted.

- (3) High School Fundraisers – Fundraisers for various activities are coordinated and operated by individual student organizations. Funds collected by the students are generally remitted to the organization's adult sponsor, along with order forms. Each sponsor counts the cash and checks collected and reconciles them to the order forms. The collections are remitted to the high school office and a pre-numbered receipt is given to the sponsor. No supporting documentation is submitted to the high school office with the fundraising collections to substantiate the amount remitted.

Recommendation – The District should establish and/or modify policies and procedures to address fundraising activity and implement procedures to monitor compliance with established policies. Specifically:

- (a) The Board or its designee should approve all District-sponsored fundraising activity.
- (b) The Board should adopt a policy to require Board approval of all fundraising activity, including fundraising activities of affiliated organizations such as Booster Clubs and the PTO.
- (c) The Board should establish procedures for fundraising activity for District-sponsored fundraisers, as well as fundraisers sponsored by outside groups and organizations, to help ensure consistency and accountability over fundraising activities.
- (d) The Board should determine the extent, if any, of administrative support to be provided for District-sponsored and affiliated organization fundraising activities, including the cost and/or expense associated with staff time used in collecting payments, preparing, printing and/or assembling mailings, postage, etc.

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- (e) Fundraising activity should be clearly designated as District-sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.
- (f) If District-sponsored, the District should account for the fundraising activity.
- (g) An independent reconciliation of the collections and order forms should be performed by the office before the pre-numbered receipt is issued.

Response – The Board approves all District-sponsored fundraising activity in the District at the start of the new school year. All organizations are included on a master fundraising schedule that is presented to the Board for approval. In the future, for the 06-07 school year, all fundraising projects of affiliated organizations will be included on the schedule. In addition, a column indicating the estimated profit for each fundraiser and a final actual profit column for each fundraiser will be included on the schedule.

The Board will develop a policy requiring that all public fundraisers be approved by the Board prior to the start of the school year. The District has developed a list of procedures for fundraising activity (Appendix B). Fundraising activities are clearly designated as District sponsored events or affiliate sponsored events. Independent reconciliation of the collections and order forms will be performed by the office before pre-numbered receipts are issued.

Conclusion – Response accepted.

II-L-05 Community Education Program – The District administers a community education program that allows adults to attend classes held at the high school. An employee coordinates the program, including organizing classes, arranging for instructors, registering attendees, preparing a registration list, collecting registration fees and depositing fees with the high school office. Although the coordinator receives a pre-numbered receipt from the office for remitted registration fees, a pre-numbered receipt is not issued at the time the fee is collected from the attendee and fees collected are not reconciled to the listing of registered attendees by an independent person.

Recommendation – Pre-numbered receipts should be issued for all community education registration fees at the time of collection. The attendee should receive a duplicate of the receipt and a copy should be given to the high school office when the corresponding fees are remitted. The office should reconcile the collections remitted to the pre-numbered receipts and the registration list.

Response – Individuals paying fees to register for community education will be issued a pre-numbered receipt from the school office or the teacher. The money will be reconciled to the receipts by the school office and processed for deposit.

Conclusion – Response accepted.

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II-M-05 Adult Lunch Subsidization – During the year ended June 30, 2005, the District transferred \$4,105 from the General Fund to the School Nutrition Fund. According to the District, the transfer subsidized the cost of adult lunches not covered by the price charged by the District. The District may not use the General Fund or Federal reimbursement to subsidize the cost of adult meals.

Recommendation – The District should reimburse \$4,105 to the General Fund from the School Nutrition Fund and should adjust the cost of adult meals to an amount sufficient to cover adult meal costs. In addition, federal funds may not be used to supplant the District’s Meal Program. Such use could result in the loss of federal dollars.

Response and Corrective Action Planned – Adult meal prices have been raised to an amount calculated as sufficient to cover adult meal costs for fiscal 05-06. The District is awaiting guidance from federal lunch program officials at the Department of Education regarding the \$4,105 subsidy paid from General Fund for 04-05.

Conclusion – Response accepted.

The Office of Auditor of State issued a report dated June 13, 2005 on a special investigation of the District for the period July 1, 2004 through March 31, 2005. As part of the investigation, procedures of the Perry Community School District related to five separate athletic bank accounts maintained outside the District’s financial reporting process were reviewed. Items II-N-05 through II-S-05 address the issues identified in the special investigation.

II-N-05 Establishment of Accounts – The District’s Athletic Director stated separate bank accounts were established because the District is not allowed by Iowa High School Athletic Association (IHSAA) rules to sponsor summer camps or clinics for high school athletes. He also stated the Booster Club sponsored the camps and clinics held and the Booster Club’s liability insurance covered the events. However, not all of the five accounts were exclusively for summer camps or clinics for high school athletes. The accounts also included fundraising and other activities not related to camps and clinics for high school athletes. One coach stated the separate bank account was established in order to bypass the District’s requisition process and other internal control procedures established by the District.

We confirmed with an IHSAA official that Districts are not allowed to sponsor summer camps or clinics for high school athletes, but Booster Clubs or coaches acting independently may sponsor such activities. According to the IHSAA official, coaches acting independently would mean the coach, as an individual rather than a District employee, is sponsoring and conducting the camp or clinic and the coach is keeping the proceeds from the event. The IHSAA official also confirmed that depositing proceeds from a camp or clinic into an account maintained separately from the District for an athletic team does not mean the event is considered separate from the District. The underlying determination of compliance with IHSAA rules lies in the sponsorship of the event, not where the proceeds are deposited.

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In addition, the IHSAA official stated it is allowable for Districts to pay fees for high school athletes to attend camp if the fees are paid directly to the camp sponsor. To be in compliance with IHSAA eligibility requirements, the District may not reimburse athletes or coaches for the fees.

From the information provided to us, we were unable to determine who sponsored all of the fundraisers and events that generated the funds deposited to the separately maintained bank accounts.

The minutes of the May 12, 2004 Booster Club meeting document the Booster Club agreed to sponsor the summer camps held at the school for “the different activities.” However, the minutes do not document additional discussion about what sponsorship entailed or what the members of the Booster Club planned to do to carry out the camps. In addition, the Athletic Director provided us a “Booster Club Request Form” dated May 12, 2004 requesting the Booster Club to sponsor summer camps and provide insurance for volleyball, football, wrestling and basketball. However, the request was not signed.

