



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

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NEWS RELEASE

FOR RELEASE

December 21, 2007

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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 \$19,412,300 for the year ended June 30, 2007, an increase of 10 percent over the prior year. Revenues included \$4,551,785 in local tax, charges for service of \$1,250,703, operating grants, contributions and restricted interest of \$3,280,802, capital grants, contributions and restricted interest of \$46,276, local option sales and services tax of \$891,244, income surtax of \$172,728, unrestricted state grants and contributions of \$8,905,041, unrestricted investment earnings of \$224,338 and other general revenues of \$89,383.

Expenses for District operations totaled \$18,507,082, an increase of 3.8 percent over the prior year. Expenses included \$10,629,085 for instruction, \$4,762,140 for support services, \$1,509,161 for non-instructional programs and \$1,606,696 for other expenditures.

The report contains recommendations to the Board to review operating procedures over various accounts and activities, including concession sales, gate admissions and fundraisers, to obtain the maximum internal control possible under the circumstances. The report also includes 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, 2007**

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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 2006 Election)</b>		
David Menz	President	2008
Kent Friedrichsen	Vice President	2007
Gary Huitt	Board Member	2006
Kathryn Powell	Board Member	2006
Scott Seeley	Board Member	2007
<b>Board of Education</b>		
<b>(After September 2006 Election)</b>		
David Menz	President	2008
Kathryn Powell	Vice President	2009
Kent Friedrichsen	Board Member	2007
Scott Seeley	Board Member	2007
Darek Van Kirk	Board Member	2009
<b>School Officials</b>		
Dr. Randall McCaulley	Superintendent	2007
Shelly Clifford	District Secretary	2007
Dwayne Hochhalter	District Treasurer	2007
Brian Gruhn	Attorney	2007

**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, 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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

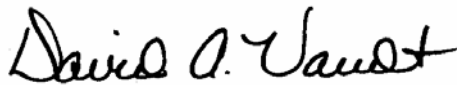
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Perry Community School District at June 30, 2007, 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.

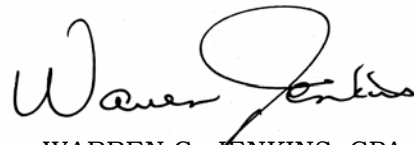
In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2007 on our consideration of Perry Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. 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. 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 7, 2007



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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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which immediately follow this section.

### Financial Highlights

- General Fund revenues increased from \$14,852,871 in fiscal 2006 to \$15,801,311 in fiscal 2007, an increase of \$948,440. General Fund expenditures increased from \$14,875,989 in fiscal 2006 to \$15,572,943 for fiscal 2007, an increase of \$696,954. The District's General Fund balance increased from \$90,323 at the end of fiscal 2006 to \$336,782 at the end of fiscal 2007, an increase of 273%.
- The District's solvency ratio has remained positive for the past four years, increasing to 1.87% in fiscal 2007. The solvency ratio is widely used as a comparative tool and is considered to be a good measure of a District's financial health. A graph showing ten years of solvency ratio history is included later in this section.
- 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 2006 LOSST revenues received from Boone, Dallas and Greene Counties totaled \$891,244. Nearly this entire 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 continue to increase 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.

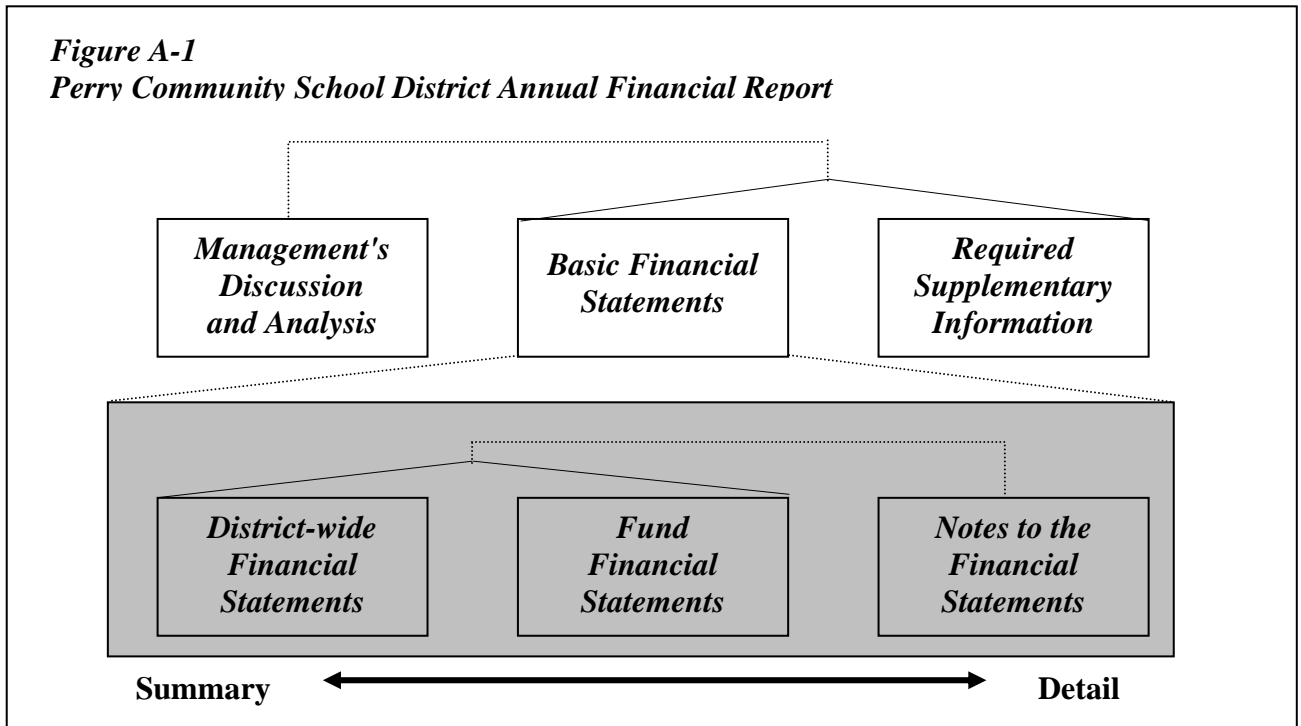


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

<i>Figure A-2</i>				
<b>Major Features of the District-Wide and Fund Financial Statements</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  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net assets  Statement of revenues, expenses and changes in fund net assets  Statement of cash flows	Statement of fiduciary net assets  Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 Management Levy Fund, the Student Activity Fund, the Physical Plant and Equipment Levy Fund, 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 two enterprise funds, the School Nutrition Fund and the Golf Driving Range 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 include 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, 2007 compared to 2006.

<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,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$12,281,428	12,102,178	334,091	254,970	12,615,519	12,357,148	2.09%
Capital assets	16,612,938	16,697,255	289,644	272,501	16,902,582	16,969,756	-0.40%
Total assets	<u>28,894,366</u>	<u>28,799,433</u>	<u>623,735</u>	<u>527,471</u>	<u>29,518,101</u>	<u>29,326,904</u>	<u>0.65%</u>
Long-term liabilities	13,011,550	13,564,320	136,699	843	13,148,249	13,565,163	-3.07%
Other liabilities	10,397,761	10,613,002	-	81,866	10,397,761	10,694,868	-2.78%
Total liabilities	<u>23,409,311</u>	<u>24,177,322</u>	<u>136,699</u>	<u>82,709</u>	<u>23,546,010</u>	<u>24,260,031</u>	<u>-2.94%</u>
Net assets:							
Invested in capital assets, net of related debt	4,534,007	4,308,606	289,644	272,501	4,823,651	4,581,107	5.29%
Restricted	906,847	556,965	-	-	906,847	556,965	62.82%
Unrestricted	44,201	(243,460)	197,392	172,261	241,593	(71,199)	439.32%
Total net assets	<u>\$ 5,485,055</u>	<u>4,622,111</u>	<u>487,036</u>	<u>444,762</u>	<u>5,972,091</u>	<u>5,066,873</u>	<u>17.87%</u>

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount increased by \$349,882, or about 62.8%. The increase is primarily due to an increase in local option sales and services tax on hand at year end to fund school infrastructure and to retire bonds and an increase in funds held in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints, increased by \$312,792, or by approximately 439 percent. This increase was primarily due to an increase in the general fund balance at year end. Total net assets increased by \$905,218, or about 17.9%, during the period.

