



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 20, 2009

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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 \$21,298,640 for the year ended June 30, 2008, an increase of 9.7 percent over the prior year. Revenues included \$5,398,407 in local tax, charges for service of \$1,251,306, operating grants, contributions and restricted interest of \$4,073,666, capital grants, contributions and restricted interest of \$211,228, local option sales and services tax of \$893,705, income surtax of \$183,947, unrestricted state grants and contributions of \$9,027,804, unrestricted investment earnings of \$171,328 and other general revenues of \$87,249.

Expenses for District operations totaled \$20,152,078, an increase of 8.9 percent over the prior year. Expenses included \$11,732,597 for instruction, \$5,091,718 for support services, \$1,631,777 for non-instructional programs and \$1,695,986 for other expenditures.

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, 2008

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Perry Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
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
Board of Education		
(After September 2007 Election)		
David Menz	President	2008
Kathryn Powell	Vice President	2009
Darek Van Kirk	Board Member	2009
Daniel Wilhelmi	Board Member	2010
Scott Seeley	Board Member	2010
School Officials		
Dr. Randall McCaulley	Superintendent	2008
Shelly Clifford	District Secretary	Resigned
Nancy Gee	District Secretary	2008
Dwayne Hochhalter	District Treasurer	2008
Brian Gruhn	Attorney	2008

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 discretely presented component unit and remaining fund information of Perry Community School District, Perry Iowa, as of and for the year ended June 30, 2008, 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.

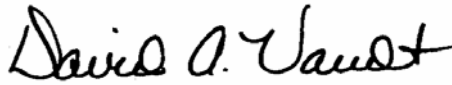
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 discretely presented component unit and remaining fund information of Perry Community School District at June 30, 2008, 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.

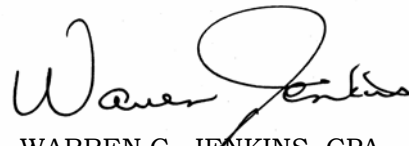
In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2008 on our consideration of Perry Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 three years ended June 30, 2007 (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 25, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2008. 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 \$15,801,311 in fiscal 2007 to \$17,209,691 in fiscal 2008, an increase of \$1,408,380. General Fund expenditures increased from \$15,572,943 in fiscal 2007 to \$16,928,768 for fiscal 2008, an increase of \$1,355,825. The District's General Fund balance increased from \$336,782 at the end of fiscal 2007 to \$617,705 at the end of fiscal 2008, an increase of 83.4%.
- The District's solvency ratio has remained positive for the past five years, increasing to 2.61% in fiscal 2008. 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 2008 LOSST revenues received from Boone, Dallas and Greene Counties totaled \$893,705. 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 Governmental 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.