We were unable to determine the Booster Club maintains separate insurance coverage. However, we were able to determine the District’s general liability policy includes separate riders for both the Booster Club and camps or clinics. The Booster Club does not reimburse the District for the cost of the insurance. As a result, it is unclear whether the Booster Club or the District actually sponsored the events that generated and used the funds in the five separately maintained accounts.

Recommendation – Section 291.12 of the *Code of Iowa* requires all District funds be received by the District Treasurer. Because we are not able to determine the activity in the five separately maintained accounts resulted from events sponsored by the Booster Club, the funds appear to be public (District) funds and, accordingly, the accounts should be included in the District’s Student Activity Fund and be subject to Board oversight and approval, as are all other disbursements from the District’s accounts.

The District should establish policies and procedures pertaining to camps and fundraising activities, including approval and accountability for the event and related financial activity. The sponsorship of all fundraisers, including camps and clinics for high school athletes and youth, should be clearly documented on posters, flyers or other marketing materials. Booster Club sponsorship should be documented in the minutes of Booster Club meetings.

When the fundraisers are sponsored by the Booster Club, the related financial activity should be included in the Booster Club’s accounts. This would provide independent oversight of the funds to ensure proceeds were appropriately deposited and subsequently disbursed.

Response – All accounts related to student activities have been included in the District’s Student Activity Fund and are subject to Board oversight and approval. The District’s Business Manager is developing an Accounting

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Procedures Manual (Manual) for all fundraising activity in the District. The Procedures Manual will be completed during spring of 2006 and the Board will review and approve the Manual before implementation for the 06-07 school year. Documentation on which organization is sponsoring a particular fundraiser has begun in the District. This procedure includes announcements in the daily school bulletins. Booster Club Meeting minutes will be more specific regarding the sponsorship of camps, and other pertinent information, to the events. When fundraisers are sponsored by the Booster Club, the related financial activity will be included in the Booster Club's Account.

Conclusion – Response accepted.

II-O-05 Lack of Documentation – Sufficient records were not prepared or were not retained to adequately support the financial activity in the five separately maintained bank accounts. The following concerns were identified:

Receipts – Receipts were not issued for collections. Other supporting documentation, such as listings of participants or individuals attending camps, sales records for concessions or meal fundraisers, did not exist or were not always retained. In addition, collections were not always deposited intact or in a timely manner. For example, according to the wrestling coach, collections from the concession sales were not deposited intact but were used to pay state tournament trip expenses. In addition, cash collected for the Bluejay Baseball youth clinic was not deposited intact but was used to pay certain camp expenses. We were unable to determine the amount of proceeds not deposited or review the propriety of expenses paid from the proceeds because documentation was not maintained.

In addition, \$28 from the sale of the District's state tournament admission tickets was deposited into the Wrestling Club account rather than being receipted into the District's financial records.

Disbursements – Invoices, claims or other supporting documentation were retained or available for our review for only two of the disbursements from the five accounts.

Bank records – Bank statements, deposit slips and duplicate checks were not always retained. Copies of certain bank statements and other selected bank records were obtained from the banks for our review.

Check registers – Check registers were not adequately maintained for four of the five accounts. The checkbook records consisted of duplicate check copies with no book balance maintained for the accounts. Bank balances were not reconciled to book balances.

Few internal controls, if any, existed over the accounts since one individual generally handled all duties associated with the account, including collecting funds, making deposits, preparing disbursements and reconciling bank records.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation – Controls over the accounts should be properly segregated. In addition, procedures should be implemented to ensure proper accounting records are kept for activity recorded in the accounts, as follows:

- (1) Receipts – Pre-numbered receipts or other documentation should be issued and maintained for collections to support the amounts deposited. Collections should be deposited intact and in a timely manner.
- (2) Disbursements – Invoices, claims or other appropriate documentation should be retained to support all disbursements.

Also, if the District chooses to maintain separate bank accounts for Student Activity Funds, procedures should be implemented to ensure appropriate bank records and check registers are maintained and properly reconciled in a timely manner.

Response – Since all accounts are now included in the District's Student Activity Fund, controls over the accounts will be properly segregated. Proper accounting records will be kept for activity recorded in the accounts. Specifically, pre-numbered receipts or other documentation will be issued and maintained for collections to support the amounts deposited. Collections will be deposited intact and in a timely manner. Invoices, claims, or other appropriate documentation will be retained to support all disbursements.

Conclusion – Response accepted.

II-P-05 Questionable Disbursements – Article III, section 31 of the Iowa Constitution states public funds may only be spent for the public benefit. As stated in the previous finding, supporting documentation was not available for most of the disbursements from the five accounts. As a result, we were not able to determine the propriety of the disbursements or if they met the test of public purpose as required by the Iowa Constitution and as defined in an Attorney General's Opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. Several disbursements from the accounts were identified that were unusual in nature. The disbursements are summarized as follows:

- **Perry Wrestling Club** – Prior to July 1, 2004, \$500 cash was withdrawn from the account. The check register did not specify the date of the withdrawal and bank statements prior to July 1, 2004 were not obtained. According to the wrestling coach, the money was used to help wrestlers with camp fees and purchase picture frames, a chin-up bar and a stereo for the wrestling room.
- **Perry Football** – A \$32.12 check dated February 19, 2005 was made payable to Casey's. According to the (former) football coach, the purchase was to fill his vehicle with fuel for a trip to Des Moines to attend a meeting. According to the coach, while the trip would not require a full tank of gas, he had been to previous meetings for which he was not reimbursed for mileage or fuel.

Perry Community School District

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- **Jays Basketball Club** – On March 10, 2005, \$348.00 was paid to the District for shirts for volunteer scorekeepers and coaches. Of that amount, \$131.00 was reimbursed to the account by coaches.
- **Perry Girls Basketball** – On August 17, 2004, \$12.00 was paid to the Clubhouse restaurant for a meal for coaches.

Recommendation – All disbursements should be properly recorded and supported by appropriate documentation. In addition, the public purpose served by the disbursement should be appropriately documented prior to the disbursement of public funds. According to the Attorney General’s Opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin. Purchases and disbursements of public funds should be made pursuant to established District practices and statutory requirements. Reimbursements for purchases, if appropriate, should be made by District check, not from cash collections.