**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, 2007 as compared to fiscal 2006.

<b>Figure A-4</b>							
<b>Change in Net Assets</b>							
	Governmental Activities		Business Type Activities		Total School District		Percent Change
	2007	2006	2007	2006	2007	2006	2006-2007
<b>Revenues:</b>							
Program revenues:							
Charges for service	\$ 816,137	733,362	434,566	385,122	1,250,703	1,118,484	11.8%
Operating grants, contributions and restricted interest	2,511,462	2,195,565	769,340	699,975	3,280,802	2,895,540	13.3%
Capital grants, contributions and restricted interest	23,276	46,472	23,000	-	46,276	46,472	-0.4%
General revenues and transfers:							
Property tax	4,551,785	4,604,733	-	-	4,551,785	4,604,733	-1.1%
Local option sales and services tax	891,244	799,483	-	-	891,244	799,483	11.5%
Income surtax	172,728	263,836	-	-	172,728	263,836	-34.5%
Unrestricted state grants and contributions	8,905,041	7,679,078	-	-	8,905,041	7,679,078	16.0%
Unrestricted investment earnings	217,614	156,294	6,724	2,725	224,338	159,019	41.1%
Gain on sale of capital asset	5,464	848	-	-	5,464	848	100.0%
Other	83,919	10,208	-	-	83,919	10,208	722.1%
Interfund transfers	-	(729)	-	729	-	-	0.0%
<b>Total revenues</b>	<b>18,178,670</b>	<b>16,489,150</b>	<b>1,233,630</b>	<b>1,088,551</b>	<b>19,412,300</b>	<b>17,577,701</b>	<b>10.4%</b>
<b>Program expenses:</b>							
Governmental activities:							
Instruction	10,629,085	10,345,122	-	-	10,629,085	10,345,122	2.7%
Support services	4,749,129	4,567,912	13,011	19,131	4,762,140	4,587,043	3.8%
Non-instructional programs	330,816	359,583	1,178,345	1,008,369	1,509,161	1,367,952	10.3%
Other expenses	1,606,696	1,532,229	-	-	1,606,696	1,532,229	4.9%
<b>Total expenses</b>	<b>17,315,726</b>	<b>16,804,846</b>	<b>1,191,356</b>	<b>1,027,500</b>	<b>18,507,082</b>	<b>17,832,346</b>	<b>3.8%</b>
Change in net assets	862,944	(315,696)	42,274	61,051	905,218	(254,645)	455.5%
Net assets beginning of year	4,622,111	4,937,807	444,762	383,711	5,066,873	5,321,518	-4.8%
Net assets end of year	<b>\$ 5,485,055</b>	<b>4,622,111</b>	<b>487,036</b>	<b>444,762</b>	<b>5,972,091</b>	<b>5,066,873</b>	<b>17.9%</b>

Property tax revenues of \$4,551,785 and unrestricted state grants of \$8,905,041 account for 69% of the District’s total revenues in all funds, totaling \$19,412,300 as shown above. The District’s expenses are primarily in the instruction and support services functions, which total 83% of the total expenses shown in Figure A-4. Total District revenues were 10.4% higher than the prior year, and the corresponding expenses were 3.8% higher.

## Governmental Activities

Revenues for governmental activities were \$18,178,670, a 10.2% increase over the prior year. Expenses were \$17,315,726, a 3% increase over the prior year. The District was able to balance the operating budget for FY07 by reducing expenses to slightly below available resources.

Unrestricted state grants and contributions rose by \$1,225,963, largely due to an increase in state aid. Unrestricted investment earnings increased by \$61,319 over the prior year, primarily due to increased participation in ISCAP resulting in increased interest revenues.

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 for each of these District functions.

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 10,629,085	8,336,882	10,345,122	8,225,948
Support services	4,749,129	4,515,803	4,567,912	4,453,530
Non-instructional programs	330,816	160,502	359,583	215,761
Other expenses	1,606,696	951,664	1,532,229	934,208
Total	\$ 17,315,726	13,964,851	16,804,846	13,829,447

The total cost of all governmental activities for FY07 was \$17,315,726. Some of this cost, or approximately \$816,000, was financed by users of the District's programs, such as from fees or admissions revenues. Another \$2.53 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 \$13,964,851, 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 costs subsidized by grants and contributions or financed by users increased by about \$375,000 over the prior year.

## Business-Type Activities

As previously discussed, the District's business-type funds include the School Nutrition Fund and the Golf Driving Range Fund. The financial activity in the Golf Driving Range Fund was minimal, with revenues and expenses totaling \$23,676 and \$6,736, respectively. Revenues for the School Nutrition Fund were \$1,209,954, an increase of \$123,832 from the prior year. The increase was primarily in Federal revenues, partly due to increased student participation in the National School Lunch Program and a federal grant which provides for a daily fruit or vegetable snack for younger students. School Nutrition Fund expenses increased by \$157,120 over the prior year, totaling \$1,184,620.

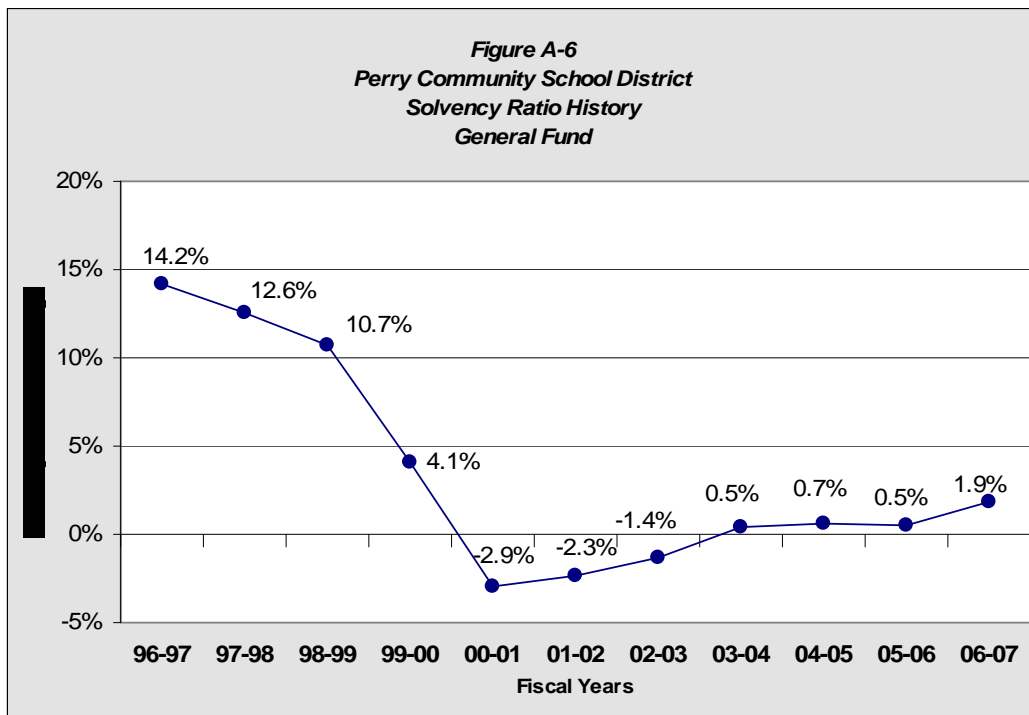
## Financial Analysis of the District's Funds

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 \$1,736,298 at June 30, 2007, an increase of \$402,231 over the prior year. The following is a closer look at each individual major fund:

- The **General Fund** reported an overall increase in its fund balance of \$246,459, from \$90,323 at June 30, 2006 to \$336,782 at June 30, 2007. The increase is primarily due to a 6.4 percent increase in revenues offset by a lesser increase in expenditures of 4.7 percent. The undesignated and unreserved portion of this fund balance increased by \$219,895, which is one 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 in the graph below, the District has had some positive financial recovery after several years of sharp decline.



- The **Debt Service Fund** balance increased by \$17,347 over the prior year. This increase in fund balance was primarily due to an increase in property tax revenues, offset by a decrease in monies transferred in from other funds. The Debt Service Fund is used to account for principal and interest payments on debt to the District's bond holders. Local property tax and interest earnings accounted for about \$529,000 in revenues. A total of approximately \$801,000 was transferred in from the Capital Projects Fund and the Physical Plant and Equipment Levy (PPEL) Fund in order to meet the District's debt obligations.



- The **Capital Projects Fund** balance remained constant, increasing by \$5,005 over the prior year.

**Business-Type Fund Highlights**

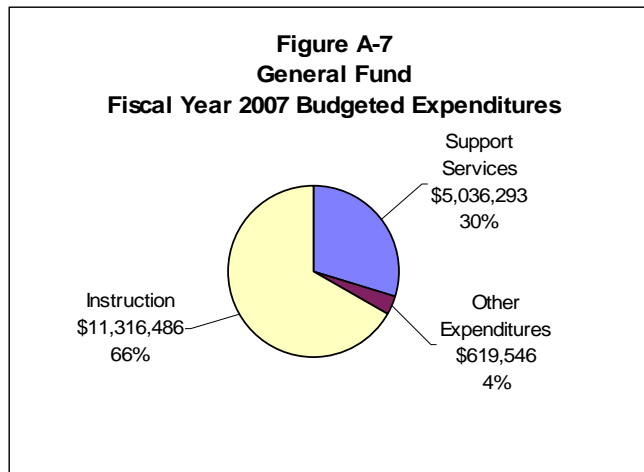
- The **School Nutrition Fund** balance increased from \$443,062 at June 30, 2006 to \$468,396 at June 30, 2007. Nearly 58% of this fund balance represents the net value of capital assets, such as kitchen and cafeteria equipment, while the remaining 42% is unrestricted cash. The School Nutrition Fund continues to serve breakfasts, lunches, and snacks at District sites, and also provides meal services to children attending Head Start.

**Budgetary Highlights**

**Expenditures**

Total expenditures for 2007 were \$2,225,605 less than the District’s certified budget for expenditures, a variance of 10.4%. 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 93% percent of all Governmental Fund budgeted expenditures for the fiscal year. Total General Fund budgeted expenditures for fiscal year 2007 were \$16,972,325. Figure A-7 indicates the percentage expended in each function.