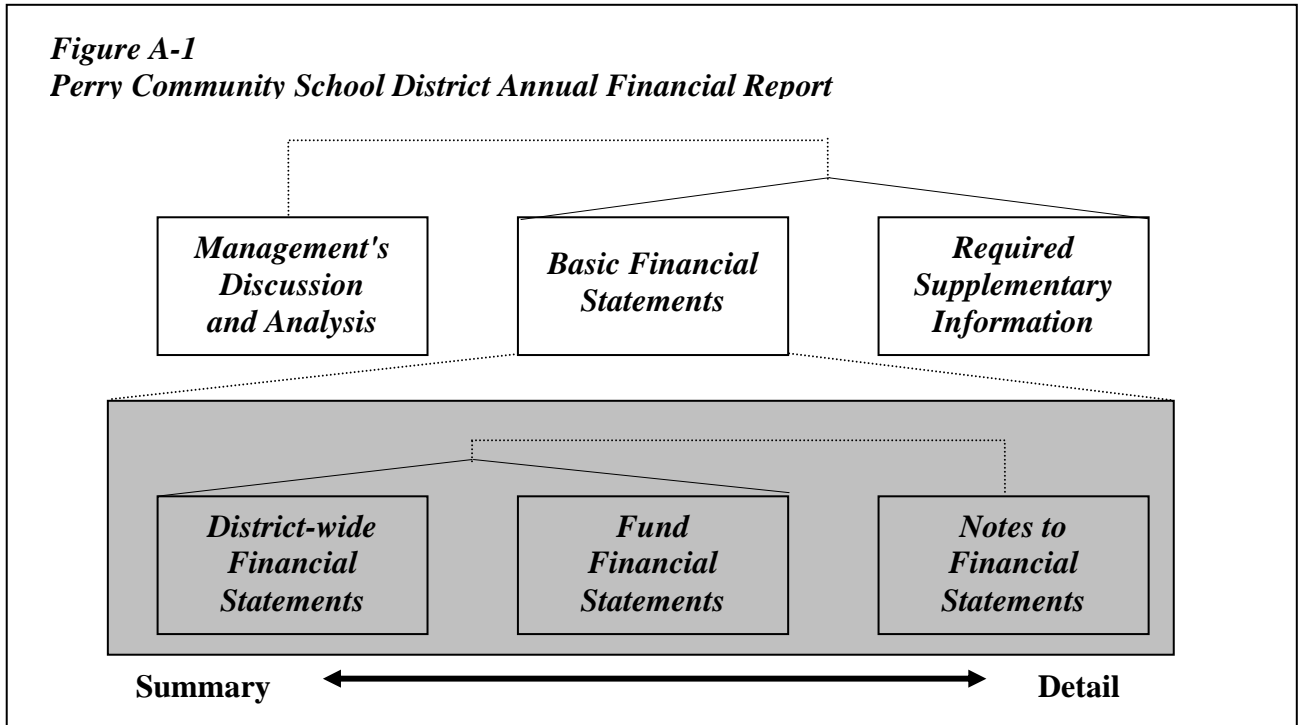


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

<i>Figure A-2</i>				
Major Features of the District-Wide and Fund Financial Statements				
	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, 2008 compared to 2007.

	Governmental Activities		Business Type Activities		Total School District		Percent Change June 30, 2007-2008
	June 30,		June 30,		June 30,		
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 13,583,773	12,281,428	384,357	334,091	13,968,130	12,615,519	10.72%
Capital assets	17,472,965	16,612,938	288,212	289,644	17,761,177	16,902,582	5.08%
Total assets	<u>31,056,738</u>	<u>28,894,366</u>	<u>672,569</u>	<u>623,735</u>	<u>31,729,307</u>	<u>29,518,101</u>	<u>7.49%</u>
Long-term liabilities	12,514,605	13,011,550	-	136,699	12,514,605	13,148,249	-4.82%
Other liabilities	11,992,837	10,397,761	103,212	-	12,096,049	10,397,761	16.33%
Total liabilities	<u>24,507,442</u>	<u>23,409,311</u>	<u>103,212</u>	<u>136,699</u>	<u>24,610,654</u>	<u>23,546,010</u>	<u>4.52%</u>
Net assets:							
Invested in capital assets, net of related debt	5,366,091	4,534,007	288,212	289,644	5,654,303	4,823,651	17.22%
Restricted	788,531	906,847	-	-	788,531	906,847	-13.05%
Unrestricted	394,674	44,201	281,145	197,392	675,819	241,593	179.73%
Total net assets	<u>\$ 6,549,296</u>	<u>5,485,055</u>	<u>569,357</u>	<u>487,036</u>	<u>7,118,653</u>	<u>5,972,091</u>	<u>19.20%</u>

The District's total net assets increased 19.2%, or approximately \$1,147,000, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net asset category increased 17.22%, or approximately \$831,000, primarily due to completion of the middle school roof, athletic complex and concession stand projects during the year.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount decreased \$118,316, or 13.05%. The decrease is primarily due to a decrease in funds held in the Physical Plant and Equipment Levy Fund and the Student Activity Fund at year end.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints, increased \$434,226, or approximately 180%. This increase was primarily due to an increase in the general fund balance at year end.

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, 2008 compared to fiscal 2007.