The District should review the propriety of the questionable disbursements to determine whether individuals should reimburse the District.

Response – Prior to the special audit, the five accounts in question were not maintained by the District, but were known to District officials. Regarding this matter, the coaches acted in accordance with their understanding of past practice and their understanding of the Camp Financial Policy in use at the time (see Appendix C).

In the future, all business regarding student activities will be conducted according to formally approved Board policies and the resulting procedures, as recommended. All District related disbursements will be properly recorded, supported by proper documentation, and will be used solely for public purposes. As a result of the District’s review of the special audit, the documentation regarding the matter, and the existing procedures and policies in place at the time of the transactions, the District believes that any reimbursements owed the District have been properly addressed.

Conclusion – Response acknowledged. The “Summer Camp Financial Policy” (Policy), does not appear to be a Board approved policy and the questionable disbursements do not appear to be addressed or encompassed in the policy or any information reviewed as part of our special procedures. Accordingly, we are unable to determine the propriety of the policy or the propriety of the questionable disbursements noted.

The District should establish Board approved policies governing summer camps, including ensuring the Policy complies with the Iowa Department of Education’s Administration Rules Chapter 281-36.15(6).

These accounts have been determined to be District accounts and appropriately included in the District’s Student Activity Fund. Consequently, the Board of Education should review the propriety of the questionable disbursements to determine whether individuals should reimburse the District.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

II-Q-05 Separately Maintained Bank Accounts – Five separately maintained bank accounts were identified which were not included in the District’s financial statements. In addition, the existence of the five accounts was unknown to District officials.

Recommendation – The District should establish policies and procedures to ensure all bank accounts associated with the District or District activities are reviewed and approved by the Board prior to their establishment.

The procedures should include criteria to be used by the District to evaluate the proposed bank account in order to determine if a separate account is necessary, if the activity would more appropriately be included in the District’s Student Activity Fund or if the activity is that of an outside entity and is not a part of the District. In establishing these criteria, the District should consider the nature of the activity and the planned use of the funds. Section 291.6 of the *Code of Iowa* requires the Board Secretary to keep an accurate and separate account of each fund with the Treasurer and to present all expenses to the Board for audit and payment.

In addition, the Board should clarify policy number 702.4. The policy states “funds raised by students for activities shall be properly held and accounted for by the Board Secretary/Business Manager.” The policy should be clarified to ensure all funds raised by and for the students are properly held in the Student Activity Fund.

Response – The five separately maintained bank accounts were not included in the District’s financial statements owing to the existence of and adherence to the District’s Summer Camp Financial Policy (see Appendix C). The existence of these accounts was absolutely known to District Officials because the policy acknowledged their existence.

The District will establish policies and/or procedures to ensure that all bank accounts associated with the District or District Activities are reviewed and approved by the Board, prior to their establishment, and prior to the 06-07 school year. Procedures will also be developed to determine if an activity account should be included in the District’s Student Activity Fund, or if the activity is that of an outside entity, by summer 2006. Policy 702.4 will be revised by summer 06 to ensure all funds raised by and for the students are properly held in the Student Activity Fund.

Conclusion – The District’s response regarding establishing policies and procedures is accepted. At the time of the District’s request for the special audit, it was our understanding the five accounts were not Board-sanctioned accounts. That is, the Board and other District officials did not necessarily have knowledge of or had not formally approved the existence of these accounts. Otherwise, the accounts would have been accounted for by the District’s business office. As previously noted, we were unable to determine the propriety of the Summer Camp Financial Policy.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- II-R-05 Class Accounts – The Student Activity Fund of the District does not include any accounts established for specified graduating class accounts, such as “Class of 2005.” According to the District, these accounts are maintained by the students or parents.

Chapter 8 of the Department of Education’s Uniform Financial Accounting Manual for local education agencies (LEAs) and area education agencies (AEAs) includes the “Class of 2XXX” in examples of Student Activity Funds located in Table 13. This chapter states the following:

“It is also possible, though uncommon, for students to own the student activity funds of their club or organization if the student group has its own federal identification number and does not use the district’s sales tax exemption or any other benefits of the district. In this case, the disbursing of monies from the student activity fund account may be subject to approval by the student organization and its sponsors, rather than by the board of education. This would be the case if the district were handling the funds on behalf of the students in a fiduciary capacity. However, in Iowa, most student activity funds are owned and controlled by the board of education and would be included in the special revenue fund.”

Chapter 8 also states “Although a sharp distinction exists between student-owned and district-owned activity funds, accounting for all activity funds is the responsibility of the school district. All activity funds must be reported in the school district’s financial statements and are subject to the district’s audit.”

Recommendation – The District should identify all existing accounts established for graduating classes and record the activity in the District’s financial statements in accordance with Chapter 8 of the Department of Education’s Uniform Financial Accounting Manual for LEAs and AEAs.

Response – The District will identify all existing accounts established for graduating classes and record the activity in the District’s financial statements. The District will maintain the junior class prom/after prom account in the student activities account. Fundraising and expenditures from this account will be accomplished through the District’s accounting and requisition system. All funds raised per junior class will be expended for Prom and After-Prom items for that year’s Prom/After-Prom. The District will be responsible for the operation of Prom and the parents will be responsible for the operation of the After-Prom Event.

Conclusion – Response accepted.

- II-S-05 Use of District Facilities – The “Perry Community School District Facility Regulations” document provided to us by the Athletic Director states rental fees are to be placed in the Activity Foundation account. Section 297.10 of the *Code of Iowa* requires rental fees to be credited to the District’s General Fund.

In addition, it does not appear the District’s Board of Education approved the facility regulations. However, the Board has approved policy number 906.1, “Community Use of School District Facilities and Equipment.” The policy approved by the Board does not address the deposit of funds collected for the use of facilities and equipment.

Perry Community School District

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According to the Athletic Director, the facility use agreements are not completed when fees are not collected for use of the facility. The Athletic Director indicated facility use agreements were not completed for the use of District facilities for the five sports for which separate bank accounts were established because rental fees were not assessed for their camps and clinics.

Recommendation – The facility regulations should be reviewed by the District’s Board of Education. Any regulations or guidelines approved by the Board should require rental fees be deposited to the District’s General Fund in accordance with the *Code of Iowa*. In addition, the regulations should be applied consistently for all parties using District facilities, not only those paying the fee for their use.