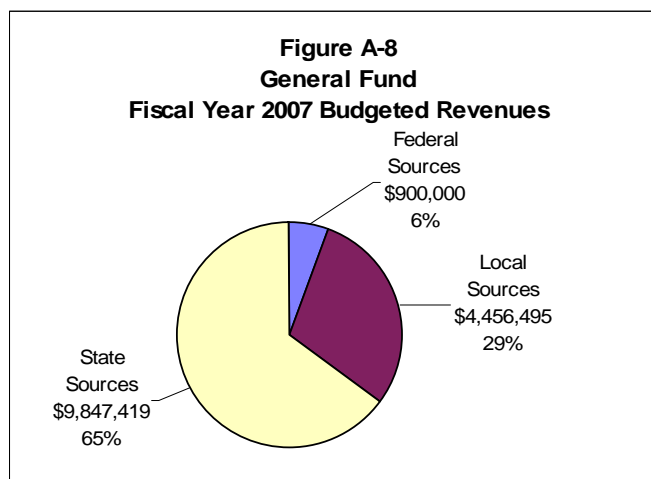


The General Fund budget is reviewed in detail in the business office and updated on an ongoing basis to reflect any anticipated changes in staffing or non-staffing costs. The Board of Directors receives a monthly summary of revenue and expense reports showing cash-basis comparisons from prior years. 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.

**Revenues**

General Fund budgeted revenues totaled \$18,455,621 for fiscal year 2007, \$921,599 less than actual revenues collected. This variance is primarily due to the District receiving more in state and federal funding than expected.

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 65%, or nearly \$9.8 million, of its revenue is received. This includes unrestricted state aid and restricted program or categorical funds. Local sources provide \$4.4 million, or 29%, 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 \$900,000. Nearly all of the District's General Fund federal revenue is received in the form of restricted grants, such as the Title I reading program.



The District amended its certified budget during fiscal year 2007 to reflect an increase of approximately \$1,257,236 in expenditures.

### Capital Assets and Debt Administration

#### Capital Assets

At the end of fiscal year 2007, the District had invested, net of depreciation, a total of about \$16.9 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 just a slight decrease of 0.40% from the prior year.

	Governmental Activities		Business type Activities		Total School District		Percent Change 2006-2007
	2007	2006	2007	2006	2007	2006	
Land	\$ 95,751	95,751	-	-	95,751	95,751	0.00%
Construction in progress	516,838	335,013	-	-	516,838	335,013	54.27%
Buildings	14,800,238	15,185,141	-	-	14,800,238	15,185,141	-2.53%
Improvements other than buildings	473,137	517,066	-	-	473,137	517,066	-8.50%
Furniture and equipment	726,974	564,284	289,644	272,501	1,016,618	836,785	21.49%
<b>Total</b>	<b>\$ 16,612,938</b>	<b>16,697,255</b>	<b>289,644</b>	<b>272,501</b>	<b>16,902,582</b>	<b>16,969,756</b>	<b>-0.40%</b>

Construction in progress increased \$516,838 over the prior year, or 54.27%. This increase is due to work in process on the middle school roof replacement project. Furniture and equipment increased \$179,833, or 21.49%. This increase is primarily due to the purchase of buses.

### Long-Term Obligations

On June 30, 2007, the District had a total of \$13,011,550 in general obligation bonds and other long-term obligations outstanding. This represents a decrease of 4.08% from the prior year, as shown in Figure A-10. As of June 30, 2007, the District did not exceed its legal debt limit of \$20,107,484.

Regular scheduled debt service payments of principal and interest on general obligation bonds were paid in fiscal 2007. This resulted in debt reduction of \$605,000, or 5.69%, for that category.

<b>Figure A-10</b>			
<b>Outstanding Long-Term Obligations</b>			
	Total		Percent
	School District		Change
	2007	2006	2005-2006
General obligation bonds	\$ 10,035,000	10,640,000	-5.69%
Local option tax revenue bonds	2,274,000	2,302,000	-1.22%
Notes payable - QAZB	300,000	300,000	0.00%
Capital lease purchase agreement	141,457	-	
Early retirement	221,872	287,153	-22.73%
Compensated absences	39,221	35,167	11.53%
<b>Total</b>	<b>\$ 13,011,550</b>	<b>13,564,320</b>	<b>-4.08%</b>

Local option tax revenue bond debt decreased by 1.2% during 2007. All debt associated with local option tax revenue bonds is scheduled to be paid by fiscal year 2014 when this voter approved tax sunsets.

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, \$196,311 at June 30, 2007, are to be invested to provide funds to retire the note at its maturity on June 30, 2008.

The District's early retirement plan obligations decreased from \$287,153 at the end of 2006 to \$221,872 at the end of 2007, a decrease of about 23% from the prior year. This decrease was due to fewer eligible staff taking advantage of this benefit during 2007 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 decreased at the start of the 2007-08 school year by 17 students, or by 1% of the total 1871 enrolled in the previous year. Under Iowa's school foundation formula, a school district's state aid funding is highly dependant upon its enrollment. A one-percent decrease in enrollment will cause the District's percentage amount of budgetary allowable growth to be less than the actual percentage amount set by the Legislature. These enrollment counts reported in the fall of 2007 will be the basis for the District's allowable growth for fiscal year 2009.
- The District receives Local Option Sales and Services Tax (LOSST) revenues from all of its three counties of Boone, Dallas, and Greene. These receipts continue to steadily increase in Dallas County, from which 96% of the District's LOSST revenues are generated. This funding provides resources for school infrastructure, such as capital improvements, or for the retirement of outstanding bonds. The LOSST funding has been heavily utilized for the retirement of bonds, which has stabilized property tax rates. The current voter-approved LOSST will sunset in 2014.
- The Board of Directors elected to participate in the State of Iowa's Instructional Support Levy (ISL), beginning with the 2006-07 fiscal year. The ISL is funded through local property tax, but also creates an additional funding stream through a matched percentage from the State of Iowa. Three percent income surtax continues to be levied in the Physical Plant and Equipment Levy (PPEL) Fund.

## **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 Nancy Gee, Business Manager, Perry Community School District, 1219 Warford Street, Perry, Iowa 50220.

## **Basic Financial Statements**

**Exhibit A**

## Perry Community School District

## Statement of Net Assets

June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	School Foundation
<b>Assets</b>				
Cash and cash equivalents:				
ISCAP	\$ 2,890,813	-	2,890,813	-
Held by fiscal agent	196,311	-	196,311	-
Other	3,524,626	265,007	3,789,633	212,318
Receivables:				
Property tax:				
Delinquent	86,354	-	86,354	-
Succeeding year	4,865,000	-	4,865,000	-
Income surtax	151,000	-	151,000	-
Accounts	54,201	17,227	71,428	-
ISCAP accrued interest	14,859	-	14,859	-
Due from other funds	312	(312)	-	-
Due from other governments	497,952	39,452	537,404	-
Inventories	-	12,717	12,717	-
Capital assets, net of accumulated depreciation				
	16,612,938	289,644	16,902,582	-
<b>Total assets</b>	<b>28,894,366</b>	<b>623,735</b>	<b>29,518,101</b>	<b>212,318</b>
<b>Liabilities</b>				
Accounts payable	147,573	1,695	149,268	-
Contracts payable	66,144	-	66,144	-
Salaries and benefits payable	1,698,923	119,731	1,818,654	-
ISCAP warrants payable	2,896,000	-	2,896,000	-
ISCAP accrued interest payable	12,631	-	12,631	-
ISCAP unamortized premium	18,845	-	18,845	-
Anticipatory warrant payable	600,000	-	600,000	-
Accrued interest payable	84,302	-	84,302	-
Deferred revenue:				
Succeeding year property tax	4,865,000	-	4,865,000	-
Other	8,343	15,273	23,616	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	635,000	-	635,000	-
Revenue bonds payable	193,000	-	193,000	-
Capital lease purchase agreement	69,030	-	69,030	-
Early retirement payable	120,872	-	120,872	-
Compensated absences	39,221	-	39,221	-
Portion due after one year:				
General obligation bonds payable	9,400,000	-	9,400,000	-
Revenue bonds payable	2,081,000	-	2,081,000	-
Notes payable	300,000	-	300,000	-
Capital lease purchase agreement	72,427	-	72,427	-
Early retirement payable	101,000	-	101,000	-
<b>Total liabilities</b>	<b>23,409,311</b>	<b>136,699</b>	<b>23,546,010</b>	<b>-</b>

Perry Community School District

Statement of Net Assets

June 30, 2007

	Primary Government			Component Unit
	Governmental	Business Type	Total	School
	Activities	Activities		Foundation
<b>Net assets</b>				
Invested in capital assets, net of related debt	4,534,007	289,644	4,823,651	-
Restricted for:				
Physical plant and equipment levy	194,358	-	194,358	-
Other special revenue purposes	140,163	-	140,163	-
Debt service	363,932	-	363,932	-
Infrastructure	186,830	-	186,830	-
Talented and Gifted (TAG) program	21,564	-	21,564	-
Unrestricted	44,201	197,392	241,593	212,318
<b>Total net assets</b>	<b>\$ 5,485,055</b>	<b>487,036</b>	<b>5,972,091</b>	<b>212,318</b>

See notes to financial statements.