Response – All rental fees for use of school facilities will be placed in the District’s General Fund. The Board will officially adopt the Facility Use Form and regulations, including the requirement that such funds will be deposited into the District’s General Fund.

All organizations that use District facilities will be required to complete a facility use form and will provide proof of liability insurance when applicable.

Conclusion – Response accepted.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program**  
**CFDA Number 10.556: Special Milk Program for Children**  
**CFDA Number 10.559: Summer Food Services Program for Children**  
**CFDA Number 84.010: Title I Grants to Local Educational Agencies**

**Federal Award Year: 2005**  
**U. S. Department of Education**  
**Passed through the Iowa Department of Education**

III-A-05 Segregation of Duties – The District did not properly segregate payroll preparation and data entry of pay rates. Also, an independent review of the payroll register is not performed. See item II-A-05.

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program**  
**CFDA Number 10.556: Special Milk Program for Children**  
**CFDA Number 10.559: Summer Food Services Program for Children**

**Federal Award Year: 2005**  
**U. S. Department of Education**  
**Passed through the Iowa Department of Education**

III-B-05 School Lunch Program

- (1) Hot Lunch Sales – The District does not verify deposits of cash versus checks agree to the daily lunch count sheets and variances noted between daily summary reports and cash count sheets are not investigated and resolved timely. See item II-H-05(1).
- (2) Vending Machines – The District has not implemented controls over vending machine sales. See item II-H-05(2).
- (3) Lunch Card Sales – The District's record of customer account balances resulting from unused lunch sales does not reconcile to unearned revenue recorded in the accounting records. Variances are not investigated and resolved. See item II-H-05(3).

III-C-05 Adult Lunch Subsidization – The District transferred \$4,105 from the General Fund to subsidize the cost of adult lunches. See item II-M-05.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-05 Official Depositories – A resolution naming official depositories has been approved by the District and the maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005. However, the District did not adopt a new resolution when Perry State Bank became Raccoon Valley Bank and Brenton National Bank of Perry became Wells Fargo. Board policy requires the depository resolution be updated annually.

Recommendation – A new depository resolution should be approved to reflect the proper depository names and the resolution should be updated annually in accordance with Board policy.

Response – A new depository resolution naming Raccoon Valley Bank as the District's official depository was approved by the Board at their December 2005 meeting and will be reviewed and updated annually.

Conclusion – Response accepted.

IV-B-05 Certified Budget – Disbursements for the year ended June 30, 2005 did not exceed the amounts budgeted.

On September 12, 2005, the District received modified allowable growth from the School Budget Review Committee, (SBRC), in an amount sufficient to convert to the GAAP basis for fiscal 2005. The modified allowable growth pertains to the District's maximum General Fund spending authority. However, because this amount was not yet determinable, the District did not amend its fiscal 2005 certified budget to reflect conversion to GAAP basis. Accordingly, the District's fiscal 2005 certified budget is reported on the basis it was prepared and certified, which is the cash basis.

The District should amend its fiscal 2006 certified budget to reflect the conversion to GAAP basis.

IV-C-05 Questionable Disbursements – Except as noted in items II-P-05 above and IV-K-05 below, no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-05 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-E-05 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-05 Board Minutes – Except as noted, no transactions requiring Board approval which had not been approved by the Board were noted.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- IV-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-05 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-05 Football Gold Card Fundraiser – The Perry Community School’s freshman and varsity football teams annually participate in a fundraiser that sells “Gold Cards” to individuals to raise funds for the teams. The fundraiser is coordinated by the varsity football coach (coach) in conjunction with Varsity Gold, Inc. The cards were purchased by the District for \$5 each and were sold for \$15. The following conditions pertain to the fiscal 2006 fundraising activity (information pertaining to the fiscal 2005 fundraiser was not readily available):

- (1) The coach received 40 free Gold Cards from Varsity Gold, Inc. to provide to other coaches, employees, etc. at his discretion. There was no apparent Board authorization or approval for the coach to distribute these cards. Based on information provided by the coach at the time of our audit, 20 cards were given to the Bluejay Market to sell on behalf of the District. Of the remaining cards, 9 were given to various coaches, secretaries and grounds crew members, 1 was sold to an individual and 10 remained on hand. The coach also represented that as a result of our fiscal 2005 audit procedures, of the 9 cards given to various individuals, 2 were subsequently paid for and 7 were returned.

Chapter 68B of the Code of Iowa establishes the ethical requirements for state and local government for Iowa’s “gift law”. According to a document prepared by the Iowa’s Ethics and Campaign Disclosure Board, the gift law “prohibits officials and employees or their immediate family members from receiving or soliciting gifts from a “restricted donor.”

Chapter 68B.2 (24) includes four definitions for restricted donor, including “a person seeking to be a party to a sale, purchase, lease or contract with the agency (includes school districts) the state official or employee is employed.” Exceptions to the receipt or solicitation of gifts are detailed at Chapter 68B.22 (4) and include nonmonetary items with a value of three dollars or less received from any one donor during one calendar day. Restricted donors may not “pool” resources to give a gift greater than three dollars. Chapter 68B.22 (3) of the Code of Iowa requires items received from restricted donors to be turned over to the School District for official use within 30 days.

Receipt of these cards and gift certificates (as noted in section 2 of this finding) by District staff and personnel appear to violate Iowa’s Gift Law. According to the coach, 108 cards were given to the football players for selling a minimum number of “Gold Cards.” It is unclear whether students may receive these cards.

Perry Community School District

Schedule of Findings and Questioned Costs

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Recommendation – Some, but not all, of the unsold cards were returned to the District’s Business Office. The District should establish procedures to monitor compliance with its established policies, including the requirement to turn gifted items over to the District within thirty days of receipt. The Gold Cards gifted to the District represent public funds subject to the same guidelines as any other public funds, including the public benefit criteria discussed below. The Superintendent consulted legal counsel regarding this. If deemed necessary, the District should consult further with legal counsel regarding this matter, including the propriety of distributing cards to students.

- (2) Prizes were awarded for the fundraiser based on the number of cards sold and average sales per team. According to the varsity football coach (coach), prizes included a \$75 Scheel’s All Sports gift certificate for the top card seller, a \$60 Scheel’s All Sports gift certificate for the second-highest card seller, a \$100 Scheel’s All Sports gift certificate for the coach with the team having the top sales (the Varsity coach), mini football helmets for all members of the senior class and the coaches and a gift certificate totaling \$1,040 to purchase items for the football team. The coach represented the mini football helmets were provided by Varsity Gold, Inc.