Perry Community School District

Statement of Activities

Year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Primary Government:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,892,901	251,940	658,173	-
Special instruction	2,324,046	70,729	300,242	-
Other instruction	2,412,138	328,021	683,098	-
	10,629,085	650,690	1,641,513	-
Support services:				
Student services	512,049	-	94,671	-
Instructional staff services	636,753	-	34,941	-
Administration services	1,654,013	-	-	-
Operation and maintenance of plant services	1,404,447	35,641	-	-
Transportation services	541,867	4,157	63,916	-
	4,749,129	39,798	193,528	-
Non-instructional programs	330,816	125,649	44,665	-
Other expenditures:				
Facilities acquisition	34,464	-	-	23,276
Long-term debt interest	597,255	-	40,975	-
AEA flowthrough	590,781	-	590,781	-
Depreciation (unallocated)*	384,196	-	-	-
	1,606,696	-	631,756	23,276
Total governmental activities	17,315,726	816,137	2,511,462	23,276
Business type activities:				
Support services:				
Administration services	125	-	-	-
Operation and maintenance of plant services	12,858	-	-	-
Transportation services	28	-	-	-
	13,011	-	-	-
Non-instructional programs:				
Food service operations	1,171,609	431,890	769,340	2,000
Golf driving range operations	6,736	2,676	-	21,000
	1,178,345	434,566	769,340	23,000
Total business type activities	1,191,356	434,566	769,340	23,000
Total Primary Government	\$ 18,507,082	1,250,703	3,280,802	46,276
<b>Component Unit:</b>				
School Foundation	\$ 56,295	-	168,281	-
<b>General Revenues:</b>				
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				
Total general revenues				
Change in net assets				
Net assets beginning of year				
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
(4,982,788)	-	(4,982,788)	-
(1,953,075)	-	(1,953,075)	-
(1,401,019)	-	(1,401,019)	-
(8,336,882)	-	(8,336,882)	-
(417,378)	-	(417,378)	-
(601,812)	-	(601,812)	-
(1,654,013)	-	(1,654,013)	-
(1,368,806)	-	(1,368,806)	-
(473,794)	-	(473,794)	-
(4,515,803)	-	(4,515,803)	-
(160,502)	-	(160,502)	-
(11,188)	-	(11,188)	-
(556,280)	-	(556,280)	-
-	-	-	-
(384,196)	-	(384,196)	-
(951,664)	-	(951,664)	-
(13,964,851)	-	(13,964,851)	-
-	(125)	(125)	-
-	(12,858)	(12,858)	-
-	(28)	(28)	-
-	(13,011)	(13,011)	-
-	31,621	31,621	-
-	16,940	16,940	-
-	48,561	48,561	-
-	35,550	35,550	-
(13,964,851)	35,550	(13,929,301)	-
-	-	-	111,986
3,954,289	-	3,954,289	-
487,335	-	487,335	-
110,161	-	110,161	-
891,244	-	891,244	-
172,728	-	172,728	-
8,905,041	-	8,905,041	-
217,614	6,724	224,338	928
5,464	-	5,464	-
83,919	-	83,919	-
14,827,795	6,724	14,834,519	928
862,944	42,274	905,218	112,914
4,622,111	444,762	5,066,873	99,404
\$ 5,485,055	487,036	5,972,091	212,318

**Exhibit C**

## Perry Community School District

Balance Sheet  
Governmental Funds

June 30, 2007

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments:					
ISCAP	\$ 2,890,813	-	-	-	2,890,813
Held by fiscal agent	-	-	-	196,311	196,311
Other	1,747,849	609,740	702,858	383,508	3,443,955
Receivables:					
Property tax:					
Delinquent	69,574	9,183	-	7,597	86,354
Succeeding year	3,843,000	632,000	-	390,000	4,865,000
Income surtax	-	-	-	151,000	151,000
Accounts	47,585	-	-	6,616	54,201
ISCAP accrued interest	14,859	-	-	-	14,859
Due from other funds	312	-	-	-	312
Due from other governments	343,310	-	154,642	-	497,952
<b>Total assets</b>	<b>\$ 8,957,302</b>	<b>1,250,923</b>	<b>857,500</b>	<b>1,135,032</b>	<b>12,200,757</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 142,853	-	-	4,720	147,573
Contracts payable	-	-	66,144	-	66,144
Salaries and benefits payable	1,698,923	-	-	-	1,698,923
ISCAP warrants payable	2,896,000	-	-	-	2,896,000
ISCAP accrued interest payable	12,631	-	-	-	12,631
ISCAP unamortized premium	18,845	-	-	-	18,845
Anticipatory warrant payable	-	600,000	-	-	600,000
Deferred revenue:					
Succeeding year property tax	3,843,000	632,000	-	390,000	4,865,000
Income surtax	-	-	-	151,000	151,000
Other	8,268	-	-	75	8,343
<b>Total liabilities</b>	<b>8,620,520</b>	<b>1,232,000</b>	<b>66,144</b>	<b>545,795</b>	<b>10,464,459</b>
Fund balances:					
Reserved for:					
Debt service	-	18,923	233,000	196,311	448,234
Capital projects	-	-	558,356	-	558,356
Talented and Gifted program (TAG)	21,564	-	-	-	21,564
Unreserved:					
Designated for track resurfacing	20,000	-	-	-	20,000
Undesignated reported in:					
General fund	295,218	-	-	-	295,218
Special revenue funds	-	-	-	392,926	392,926
<b>Total fund balances</b>	<b>336,782</b>	<b>18,923</b>	<b>791,356</b>	<b>589,237</b>	<b>1,736,298</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,957,302</b>	<b>1,250,923</b>	<b>857,500</b>	<b>1,135,032</b>	<b>12,200,757</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, 2007

**Total fund balances of governmental funds (page 24)** \$ 1,736,298

***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 16,612,938

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 151,000

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. 80,671

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. (84,302)

Long-term liabilities, including bonds and notes payable, capital lease purchase agreements, compensated absences and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds. (13,011,550)

**Net assets of governmental activities (page 21)** \$ 5,485,055

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, 2007

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 3,664,382	487,335	891,245	555,796	5,598,758
Tuition	256,481	-	-	-	256,481
Other	578,070	40,975	25,518	340,677	985,240
State sources	10,282,309	402	-	331	10,283,042
Federal sources	1,020,069	-	-	-	1,020,069
Total revenues	15,801,311	528,712	916,763	896,804	18,143,590
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	5,728,184	-	-	187,352	5,915,536
Special instruction	2,296,511	-	-	27,260	2,323,771
Other instruction	2,116,786	-	-	306,559	2,423,345
	10,141,481	-	-	521,171	10,662,652
Support services:					
Student services	508,109	-	-	6,199	514,308
Instructional staff services	665,118	-	-	5,601	670,719
Administration services	1,575,558	25,003	-	16,611	1,617,172
Operation and maintenance of plant services	1,320,720	-	-	72,098	1,392,818
Transportation services	451,061	-	-	242,648	693,709
	4,520,566	25,003	-	343,157	4,888,726
Non-instructional programs	320,115	-	-	9,539	329,654
Other expenditures:					
Facilities acquisition	-	-	186,433	29,856	216,289
Long-term debt:					
Principal	-	708,990	-	-	708,990
Interest and fiscal charges	-	578,687	-	-	578,687
AEA flowthrough	590,781	-	-	-	590,781
	590,781	1,287,677	186,433	29,856	2,094,747
Total expenditures	15,572,943	1,312,680	186,433	903,723	17,975,779
Excess (deficiency) of revenues over (under) expenditures	228,368	(783,968)	730,330	(6,919)	167,811
Other financing sources (uses):					
Sale of equipment	16,973	-	-	-	16,973
Capital lease purchase agreement	-	-	-	217,447	217,447
Operating transfers in	1,118	801,315	-	-	802,433
Operating transfers out	-	-	(725,325)	(77,108)	(802,433)
Total other financing sources (uses)	18,091	801,315	(725,325)	140,339	234,420
Net change in fund balances	246,459	17,347	5,005	133,420	402,231
Fund balances beginning of year	90,323	1,576	786,351	455,817	1,334,067
Fund balances end of year	\$ 336,782	18,923	791,356	589,237	1,736,298

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, 2007

**Net change in fund balances - total governmental funds (page 26)** \$ 402,231

***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	\$ 499,856	
Depreciation expense	(585,280)	(85,424)

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 1,107

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 17,000

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

Issued	(217,447)	
Repaid	708,990	491,543

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. (18,568)

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	65,281	
Compensated absences	(4,054)	61,227

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. (6,172)

**Change in net assets of governmental activities (page 23)** \$ 862,944

See notes to financial statements.