The District paid \$587 toward the purchase of the above prizes. According to the coach, his \$100 prize was part of the \$1,040 gift certificate given to the team. The \$1,040 gift certificate was given directly to the coach. On September 11, 2005, the coach purchased items from Scheels All Sports totaling \$502.57, \$389.02 for items purchased for the team and \$113.55 for personal items. On September 12, 2005, the coach spent an additional \$325.40 of the gift certificate, \$219.41 for team purchases and \$105.99 for personal items. The coach indicated he was using his \$100 portion of the gift certificate for this personal purchase. He indicated he intended to reimburse the District for the personal items purchased in excess of the \$100 prize.

Use of the gift certificate to purchase items for the football team circumvented the District’s normal budgeting and purchasing process, including auditing and allowing the claims by the Board required by Chapter 279.29 of the Code of Iowa. In addition, sales tax of \$35 was paid on the purchases.

The purchase of prizes, including the \$100 gift certificate for the coach, and the other personal items purchased with the District’s gift certificate do not appear to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 and Article III, Section 31 of the Constitution of Iowa, which provide public funds may only be spent for the public benefit. According to the Attorney General’s Opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin. The public benefit to be derived from such expenditures must be clearly documented.

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Recommendation – As a result of our fiscal 2005 audit procedures, the coach reimbursed the District \$219.54 (\$113.55 and \$105.99) on September 21, 2005. In the future, gift certificates should be turned over to the Business Office and expenditure of the gift certificate should follow the District’s normal budgeting and purchasing process, including proper Board approval of the purchases and compliance with Chapter 279.29 of the Code of Iowa.

The Board should determine and document the public purpose served by purchasing prizes and gift certificates for individuals before authorizing any further payments. If this practice is continued, the Board should establish written policies and procedures governing these purchases, including the requirement for proper documentation of public benefit.

The District should not pay sales tax since the District is a tax exempt organization.

- (3) An accounting sheet is completed by the varsity football coach and the Varsity Gold, Inc. representative at the completion of the fundraiser. The sheet is used to account for the number of cards received, sold and returned by the District and reconciles the sold cards to the total collections. The final count sheet documented \$16,590 in total sales calculated as follows:

	Cost		Total Distributed,	
	Per Card		Returned or Sold	
Total cards checked out	1,520	x	\$ 15	\$ 22,800
Cards returned unsold	(295)	x	15	(4,425)
Cards given to coaches	(40)	x	15	(600)
Cards given to players	(108)	x	15	(1,620)
Cards given to merchants	<u>(50)</u>	x	15	<u>(750)</u>
Total cards sold per calculation	1,027	x	15	15,405
Reported per count sheet	<u>1,106</u>			<u>16,590</u>
Variance	<u>79</u>			<u>\$ 1,185</u>

The above calculation resulted in a variance of 79 excess cards. Due to the practice of “plugging” the number of cards returned unsold, we were unable to determine or verify the accuracy of the total funds collected for the fundraiser.

The Varsity Gold, Inc. representative indicated the number of cards returned by the District is the last number entered in the accounting sheet and represents a “plug” number to make the worksheet balance. However, the number used was incorrect and the accounting sheet did not reconcile to the number of unsold cards.

Perry Community School District

Schedule of Findings and Questioned Costs

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Recommendation – The District should implement procedures to require an independent person to reconcile and verify the accuracy of the accounting sheet for the Gold Card fundraiser, including counting the unsold cards. Variances, if any, should be resolved timely.

Response – District officials became aware of issues associated with the Football Gold Card Fundraiser of fall 2005 when auditors requested that the coach in charge of the fundraiser address several matters associated with the event. Subsequently, the District contacted legal counsel regarding the issues and followed legal advice on the matter. The auditors, Business Manager, and Superintendent met individually with the coach to determine the facts in the matter and to outline appropriate action by the coach regarding this event. The District and auditors asked the coach to address specific matters regarding this fundraiser. The coach complied completely with these requests. In addition, the coach provided information regarding all questions associated with this matter and volunteered information that was not requested, as well.

The District will establish a policy regarding compliance with Iowa's gift law, including the requirement to turn gifted items over to the District within thirty days of receipt. The District will also establish a policy regarding the use of public funds for public benefit. In the future, the District will turn over gift certificates to the Business Office and expenditures of the gift certificates will follow the District's normal budgeting and purchasing process, including Board approval of such purchases. The Board will determine and document the public purpose for purchasing prizes and gift certificates.

In addition, the District will implement procedures to require an independent person to reconcile and verify the accuracy of the accounting sheet for the 2005 and future Gold Card Fundraisers, including counting the unsold cards. Variances, if any, will be resolved in a timely manner.

The coach responsible for the Gold Card Fundraiser complied with all requests by auditors and District officials in order to adhere to requirements of the Iowa Code. The coach has reviewed questions 9 and 10 of the State Auditor's School District Student Activity Funds Q & A on athletics regarding the Gift Law of Iowa and is now familiar with the requirements regarding gifts to public officials.

Conclusion – The District's response regarding establishing policies and procedures is accepted. Pursuant to the District's request, we performed extensive procedures to review and investigate the District's process and accounting for the Football Gold Card Fundraiser. The District should also incorporate procedures to monitor compliance with established policies pertaining to the Gold Card Fundraiser and should review and determine the propriety of distributing cards to students.

Perry Community School District

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Year ended June 30, 2005

IV-L-05 Contract Bidding – Chapter 73A.18 of the Code of Iowa requires the District to publicly bid improvements when the cost of those improvements exceeds \$25,000. Project costs for phase II of the athletic complex project through June 30, 2005 totaled \$166,516, which included the original approved contract amount of \$76,146 plus \$90,370 of change orders. Two of the change orders, each exceeding \$25,000, were to construct baseball and soccer fields and install a six foot fence. The additional work included in these change orders significantly changed the scope of the original contract and, accordingly, should have been publicly bid in accordance with Chapter 73A.18 of the Code of Iowa.

Recommendation – The District should comply with the requirements of Chapter 73A of the Code of Iowa for improvements that exceed \$25,000.