**Exhibit G**

## Perry Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2007

	Business Type Activities			Governmental Activities Internal Service
	Enterprise			
	School Nutrition	Nonmajor		
		Golf Driving Range	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 265,007	-	265,007	80,671
Accounts receivable	17,122	105	17,227	-
Due from other governments	39,452	-	39,452	-
Inventories	12,717	-	12,717	-
Capital assets, net of accumulated depreciation	270,597	19,047	289,644	-
<b>Total assets</b>	<b>604,895</b>	<b>19,152</b>	<b>624,047</b>	<b>80,671</b>
<b>Liabilities</b>				
Accounts payable	1,495	200	1,695	-
Salaries and benefits payable	119,731	-	119,731	-
Due to other funds	-	312	312	-
Deferred revenue	-	-	-	-
Unearned revenue	15,273	-	15,273	-
Compensated absences	-	-	-	-
<b>Total liabilities</b>	<b>136,499</b>	<b>512</b>	<b>137,011</b>	<b>-</b>
<b>Net Assets</b>				
Invested in capital assets	270,597	19,047	289,644	-
Unrestricted	197,799	(407)	197,392	80,671
<b>Total net assets</b>	<b>\$ 468,396</b>	<b>18,640</b>	<b>487,036</b>	<b>80,671</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, 2007

	Business Type Activities			Governmental Activities Internal Service
	Enterprise			
	School Nutrition	Nonmajor Golf Driving Range	Total	
Operating revenues:				
Local sources:				
Charges for service	\$ 431,890	2,676	434,566	1,140,428
Operating expenses:				
Support services:				
Administration services	125	-	125	1,146,600
Operation and maintenance of plant services	12,858	-	12,858	-
Transportation services	28	-	28	-
	13,011	-	13,011	1,146,600
Non-instructional programs:				
Food service operations:				
Salaries	415,999	-	415,999	-
Benefits	78,761	-	78,761	-
Purchased services	7,822	-	7,822	-
Supplies	634,758	-	634,758	-
Depreciation	34,269	-	34,269	-
	1,171,609	-	1,171,609	-
Golf driving range operations:				
Purchased services	-	2,330	2,330	-
Supplies	-	3,228	3,228	-
Depreciation	-	1,178	1,178	-
	-	6,736	6,736	-
Total operating expenses	1,184,620	6,736	1,191,356	1,146,600
Operating loss	(752,730)	(4,060)	(756,790)	(6,172)
Non-operating revenues:				
State sources	10,829	-	10,829	-
Federal sources	758,511	-	758,511	-
Interest income	6,724	-	6,724	-
Capital contributions	2,000	21,000	23,000	-
Total non-operating revenues	778,064	21,000	799,064	-
Net income (loss)	25,334	16,940	42,274	(6,172)
Net assets beginning of year	443,062	1,700	444,762	86,843
Net assets end of year	\$ 468,396	18,640	487,036	80,671

See notes to financial statements.

**Exhibit I**

Perry Community School District

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	Business Type Activities			Governmental Activities
	Enterprise			
	School Nutrition	Nonmajor		
Golf Driving Range		Total	Internal Service	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 433,824	-	433,824	-
Cash received from customers and users	-	2,571	2,571	1,140,428
Cash paid to employees for services	(448,363)		(448,363)	-
Cash paid to suppliers for goods or services	(615,799)	(5,358)	(621,157)	(1,146,600)
Net cash used by operating activities	(630,338)	(2,787)	(633,125)	(6,172)
Cash flows from non-capital financing activities:				
State grants received	10,829	-	10,829	-
Federal grants received	695,829	-	695,829	-
Deficit cash implicitly financed	-	312	312	-
Net cash provided by non-capital financing activities	706,658	312	706,970	-
Cash flows from capital and related financing activities:				
Capital contributions	-	16,000	16,000	-
Acquisition of capital assets	(30,365)	(15,225)	(45,590)	-
Net cash used by capital and related financing activities	(30,365)	775	(29,590)	-
Cash flows from investing activities:				
Interest on investments	6,724	-	6,724	-
Net increase (decrease) in cash and cash equivalents	52,679	(1,700)	50,979	(6,172)
Cash and cash equivalents beginning of year	212,328	1,700	214,028	86,843
Cash and cash equivalents end of year	\$ 265,007	-	265,007	80,671
<b>Reconciliation of operating loss to net cash used by operating activities:</b>				
Operating loss	\$ (752,730)	(4,060)	(756,790)	(6,172)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Commodities used	43,109	-	43,109	-
Depreciation	34,269	1,178	35,447	-
(Increase) in inventories	(2,115)	-	(2,115)	-
(Increase) in accounts receivable	(6,661)	(105)	(6,766)	-
Increase (decrease) in accounts payable	(1,201)	200	(1,001)	-
Increase in deferred revenues	8,595	-	8,595	-
Increase in salaries and benefits payable	47,239	-	47,239	-
(Decrease) in compensated absences	(843)	-	(843)	-
Net cash used by operating activities	\$ (630,338)	(2,787)	(633,125)	(6,172)

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

During the year ended June 30, 2007, the School Nutrition Fund received \$43,109 of federal commodities and \$2,000 of capital contributions from the General Fund.

During the year ended June 30, 2007, the Golf Driving Range Fund received \$5,000 of capital contributions from the Physical Plant and Equipment Levy Fund.

See notes to financial statements.



Perry Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 1,185,765	37,456
Due from other governments	-	141,401
Accounts Receivable	-	1,893
<b>Total assets</b>	<u>1,185,765</u>	<u>180,750</u>
<b>Liabilities</b>		
Accounts payable	-	99
Due to other governments	-	141,401
Trusts payable	-	39,250
Total liabilities	<u>-</u>	<u>180,750</u>
<b>Net assets</b>		
Reserved for scholarships	<u>\$ 1,185,765</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

Year ended June 30, 2007

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 28,550
Interest income	50,989
Total additions	<u>79,539</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>46,056</u>
Change in net assets	33,483
Net assets beginning of year	<u>1,152,282</u>
Net assets end of year	<u>\$ 1,185,765</u>

See notes to financial statements.

Perry Community School District

Notes to Financial Statements

June 30, 2007

**(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 (the primary government) 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 Foundation's Board of 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 of 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 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 major 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 funds 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 financial statements:

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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.

Asset Class	Amount
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 property tax receivable and other receivables not collected within sixty days after year end and unearned revenues for prepaid registrations and lunch tickets.

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 unearned revenues for prepaid registrations and lunch tickets.

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, 2007. 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, 2007, expenditures in the non-instructional and other expenditures functions exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 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, 2007, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 28,466</u>

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

At June 30, 2007, 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, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Physical Plant and Equipment Levy	\$ 1,118
Debt Service	Capital Projects	725,325
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>75,990</u>
Total		<u>\$ 802,433</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, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07B	1/26/07	1/25/08	\$ 628,393	14,183	630,000	12,054
2007-08A	6/28/07	6/27/08	2,262,420	676	2,266,000	577
Total			<u>\$ 2,890,813</u>	<u>14,859</u>	<u>2,896,000</u>	<u>12,631</u>

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, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ -	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
2006-07A	4.500%	5.676%
2006-07B	4.250	5.315
2007-08A	4.500	5.455

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2007 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	335,013	181,825	-	516,838
Total capital assets not being depreciated	430,764	181,825	-	612,589
Capital assets being depreciated:				
Buildings	20,197,853	-	-	20,197,853
Improvements other than buildings	965,708	-	-	965,708
Furniture and equipment	2,173,895	319,931	(95,752)	2,398,074
Total capital assets being depreciated	23,337,456	319,931	(95,752)	23,561,635
Less accumulated depreciation for:				
Buildings	5,012,712	384,903	-	5,397,615
Improvements other than buildings	448,642	43,929	-	492,571
Furniture and equipment	1,609,611	156,448	(94,959)	1,671,100
Total accumulated depreciation	7,070,965	585,280	(94,959)	7,561,286
Total capital assets being depreciated, net	16,266,491	(265,349)	(793)	16,000,349
Governmental activities capital assets, net	\$ 16,697,255	(83,524)	(793)	16,612,938
<b>Business type activities:</b>				
Furniture and equipment	\$ 478,626	52,590	-	531,216
Less accumulated depreciation	206,125	35,447	-	241,572
Business type activities capital assets, net	\$ 272,501	17,143	-	289,644

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:		
Regular		\$ 36,915
Special		275
Other		25,387
Support services:		
Instructional staff		18,653
Administration		34,742
Operation and maintenance of plant		11,420
Transportation		73,692
		<u>201,084</u>
Unallocated		384,196
		<u>\$ 585,280</u>

Business type activities:

Food service operations		34,269
Driving range operations		1,178
		<u>\$ 35,447</u>

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 10,640,000	-	605,000	10,035,000	635,000
Revenue bonds	2,302,000	-	28,000	2,274,000	193,000
Notes payable	300,000	-	-	300,000	-
Capital lease purchase agreement	-	217,447	75,990	141,457	69,030
Early retirement	287,153	55,591	120,872	221,872	120,872
Compensated absences	35,167	130,102	126,048	39,221	39,221
Total	<u>\$ 13,564,320</u>	<u>403,140</u>	<u>955,910</u>	<u>13,011,550</u>	<u>1,057,123</u>

General Obligation Bonds

Details of the district's June 30, 2007 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
2008	4.100%	385,000	32,800	5.375%	\$ 215,000	75,788
2009	4.150	410,000	17,015	5.375	215,000	64,232
2010		-	-	5.375	655,000	52,676
2011		-	-	5.375	325,000	17,468
2012		-	-		-	-
2013-2017		-	-		-	-
2018-2022		-	-		-	-
Total		<u>\$ 795,000</u>	<u>49,815</u>		<u>\$ 1,410,000</u>	<u>210,164</u>