Response – The District will comply with the requirements of Chapter 73A of the Code of Iowa for improvements that exceed \$25,000.

Conclusion – Response accepted.

IV-M-05 Vehicle Usage – The Board established a policy governing the use of District owned vehicles. The policy allows employees to use District vehicles to attend District related conferences or activities and prohibits personal use of the vehicles. However, the Director of Buildings and Grounds has been allowed to use a District vehicle for commuting, which appears to violate District policy. This use of the District's vehicle should be reported as taxable income to the employee under Internal Revenue Service (IRS) regulations since the vehicle does not appear to meet the IRS definition of a qualified personal use vehicle.

Recommendation – The District should ensure compliance with District policies regarding personal use of District owned vehicles. The Board should determine whether this individual should be allowed to continue use of the District vehicle for commuting. Board policies should be reviewed and modified to allow such use and to address required documentation, reimbursement by employees for personal use, public purpose served and compliance with IRS regulations governing use of District vehicles for commuting.

Response – The District will develop a policy identifying public purpose uses of the school maintenance vehicle by individuals who are responsible for the District's after-hours maintenance needs or emergencies. The policy will also address the documentation requirements, and will be presented to the Board of Education for their consideration in the spring of 2006.

Conclusion – Response accepted. The District should also report the taxable income pursuant to the IRS regulations.

IV-N-05 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

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

Perry Community School District

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Year ended June 30, 2005

Response – The District has contacted the bank to request check copies for both front and back in either a paper copy or electronic form.

Conclusion – Response accepted.

- IV-O-05 Vendor Contract Revenues – The District has a vendor contract with Coca Cola, Inc. for products sold on school premises. Pursuant to the contract, the District receives payments from the vendor for the exclusive right to provide products at the District. Payments totaling \$10,000 were received pursuant to the contract for FY04 and FY05. These payments were inappropriately deposited with the Perry School Foundation, a legally separate organization. In accordance with guidance provided by the Iowa Department of Education, these revenues represent miscellaneous income to the District and should be recorded in the District's General Fund.

Recommendation – The District should request reimbursement of the \$10,000 from the Perry School Foundation. Future revenues received under the vendor contract should be recorded in the General Fund as required.

Response – The District has transferred Coca Cola exclusive vendor contract revenues in the amount of \$10,000 from the Perry Community School Foundation into the General Fund. Future payments will also be deposited as General Fund miscellaneous income.

Conclusion – Response accepted.

- IV-P-05 Local Option Sales and Services Tax (LOSST) Revenue Bonds – The District has not established or made the required transfers to the sinking and reserve accounts required by the local option sales and services tax revenue bond resolution.

Recommendation – The District should establish the sinking and reserve accounts and make the appropriate transfers as required by the bond resolution.

Response – The District is currently finishing the state-mandated uniform financial accounting coding change and will establish several new accounts in the Debt Service Fund upon completion. A 2005 LOSST bond issue, subordinate to the Series 2004 LOSST issue, also occurred after auditor's fieldwork was completed. With Board approval, the District will periodically make transfers to individual accounts within the Debt Service Fund, as required by each of the bond resolutions, in order to reserve and segregate local option sales tax monies for the various scheduled payments.

Conclusion – Response accepted.

- IV-Q-05 County Attorney – Pursuant to Chapter 11.15 of the Code of Iowa, a copy of this report has been filed with the Dallas County Attorney for his review and determination of further action, if any.

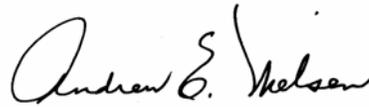
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Perry Community School District

Staff

This audit was performed by:

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Nathan H. Kalkwart, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State

**Perry Community School District**

## **Appendices**

Perry Community School District

Gate Admissions Procedures

**BUSINESS OFFICE ADMISSIONS PROCEDURE:**

1. Secretary prepares cash box and fills out starting cash amount and beginning ticket #'s on admissions form.
2. Ticket sellers give ticket to patron upon purchase.
3. Ticket taker receives the ticket from patron entering the venue, and tears it in half.
4. At the designated time, ticket sellers count their money and then reconcile and sign the admissions form.
5. Complete Admissions Reconciliation Form. (If only one ticket taker is working, please attempt to find a responsible adult to count the money together and then to sign off on the form (two signatures).
6. Cash box and form is turned in to an administrator or responsible person, who has access to the HS safe
7. Next day, Secretary prepares the deposit, combining all cash boxes, and taking the starting cash amounts back out
8. Deposit record and admissions forms are forwarded to the Business Office

Shelly Clifford, Business Manager  
Perry Community School District  
phone 515.465.4656  
fax 515.465.2426  
cliffordshelly@perry.k12.ia.us

Perry Community School District

Gate Admissions Procedures



**FALL TICKET TAKERS INFORMATION  
VOLLEYBALL & SWIMMING**

**1. TICKET SALES**

Volleyball and Swimming **60 minutes** prior to the Scheduled Starting Time.

- Ticket box is to be picked up in the High School Office. (Contact Lori Norton)
- Tear tickets in half when tickets are purchased and deposit both parts in receptacle.
- Ticket sales end after two thirds of the final varsity contest.
- Complete Admissions Reconciliation Form. (If only one ticket taker is working, please attempt to find a responsible adult to count the money together and then to sign off on the form (two signatures).
- Return gate receipts to the Associate Principal's Office.

**2. ADMISSION**

Varsity Contests:     \$ 5 Adults  
                              \$ 3 Students (Grades 1-12)  
                              \$ 3 Senior Citizens

Subvarsity Contests:   \$ 2 Adults  
                              \$1 Students (Grades 1-12)  
                              \$1 Senior Citizens

**3. ACCEPTED PASSES**

- Perry Community School District Adult Athletic Pass  
    \*Red (Orange) Sticker (2005-2006)
- Perry Community School District Student Athletic Pass (Must be Shown)  
    \*Red (Orange) Sticker (2005-2006)
- Perry Community School District Staff Pass (Staff & 1 Guest)
- Perry Community School District Lifetime Pass (Holder & 1 Guest)
- Raccoon River Conference Pass (Holder & 1 Guest)  
    \*Green (2005-2006) \*\*\* Not valid for PHS Tournament
- Raccoon River Conference Senior Citizen Pass
- State Administrator Pass
- Media
- College Scouts
- Volunteer Workers

**PASSES MUST BE SHOWN FOR FREE ADMISSION**

**4. NO PASS-OUT TICKETS**

**5. OPPOSING TEAMS and OFFICIALS**

- Visiting Volleyball Team     Boys High School Locker Room Key
- Volleyball Officials         Boys HS Physical Education Office Key

Perry Community School District

Gate Admissions Procedures



**FALL TICKET TAKERS INFORMATION: FOOTBALL**

**1. TICKET SALES**

Varsity Football Contests: **90 minutes prior** to the Scheduled Starting Time.