Year Ending June 30,	Bond Issue of May 1, 2002			Total	
	Interest Rates	Principal	Interest	Principal	Interest
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
2011	4.350-4.450	410,000	362,538	735,000	380,006
2012	4.450-4.500	775,000	340,387	775,000	340,387
2013-2017	4.500-4.900	4,440,000	1,125,973	4,440,000	1,125,973
2018-2022	4.900-5.000	2,095,000	132,373	2,095,000	132,373
Total		\$7,830,000	3,070,242	\$10,035,000	3,330,221

### Revenue Bonds

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2004			Bond Issue of Oct 4, 2005		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2008	3.000%	\$ 165,000	46,870	4.275%	\$ 28,000	*
2009	3.250	170,000	41,920	4.275	28,000	*
2010	3.500	175,000	36,395	4.275	28,000	*
2011	3.700	180,000	30,270	-	-	-
2012	3.900	190,000	23,610	-	-	-
2013-2014	4.000-4.200	395,000	24,600	-	-	-
Total		\$ 1,275,000	203,665	\$ 84,000	-	-

Year Ending June 30,	Bond Issue of June 28, 2006			Bond Issue of June 28, 2006			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2008	4.550%	\$ -	31,396	6.620%	\$ -	14,896	193,000	93,162
2009	4.550	-	31,396	6.620	-	14,896	198,000	88,212
2010	4.550	-	31,396	6.620	145,000	14,896	348,000	82,687
2011	4.550	90,000	31,396	6.620	80,000	5,296	350,000	66,962
2012	4.550	190,000	27,300	-	-	-	380,000	50,910
2013-2014	4.550	410,000	28,212	-	-	-	805,000	52,812
Total		\$ 690,000	181,096	\$ 225,000	49,984		2,274,000	434,745

\* Interest is paid by the National Safe Surfacing Initiative, LLC (NSSI). On October 4, 2005, the NSSI deposited \$13,126, total interest due to maturity on the revenue bond, into an irrevocable escrow account established pursuant to an escrow agreement between the District, NSSI and Great Western Bank, escrow agent. The account is owned by NSSI and held by the escrow agent. Interest on the revenue bonds is due annually on January 1 and is paid directly from the escrow account.

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 resolutions providing for the issuance of the local option sales and services tax revenue bonds include 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, 2007, the District had not established the required sinking account.

Notes Payable

On September 1, 2002, the District issued \$300,000 of Capital Loan Notes designated as Qualified Zone Academy Bonds, pursuant to the provisions of Chapter 297.36 of the Code of Iowa 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 notes bear no interest and mature on June 30, 2008. The notes require annual deposits of \$48,255 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 \$196,311 at June 30, 2007 and are to be invested to provide funds sufficient to retire the notes at maturity. The balance remaining on the notes at June 30, 2007 is \$300,000.

Capital Lease Purchase Agreement

In June 2006, the District entered into a capital lease-purchase agreement with Blue Bird Body Company for three buses totaling \$217,447. The District did not take custody of the buses until fiscal 2007. The lease is payable over three years at an interest rate of 4.92%. The following is a schedule of the future minimum lease payments, including interest per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2007:

Year ending June 30,	Amount
2008	\$ 75,990
2009	75,990
Total minimum lease payments	<u>151,980</u>
Less amount representing interest	<u>(10,523)</u>
Present value of net minimum lease payments	<u><u>\$ 141,457</u></u>

Payments under the agreement totaled \$75,990 for the year ended June 30, 2007.

### 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, 2007 totaled \$120,872.

### 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, 2007, the defeased debt totaled \$7,450,000.

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

On April 30, 2007, the District entered into an agreement with U.S. Bank National Association of St. Paul, Minnesota to provide for the issuance of a \$600,000 warrant in anticipation of school infrastructure local option sales and services tax receipts. The warrant, which bears interest at 4.170% per annum and matures on April 30, 2008, 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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$584,063, \$548,899 and \$521,080, 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 \$590,781 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(11) Construction Commitment**

The District has entered into a contract totaling \$866,537 for the replacement of the Middle School roof. As of June 30, 2007, costs of \$408,162 had been incurred against the contract. The balance of \$458,375 remaining at June 30, 2007 will be paid as work on the project progresses. The District is funding the project with local option sales and services tax.

**(12) Subsequent Events**

On October 29, 2007, the Board approved bids totaling \$632,800 for an athletic complex. The project will be funded through an August 7, 2007 general obligation capital loan note issuance totaling \$535,000.

**(13) Special Investigation**

The Perry Community School District requested the Office of Auditor of State to perform a special investigation of the District as a result of concerns identified by District staff and officials regarding certain deposits. The special investigation is being performed for a period prior to October 31, 2007.

Copies of the special investigation report will be filed with the Dallas County Attorney's Office, the Division of Criminology Investigation, the City of Perry Police Department and the Attorney General's Office when completed.



**Required Supplementary Information**

Perry Community School District

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual
<b>Revenues:</b>			
Local sources	\$ 6,840,479	464,290	7,304,769
State sources	10,283,042	10,829	10,293,871
Federal sources	1,020,069	758,511	1,778,580
Total revenues	<u>18,143,590</u>	<u>1,233,630</u>	<u>19,377,220</u>
<b>Expenditures/Expenses:</b>			
Instruction	10,662,652	-	10,662,652
Support services	4,888,726	13,011	4,901,737
Non-instructional programs	329,654	1,178,345	1,507,999
Other expenditures	2,094,747	-	2,094,747
Total expenditures/expenses	<u>17,975,779</u>	<u>1,191,356</u>	<u>19,167,135</u>
Excess of revenues over expenditures/expenses	167,811	42,274	210,085
Other financing sources, net	234,420	-	234,420
Excess of revenues and other financing sources over expenditures/ expenses and other financing uses	402,231	42,274	444,505
Balances beginning of year	1,334,067	444,762	1,778,829
Balances end of year	<u>\$ 1,736,298</u>	<u>487,036</u>	<u>2,223,334</u>

See accompanying independent auditor's report.

Budgeted Amounts		Budget to Net Variance
Original	Final	
7,148,202	7,148,202	156,567
9,857,419	9,857,419	436,452
1,450,000	1,450,000	328,580
18,455,621	18,455,621	921,599
12,092,740	12,092,740	1,430,088
5,263,218	6,000,000	1,098,263
950,000	1,400,000	(107,999)
1,829,546	1,900,000	(194,747)
20,135,504	21,392,740	2,225,605
(1,679,883)	(2,937,119)	3,147,204
-	-	234,420
(1,679,883)	(2,937,119)	3,381,624
3,545,921	3,545,921	(1,767,092)
1,866,038	608,802	1,614,532

Perry Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2007

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,257,236.

During the year ended June 30, 2007, expenditures in the non-instructional program and other expenditures functions exceeded the amounts budgeted. The District's General Fund expenditures did not exceed the authorized budget.

**Other Supplementary Information**

**Schedule 1**

Perry Community School District

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	
<b>Assets</b>				
Cash and pooled investments	\$ 206,277	135,949	41,282	383,508
Cash and investments held by fiscal agent	-	-	196,311	196,311
Receivables:				
Property tax:				
Delinquent	5,521	-	2,076	7,597
Succeeding year	285,000	-	105,000	390,000
Income surtax	-	-	151,000	151,000
Accounts	-	6,616	-	6,616
<b>Total assets</b>	<b>\$ 496,798</b>	<b>142,565</b>	<b>495,669</b>	<b>1,135,032</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 2,393	2,327	-	4,720
Deferred revenue:				
Succeeding year property tax	285,000	-	105,000	390,000
Income surtax	-	-	151,000	151,000
Other	-	75	-	75
Total liabilities	287,393	2,402	256,000	545,795
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	196,311	196,311
Unreserved	209,405	140,163	43,358	392,926
Total fund equity	209,405	140,163	239,669	589,237
<b>Total liabilities and fund equity</b>	<b>\$ 496,798</b>	<b>142,565</b>	<b>495,669</b>	<b>1,135,032</b>

See accompanying independent auditor's report.

## Perry Community School District

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

Year ended June 30, 2007

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 289,907	-	265,889	555,796
Other	18,979	319,583	2,115	340,677
State sources	240	-	91	331
Total revenues	309,126	319,583	268,095	896,804
Expenditures:				
Current:				
Instruction:				
Regular instruction	187,352	-	-	187,352
Special instruction	27,260	-	-	27,260
Other instruction	23,467	283,092	-	306,559
Support services:				
Student services	6,199	-	-	6,199
Instructional staff services	5,601	-	-	5,601
Administration services	15,361	-	1,250	16,611
Operation and maintenance of plant services	6,435	573	65,090	72,098
Transportation services	20,201	-	222,447	242,648
Non-instructional programs	9,539	-	-	9,539
Other expenditures:				
Facilities acquisition	-	-	29,856	29,856
Total expenditures	301,415	283,665	318,643	903,723
Excess (deficiency) of revenues over (under) expenditures	7,711	35,918	(50,548)	(6,919)
Other financing sources (uses):				
Capital lease purchase agreement	-	-	217,447	217,447
Operating transfers out	-	-	(77,108)	(77,108)
Total other financing sources (uses)	-	-	140,339	140,339
Net change in fund balances	7,711	35,918	89,791	133,420
Fund balances beginning of year	201,694	104,245	149,878	455,817
Fund balances end of year	\$ 209,405	140,163	239,669	589,237

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, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Interest Revenue	\$ -	992	-	-	992
Nurses Fund	819	-	68	-	751
Misc Student Activity	-	62,228	1,342	(41,100)	19,786
Elem Book Fair	1,130	13,410	12,480	-	2,060
Elem Pencil Fund	1,228	1,117	2,779	434	-
Elem Rainforest	6,735	1,143	1,269	-	6,609
Elem Homework Club	-	2,500	-	-	2,500
Elem Tag	2,210	672	1,247	-	1,635
Elem Spanish Camp	1,571	-	-	-	1,571
Elem At-Risk	371	-	116	-	255
MS Student Activity	11,833	29,185	32,093	(180)	8,745
MS Vocal Music	3,230	-	428	(1,500)	1,302
MS Band	7,526	11,237	10,725	(2,000)	6,038
MS Athletics	-	-	10	10	-
MS Cheerleaders	2,069	108	498	-	1,679
MS Cross Country	-	30	40	10	-
MS Boys Basketball	210	-	192	-	18
MS Football	1,023	-	3,117	2,094	-
MS Boys Track	-	816	896	80	-
MS Wrestling	443	-	67	-	376
MS Girls Basketball	-	-	524	524	-
MS Volleyball	266	-	136	-	130
MS Girls Track	-	661	790	129	-
MS Industrial Tech	708	-	-	-	708
MS TSA	195	218	340	180	253
MS Student Council	2,478	433	457	-	2,454
MS Book Fair	-	3,230	3,080	-	150
MS Pencil Fund	276	309	254	-	331
HS Student Activity	746	1,420	32,664	30,498	-
HS Drama	2,268	4,076	2,662	(500)	3,182
HS Speech	305	416	1,760	1,039	-
HS Vocal Music	8,676	1,986	411	(5,500)	4,751
HS Vocal Music Trips	2,533	3,227	1,602	-	4,158
HS Vocal Music Robes	8	-	-	-	8
HS Band	1,215	6,562	1,025	(6,680)	72
HS Band Trips	269	5,581	3,157	-	2,693
HS Band Olympics	4,504	11,141	8,612	-	7,033
HS Academic Decathlon	-	-	604	604	-
HS Mock Trial	-	-	195	195	-
HS Cheerleaders	3,595	4,901	1,346	-	7,150
HS Athletics	236	10,749	3,450	-	7,535
HS Cross Country	2,135	3,608	7,578	1,881	46



Perry Community School District  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
HS Boys Basketball	7,254	3,617	5,594	-	5,277
HS Football	-	20,410	17,459	-	2,951
HS Boys Soccer	-	1,240	2,341	1,101	-
HS Baseball	1	1,824	4,370	2,545	-
HS Boys Track	66	1,609	3,737	2,062	-
HS Boys Golf	-	525	1,259	734	-
HS Wrestling	1,079	3,646	5,212	487	-
HS Girls Basketball	5,002	1,347	2,187	-	4,162
HS Volleyball	647	2,859	5,397	1,891	-
HS Girls Soccer	1,078	1,059	5,385	3,248	-
HS Softball	256	1,140	3,678	2,282	-
HS Girls Track	1	1,895	5,109	3,213	-
HS Girls Golf	1	581	2,322	1,740	-
HS Girls Swimming	-	4,055	3,561	-	494
Class of 2008	100	27,437	22,281	(300)	4,956
Class of 2009	-	-	-	300	300
National Honor Society	-	-	804	804	-
HS Dance Team	1,688	641	767	-	1,562
HS DECA	464	3,519	3,064	-	919
HS VICA/TSA	1,243	3,335	15,884	14,500	3,194
HS FCCLA	252	423	431	-	244
HS Journalism	-	5,695	1,610	-	4,085
HS Photo Club	338	-	-	-	338
HS Student Council	3,215	3,046	2,881	(325)	3,055
HS Art Club	-	85	-	-	85
HS French Club	830	-	-	-	830
HS Spanish Club	3,727	-	-	-	3,727
HS BEAC Club	699	128	65	-	762
HS Interact Club	522	49	101	-	470
HS Fitness Club	253	406	130	-	529
HS Bowling Club	562	877	637	-	802
HS Concessions	-	38,696	20,522	(14,500)	3,674
PHS TV	1,220	6,251	7,410	-	61
HS S.A.D.D.	950	-	-	-	950
HS Jag	1,986	1,232	1,453	-	1,765
<b>Total</b>	<b>\$ 104,245</b>	<b>319,583</b>	<b>283,665</b>	<b>-</b>	<b>140,163</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, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 34,092	945,504	942,140	37,456
Due from other governments	133,854	7,547	-	141,401
Accounts Receivable	-	1,893	-	1,893
<b>Total assets</b>	<b>\$ 167,946</b>	<b>954,944</b>	<b>942,140</b>	<b>180,750</b>
<b>Liabilities</b>				
Accounts payable	\$ 138	99	138	99
Due to other governments	133,854	839,989	832,442	141,401
Trusts payable	33,954	114,856	109,560	39,250
<b>Total liabilities</b>	<b>\$ 167,946</b>	<b>954,944</b>	<b>942,140</b>	<b>180,750</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 Five Years

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 5,598,758	6,060,053	5,870,232	*	*
Tuition	256,481	198,073	234,106	*	*
Other	985,240	822,194	695,731	*	*
Total local sources	6,840,479	7,080,320	6,800,069	6,617,122	5,654,194
Intermediate sources	-	-	-	-	50,414
State sources	10,283,042	8,864,846	8,380,911	8,112,480	8,204,265
Federal sources	1,020,069	925,508	730,804	1,297,185	1,098,809
Total	\$ 18,143,590	16,870,674	15,911,784	16,026,787	15,007,682
<b>Expenditures:</b>					
Instruction:					
Regular instruction	\$ 5,915,536	5,687,952	5,420,543	*	*
Special instruction	2,323,771	2,334,594	3,170,905	*	*
Other instruction	2,423,345	2,198,242	957,600	*	*
Total instruction	10,662,652	10,220,788	9,549,048	9,292,389	8,847,894
Support services:					
Student services	514,308	523,379	802,090	*	*
Instructional staff services	670,719	700,090	661,600	*	*
Administration services	1,617,172	1,515,496	1,276,678	*	*
Operation and maintenance of plant services	1,392,818	1,348,351	1,284,512	*	*
Transportation services	693,709	468,672	331,553	*	*
Other services	-	-	3,463	*	*
Total support services	4,888,726	4,555,988	4,359,896	4,437,156	4,302,666
Non-instructional programs	329,654	357,716	-	-	-
Other expenditures:					
Facilities acquisition	216,289	502,048	373,042	1,610,330	1,506,158
Long-term debt:					
Principal	708,990	580,000	560,000	*	*
Interest and fiscal charges	578,687	577,961	591,812	*	*
Total long-term debt	1,287,677	1,157,961	1,151,812	1,112,897	772,949
AEA flowthrough	590,781	530,384	499,406	503,058	533,914
Total	\$ 17,975,779	17,324,885	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, 2007

Grantor/Program	CFDA Number	Grant Number	Expen- ditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY07	\$ 43,109
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY07	126,911
National School Lunch Program	10.555	FY07	544,502
Summer Food Services Program for Children	10.559	FY07	43,863
			715,276
Team Nutrition Grants	10.574	FY07	126
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	FY07	47,104
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY07	426,453
Migrant Education - State Grant Program	84.011	FY07	53,071
Vocational Education - Basic Grants to States	84.048	FY07	25,824
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY07	11,367
State Grants for Innovative Programs	84.298	FY07	3,640
Reading First State Grants	84.357	FY07	55,500
English Language Acquisition Grants	84.365	FY07	6,290
Improving Teacher Quality State Grants	84.367	FY07	69,932
Grants for State Assessments and Related Activities (Title VI A)	84.369	FY07	12,257
Heartland Area Education Agency II:			
Special Education - Grants to States	84.027	FY07	113,692
Iowa Department of Education - Division of Vocational Rehabilitation Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY07	27,710
Washington Community School District:			
Fund for the Improvement of Education	84.215	FY07	15,273
Total			\$ 1,626,624

**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**

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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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, each major fund and the aggregate remaining fund information of Perry Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 7, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Perry Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Perry Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Perry Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Perry Community School District's financial statements that is more than inconsequential will not be prevented or detected by Perry Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Perry Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07 and II-B-07 are material weaknesses.

#### Compliance and Other Matters

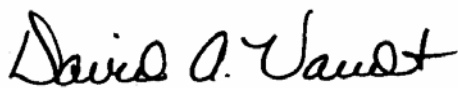
As part of obtaining reasonable assurance about whether Perry Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct 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, 2007 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.

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

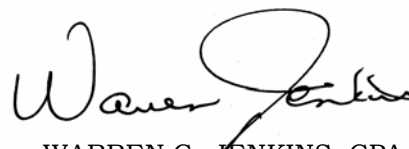
This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Perry Community School District and other parties to whom Perry Community School District may report, including federal awarding agencies and pass-through entities. This report 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

November 7, 2007



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State



**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, 2007. 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, 2007.