Subvarsity Contests: **50 minutes prior** to the Scheduled Starting Time.

- *Ticket box is to be picked up in the High School Office. (Contract Connie Sheehy)*
- *Tear tickets in half when tickets are purchased and deposit both parts in receptacle.*
- *Ticket sales end after the third quarter.*
- *Complete Admissions Reconciliation Form. (If only one ticket taker is working, please attempt to find a responsible adult to count the money together and then to sign off on the form (two signatures).*
- *Return gate receipts to the Associate Principal's Office or Connie Sheehy at the southwest ticket booth.*

**2. ADMISSION**

Varsity Contests:       \$5 Adults  
                              \$3 Students (Grades 1-12)  
                              \$3 Senior Citizens  
Subvarsity Contests:   \$2 Adults  
                              \$1 Students (Grades 1-12)  
                              \$1 Senior Citizens

**3. ACCEPTED PASSES**

- Perry Community School District Adult Activity Pass
  - \*Red (Orange) Sticker (2005-2006)
- Perry Community School District Student Activity Pass (Must be Shown)
  - \*Red (Orange) Sticker (2005-2006)
- Perry Community School District Staff Pass (Staff & 1 Guest)
- Perry Community School District Lifetime Pass (Holder & 1 Guest)
- Raccoon River Conference Senior Citizen Pass
- State Administrator Pass
- District 7 Football Pass (Admits Holder Only)
  - \* Yellow (2005)
- Media
- College Scouts
- Volunteer Workers

**\*\*\*\*\*PASSES MUST BE SHOWN FOR FREE ADMISSION**

**4. OPPOSING TEAMS and OFFICIALS**

Visiting Football Team	Girls MS Physical Education Locker Room Key
	Girls MS Varsity Locker Room
Football Officials	Boys HS Physical Education Office Key

Perry Community School District

Gate Admissions Procedures



**WINTER TICKET TAKERS INFORMATION 2005-2006**

**1. TICKET SALES**

Varsity Basketball Contests: **60 minutes prior** to the Scheduled Starting Time.  
 Wrestling **60 minutes prior** to the Scheduled Starting Time.  
 Subvarsity Contests: **45 minutes prior** to the Scheduled Starting Time.

- Ticket box is to be picked up in the High School Office. (Contact Lori Norton)
- Tear tickets in half when tickets are purchased and deposit both parts in receptacle.
- Ticket sales end after the third quarter of the final contest.
- Complete Admissions Reconciliation Form. (If only one ticket taker is working, please attempt to find a responsible adult to count the money together and then to sign off on the form (two signatures).
- Return gate receipts to the Associate Principal's Office.

**2. ADMISSION**

Varsity Contests:     \$ 5 Adults  
                               \$ 3 Students (Grades 1-12)  
                               \$ 3 Senior Citizens

Subvarsity Contests:   \$ 2 Adults  
                               \$1 Students (Grades 1-12)  
                               \$1 Senior Citizens

**3. ACCEPTED PASSES**

Perry Community School District Adult Athletic Pass  
     \*Red (Orange) Sticker (2005-2006)

Perry Community School District Student Athletic Pass (Must be Shown)  
     \*Red (Orange) Sticker (2005-2006)

Perry Community School District Staff Pass (Staff & 1 Guest)

Perry Community School District Lifetime Pass (Holder & 1 Guest)

Raccoon River Conference Pass (Holder & 1 Guest)  
     \* Green (2005-2006)

Raccoon River Conference Senior Citizen Pass

State Administrator Pass  
 Media  
 College Scouts  
 Volunteer Workers

**\*\*\*\*\*PASSES MUST BE SHOWN FOR FREE ADMISSION**

**4. NO PASS-OUT TICKETS**

**5. OPPOSING TEAMS and OFFICIALS**

Visiting Girls Basketball Team	Girls MS Varsity Locker Room Key
Visiting Wrestling Team	Girls P.E. Locker Room Key
Visiting Boys Basketball Team	Boys MS Varsity Locker Room Key
Officials	Girls Physical Education Office Key

Perry Community School District

Gate Admissions Procedures



**PERRY WRESTLING TOURNAMENT  
TICKET TAKERS INFORMATION**

**1. WRESTLING TICKET SALES**

60 minutes prior to the Scheduled Starting Time.

- *Ticket box is to be picked up in the High School Office.  
(Contact Lori Norton)*
- *Tear tickets in half when tickets are purchased and deposit both parts in receptacle.*
- *Ticket sales end half way through the final round.*
- *Complete Admissions Reconciliation Form. (If only one ticket taker is working, please attempt to find a responsible adult to count the money together and then to sign off on the form (two signatures).*
- *Please return gate receipts to the Associate Principal's Office.*

**2. ADMISSION**

Tournament:           \$ 5 Adults  
                              \$ 3 Students (Grades 1-12)  
                              \$ 3 Senior Citizens

**3. ACCEPTED PASSES**

Perry Community School District Adult Activity Pass  
\* **Red (Orange) Sticker (2005-2006)**  
Perry Community School District Student Activity Pass  
\* **Red (Orange) Sticker (2005-2006)**  
Perry Community School District Staff Pass (Staff & 1 Guest)  
  
Perry Community School District Lifetime Pass (Holder & 1 Guest)  
  
Raccoon River Conference **Senior Citizen Pass**  
**\*\*\*Other Conference Passes are not accepted.**  
  
State Administrator Pass  
  
Media  
  
College Scouts  
  
Volunteer Workers

**4. OPPOSING TEAMS and OFFICIALS**

Visiting Wrestling Teams	Girls P.E. Locker Room Key
Visiting Wrestling Teams	Boys P.E. Locker Room Key
Officials	Boys Physical Education Office Key

Perry Community School District

Gate Admissions Procedures



**SPRING TICKET TAKERS INFORMATION**



**1. TICKET SALES**

Contests: **45 minutes** prior to the Scheduled Starting Time.