Internal Control Over Compliance

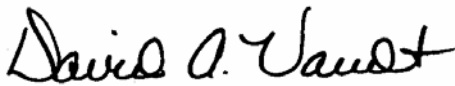
The management of Perry Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Perry 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Perry Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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

November 7, 2007

Perry Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies 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 no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Services Program for Children
  - CFDA Number 84.010 – Title I Grants to Local Educational 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, 2007

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

**SIGNIFICANT DEFICIENCIES:**

II-A-07 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. One individual at the high school has control over collecting, preparing deposits and taking deposits to the bank.

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 – The District will communicate this to the staff in each building to make sure two people are involved in receipts and verifying the deposits.

Conclusion – Response accepted.

II-B-07 Financial Reporting – During the audit, we identified material capital lease purchase agreement activity not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital lease purchase activity is identified and included in the District's financial statements.

Response – The District will review procedures to see this is properly recorded.

Conclusion – Response accepted.

II-C-07 Capital Assets – Capital asset deletions are not formally approved.

Recommendation – The District's capital assets policy should be modified to include a formal process for approving asset disposals.

Response – The District will review the capital asset policy and make the necessary modifications.

Conclusion – Response accepted.

II-D-07 Pre-numbered Receipts – The pre-numbered receipts issued at each of the District's school building offices do not always properly identify the collections as cash versus check, including the dollar amount of each when a receipt includes both cash and checks.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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.

Response – The District will communicate this recommendation to the staff recording the collections.

Conclusion – Response accepted.

- II-E-07 Elementary Building Pre-numbered Receipt Sequence – Based on a review of the business office’s accounting for the numeric sequence of receipts issued by the elementary school office, receipts are not always deposited intact. There were instances where gaps in receipt numbers were noted by the business office. These missing receipts were included in later deposits.

Recommendation – To provide additional control over the proper recording of all collections, receipts should be deposited intact and timely.

Response – The District is working with the staff to remedy this situation.

Conclusion – Response accepted.

- II-F-07 Elementary School Class Field Trips and Book Fair Sales – Supporting documentation for class field trips and book fair sales are not forwarded to the business office to support amounts collected and deposited.

Recommendation – The District should implement procedures to require documentation supporting class field trips and book fair sales be forwarded to the District’s business office along with the copy of the pre-numbered receipt to support the amounts collected and deposited by the elementary school.

Response – The District will review procedures and take appropriate action.

Conclusion – Response accepted.

- II-G-07 Student Activity Fund – Gate Admissions, Concessions, Vending Machines and Fundraisers

- (1) Event Gate Admissions – District policy requires the use of pre-numbered tickets for admission to events and a reconciliation of the tickets sold to actual collections by the ticket sellers. Five of six gate reconciliations tested included variances ranging from \$20 to \$106, with amounts collected exceeding the tickets sold. Based on the variances, it appears tickets are not always issued for paid admissions as required by District policy.

In addition, two of six gate reconciliations tested were signed by only one ticket seller. We were unable to determine whether there were two individuals involved in the cash collection/ticket sales process.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Recommendation – The District should implement procedures to monitor compliance with established policies and to maximize accountability over admissions. Specifically, variances between tickets sold and amounts collected should be resolved timely. To properly account for collections from gate admissions, the pre-numbered tickets utilized by the District should be torn off and issued to the individuals paying the admission fee. Two or more individuals should be involved in the cash collection/ticket sales process. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response – The District will review the admission procedures and the ticket reconciliation forms and take appropriate action.

Conclusion – Response accepted.

- (2) Concessions and Vending Machine Sales – Collections are not always counted by the concessions coordinator and/or individual responsible for the vending machine prior to remitting the cash to the appropriate school office.

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. This count sheet should be forwarded to the District's business office along with the copy of the pre-numbered receipt to support the amounts collected and deposited by each school building.

Response – The District has contacted our vending machine company to put all the machines on a commission basis. We will review collection procedures with the concession coordinator and look at possibly using a cash register for records and recap for verifying receipts.

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 appropriate school office and a pre-numbered receipt is given to the sponsor. No supporting documentation is submitted to the school office with the fundraising collections to substantiate the amount remitted.

Recommendation – Documentation supporting each fundraiser and the amount collected should be remitted to the appropriate high school office along with collections. An independent reconciliation of the collections and supporting documentation (order forms) should be performed by the office before the pre-numbered receipt is issued. This supporting documentation should be forwarded to the District's business office along with the copy of the pre-numbered receipt to support the amounts collected and deposited by each school building.



Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Response – The District will communicate this to staff and establish additional procedures if needed.

Conclusion – Response accepted.

- (4) Football Gold Card Fundraiser – The independent review of the August 2007 accounting sheet did not include counting the unsold cards.

Cash and checks collected from the gold card fundraiser were remitted to a representative from Varsity Gold, Inc., the vendor coordinating the fundraiser with the District. This representative remitted the collections to the high school office for deposit.

Collections from the fundraiser were not deposited intact. The District withheld \$930 from the deposit and gave the cash directly to Varsity Gold, Inc. to cover the cost of prizes.

Recommendation – In order to properly account for the collections from the Gold Card fundraiser, the independent review performed of the accounting sheet should include counting and verifying the number of unsold cards.

Collections from the fundraiser should not be remitted to the vendor but should be remitted to the high school office by the District employee responsible for coordinating the fundraiser.

Receipts from the fundraiser should be deposited intact. Any amount owed to the vendor should be paid through the District's normal disbursement process.

Response – The District will meet with the sponsors and the vendors to review the procedures and requirements.

Conclusion – Response accepted.

- II-H-07 Perry's Academic, Cultural & Enrichment Services (PACES) – The District offers a before and after school and summer child care and education program referred to as PACES. Program rates are structured for before, after or all day services. Parents meeting the school nutrition income guidelines qualify for free or reduced child care rates.

Payments are based on a four-day minimum and are required even if a child does not attend. Payments are remitted to the PACES office and are due each Thursday for the following week's service. Payments are accepted by various PACE employees who issue a three-part pre-numbered receipt for the funds collected. A \$5 late fee is required for payments made after the due date.

At the end of each payment day, the program coordinator or other employees count the cash and checks collected and reconcile these to the pre-numbered receipts. A cash count report is prepared documenting the break down between cash and checks received. The director forwards the collections, copies of the pre-numbered receipts and the cash count sheets to the business office for deposit.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

The following were noted regarding the PACES activity:

- Segregation of duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The program director has control over collecting, remitting collections to the business office, reconciling collections to pre-numbered receipts and accounting/following up on delinquent accounts.
- The program director indicated she will sometimes waive the four-day minimum charge and allow parents to pay for less than four days. She will also waive the late fee in certain circumstances.
- The District has not established written policies and procedures to govern the PACES program, including proper accounting for the financial activity and guidelines for allowing fee waivers. Also, there is no formal approval of the rates charged for the program.
- Records for the program are maintained manually. The payment process is cumbersome since most parents pay the evening of the due date. This results in long lines and increases the possibility of error or a receipt not getting issued. The District may benefit from an electronic payment system which could facilitate the payment process and provide computerized records for tax purposes.

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. The District should establish written policies and procedures to govern the PACES program, including proper accounting for activity, guidelines for fee waivers and formal approval of the rate schedule. The District should consider the benefits associated with implementing an electronic payment process.

Response – The District will establish a formal rate schedule and procedures for the PACES program.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Perry Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

No material weaknesses in internal control over major programs were noted.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

IV-A-07 Certified Budget – Expenditures for the year ended June 30, 2007 exceeded the budgeted amounts in the non-instructional programs and other expenditures functions.

Recommendation – The certified budget should have been amended as required by Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – The District will amend the Certified Budget if it appears expenditures may exceed the budgeted amount in any function area. The District did amend once last year, but due to late notification of required account code changes, the District did exceed in two areas.

Conclusion – Response accepted.

IV-B-07 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-07 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-F-07 Board Minutes – Except as noted in item IV-L-07, no transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-07 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-I-07 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

IV-J-07 Vehicle Usage – The Board has 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

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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 the Director of Buildings and Grounds should be allowed to continue use of the District vehicle for commuting. Board policies should be reviewed and modified to address 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 review and amend the policy on use of school vehicles and the public purpose requirements.

Conclusion – Response accepted.

IV-K-07 Local Option Sales and Services Tax (LOSST) Revenue Bonds – The District has not established or made the required transfers to the sinking account required by the local option sales and services tax revenue bond resolutions.

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

Response – The District will establish the required sinking account.

Conclusion – Response accepted.

IV-L-07 Interfund Loan – In September 2006, the District's General Fund loaned the Physical Plant and Equipment Levy (PPEL) Fund \$50,000, plus interest at 4.94%. The loan was repaid in March 2007. The loan and subsequent transfer to the PPEL fund were not formally approved by the Board. The transfer to repay the General Fund, including \$1,235 of interest, in March 2007 was properly approved.

Recommendation – The Board should formally approve all interfund loans in the minutes record.

Response – The District will require formal Board approval for any interfund loans and record same in the Board Minutes.

Conclusion – Response accepted.

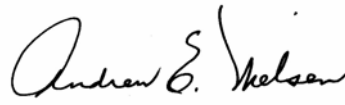
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Perry Community School District

Staff

This audit was performed by:

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Donna F. Kruger, CPA, Manager  
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