- *Ticket box is to be picked up in the High School Office. (Contact Lori Norton)*
- *Tear tickets in half when tickets are purchased and deposit both parts in receptacle.*
- *Ticket sales end three quarters of the way through the varsity contest.*
- *Complete Admissions Reconciliation Form. (If only one ticket taker is working, please attempt to find a responsible adult to count the money together and then to sign off on the form (two signatures).*
- *Return gate receipts to the Associate Principal's Office.*

**2. ADMISSION**

Varsity Contests:     \$ 5 Adults  
                              \$ 3 Students (Grades 1-12)  
                              \$ 3 Senior Citizens

**3. ACCEPTED PASSES**

**TRACK**

- Perry Community School District Adult Activity Pass  
  \* **Red (Orange) Sticker (2005-2006)**
- Perry Community School District Student Activity Pass  
  \* **Red (Orange) Sticker (2005-2006)**
- Perry Community School District Staff Pass (Staff & 1 Guest)
  
- Perry Community School District Lifetime Pass (Holder & 1 Guest)
  
- State Administrator Pass (Holder & Spouse)
  
- Media
  
- College Scouts
  
- Volunteer Workers

**\*\*\*\*\*PASSES MUST BE SHOWN FOR FREE ADMISSION**

**SOCCER**

- Raccoon River Conference Pass (Holder & 1 Guest)  
  \* **Green (2005-2006)**
- Raccoon River Conference Senior Citizen Pass
  
- All of the passes listed with Track



Perry Community School District

Gate Admissions Procedures

Perry Community School District

Fundraising Policy



## MIDDLE SCHOOL TICKET TAKERS INFORMATION



**1. TICKET SALES**  
 30 minutes prior to the Scheduled Starting Time.

- Please pick up money box from the MS Office.
- Tear tickets in half when tickets are purchased and deposit both parts in receptacle.
- Ticket sales end at halftime/half way through the final contest
- Complete Admissions Reconciliation Form (If only one ticket taker is working please attempt to find a responsible adult to count the money together and then to sign off on the form (two signatures).
- Return gate receipts to the Principal's Office.

**2. ADMISSION**

Middle School Contests:	\$2 Adults
	\$1 Students (Grades 1-'2)
	\$1 Senior Citizens

**3. ACCEPTED PASSES**

- Perry Community School District Adult Activity Pass  
 \*Orange Sticker (2005-2006)
- Perry Community School District Student Activity Pass  
 \*Orange Sticker (2005-2006)
- Perry Community School District Staff Pass (Staff & 1 Guest)
- Perry Community School District Lifetime Pass (Holder & 1 Guest)
- Raccoon River Conference Senior Citizen Pass
- State Administrator Pass
- Volunteer Workers

**4. OPPOSING TEAMS and OFFICIALS**

Visiting Team	MS Physical Education Locker Room
Officials	Boys MS Physical Education Office

**\*\*\*\*\*PASSES MUST BE SHOWN FOR FREE ADMISSION**

Perry Community School District

Fundraising Policy

**FUNDRAISING POLICY**

Code No. 504.6

Students may raise funds for school-sponsored events with permission of the building Principal and the Board. All monies are to be turned into the principal's office, and the office in turn will issue checks for the expenses incurred. Fundraising by students for non-school sponsored events is allowed. Collection boxes for non-school sponsored organizations, however, must have prior approval from the building principal and the Board before being placed on school property.

**FUNDRAISING PROCEDURES**

1. In accordance with Board of Education Policy (Code No. 504.6), students may raise funds for school sponsored events with the permission of the building Principal and the Board of Education.
2. Funds raised by students for activities shall be classified as district funds and shall be properly held and accounted for by the Business Manager. (Code No. 702.4)
3. All fundraising activities will be submitted to the Activity Department in May of the previous school year following approval by the building Principal.
4. The list of proposed fundraising activities will be provided to the Superintendent of Schools requesting Board of Education approval.
5. Once approved, the sponsoring staff member is responsible for the organization of the fundraiser.
6. All checks received will be written to the Perry Community School District.
7. All monies collected from the activity are to be turned in daily to the building office.
8. The building office will receipt the funds to the proper account.
9. Requisitions for purchased items or expenses will be completed by the staff member and approved administratively in order to receive a purchase order.
10. All expenditures from student activity funds shall be approved by the Superintendent.
11. The Business Office will issue the purchase order.
12. The building office will notify the Business Office of the receipt of the fundraising items.
13. The sponsoring staff member will be responsible for the distribution of all fundraising items.
14. The Business Office will send payment for the expenses incurred.

## Perry Community School District

## Summer Camp Financial Policy

**SUMMER CAMP FINANCIAL POLICY**

Both the Iowa High School Athletic Association and the Iowa Girls High School Athletic Union rules permit sport specific instruction by coaches only within the specific sports season regulations. The IHSAA and the IGHSU rules allow unlimited coaching contact during the summer months beginning with the last day of school and continuing until the start of fall practice. In addition, IHSAA and IGHSU regulations permit individuals to organize summer sports camps. Schools are prohibited from sponsoring summer athletic camps.

**1. Summer Camp Entry & Participation Fees**

- Coaches are responsible for the direct payment of summer sports camp entry and participation fees. School districts may not pay summer sports camp fees.

**2. Summer Camp Transportation**

- Coaches are responsible for paying for the cost of the gasoline if school vehicles are used for summer sports camp transportation.

**3. Summer Camp Facility Usage & Insurance**

- The Perry Community School District Facility Use Policy applies to summer sports camps.
- Proof of insurance is required unless the Perry Activity Booster Club sponsors the summer sports camp.

**4. Summer Camp Payment of Services**

- Coaches are responsible for the direct payment of officials and summer sports camp clinicians.
- The facility rental fee rates apply if our coaching staff receives a stipend for summer sports camp instruction at a district facility.

**5. Summer Sports Camp Apparel**

- The summer sports camp director is responsible for the direct purchase and the direct payment for summer sports camp apparel.
- Invoices for payment should be mailed to the summer sports camp director's home address directly and not to the Perry Community School District.
- Perry Community School District funds may not be used for the purchase of summer sports camp apparel and the Perry Community School District Business Office will not pay for summer sports camp apparel.