Figure A-4							
Change in Net Assets							
	Governmental Activities		Business Type Activities		Total School District		Percent Change
	2008	2007	2008	2007	2008	2007	2007-2008
Revenues:							
Program revenues:							
Charges for service	\$ 781,449	816,137	469,857	434,566	1,251,306	1,250,703	0.0%
Operating grants, contributions and restricted interest	3,233,727	2,511,462	839,939	769,340	4,073,666	3,280,802	24.2%
Capital grants, contributions and restricted interest	211,228	23,276	-	23,000	211,228	46,276	356.5%
General revenues:							
Property tax	5,398,407	4,551,785	-	-	5,398,407	4,551,785	18.6%
Local option sales and services tax	893,705	891,244	-	-	893,705	891,244	0.3%
Income surtax	183,947	172,728	-	-	183,947	172,728	6.5%
Unrestricted state grants and contributions	9,027,804	8,905,041	-	-	9,027,804	8,905,041	1.4%
Unrestricted investment earnings	163,769	217,614	7,559	6,724	171,328	224,338	-23.6%
Gain on disposal of capital asset	-	5,464	-	-	-	5,464	-100.0%
Other	87,249	83,919	-	-	87,249	83,919	4.0%
Total revenues	<u>19,981,285</u>	<u>18,178,670</u>	<u>1,317,355</u>	<u>1,233,630</u>	<u>21,298,640</u>	<u>19,412,300</u>	<u>9.7%</u>
Program expenses:							
Governmental activities:							
Instruction	11,732,597	10,629,085	-	-	11,732,597	10,629,085	10.4%
Support services	5,076,412	4,749,129	15,306	13,011	5,091,718	4,762,140	6.9%
Non-instructional programs	412,049	330,816	1,219,728	1,178,345	1,631,777	1,509,161	8.1%
Other expenses	1,695,986	1,606,696	-	-	1,695,986	1,606,696	5.6%
Total expenses	<u>18,917,044</u>	<u>17,315,726</u>	<u>1,235,034</u>	<u>1,191,356</u>	<u>20,152,078</u>	<u>18,507,082</u>	<u>8.9%</u>
Change in net assets	1,064,241	862,944	82,321	42,274	1,146,562	905,218	26.7%
Net assets beginning of year	5,485,055	4,622,111	487,036	444,762	5,972,091	5,066,873	17.9%
Net assets end of year	<u>\$ 6,549,296</u>	<u>5,485,055</u>	<u>569,357</u>	<u>487,036</u>	<u>7,118,653</u>	<u>5,972,091</u>	<u>19.2%</u>

Property tax revenues of \$5,398,407 and unrestricted state grants of \$9,027,804 account for 68% of the District's total revenues in all funds, totaling \$21,298,640 as shown above. The District's expenses are primarily in the instruction and support services functions, which total 76% of the total expenses shown in Figure A-4. Total District revenues for fiscal year 2008 were 9.7% higher than the prior year, and the corresponding expenses were 8.9% higher.

Governmental Activities

Revenues for governmental activities were \$19,981,285, a 9.9% increase over the prior year. Expenses were \$18,917,044, a 9.2% increase over the prior year. The District was able to balance the operating budget for FY08 by reducing expenses to slightly below available resources.

Operating grants, contributions and restricted interest rose \$722,265, largely due to an increase in state teacher compensation under HF413 and a state grant to fund the District's preschool program. Capital grants, contributions and restricted interest increased \$187,952, or 807.5%, over the prior year due to donations from the School Foundation for the new athletic complex. Property tax revenues increased \$846,622, or 18.60%, over the prior year due to an increase in taxable valuation from \$260,950,482 in FY07 to \$271,728,260 in FY08, an increase of 4.13%. The total levy rate also increased from \$18.89 per \$1,000 of taxable valuation in FY07 to \$20.52 per \$1,000 of taxable valuation for FY08.

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.

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 11,732,597	8,922,139	10,629,085	8,336,882
Support services	5,076,412	4,719,176	4,749,129	4,515,803
Non-instructional programs	412,049	148,550	330,816	160,502
Other expenses	1,695,986	900,775	1,606,696	951,664
Total	<u>\$ 18,917,044</u>	<u>14,690,640</u>	<u>17,315,726</u>	<u>13,964,851</u>

The total cost of all governmental activities for FY08 was \$18,917,044. Some of this cost, or approximately \$781,000, was financed by users of the District's programs, such as from fees or admissions revenues. Another \$3.44 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 \$14,690,640, 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 about \$876,000 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 \$3,452 and \$11,816, respectively. Revenues for the School Nutrition Fund were \$1,313,903, an increase of \$103,949, or 8.59%, over 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. Charges for service also increased due to increased catering services. School Nutrition Fund expenses increased \$38,598, or 3.3%, over the prior year, totaling \$1,223,218.

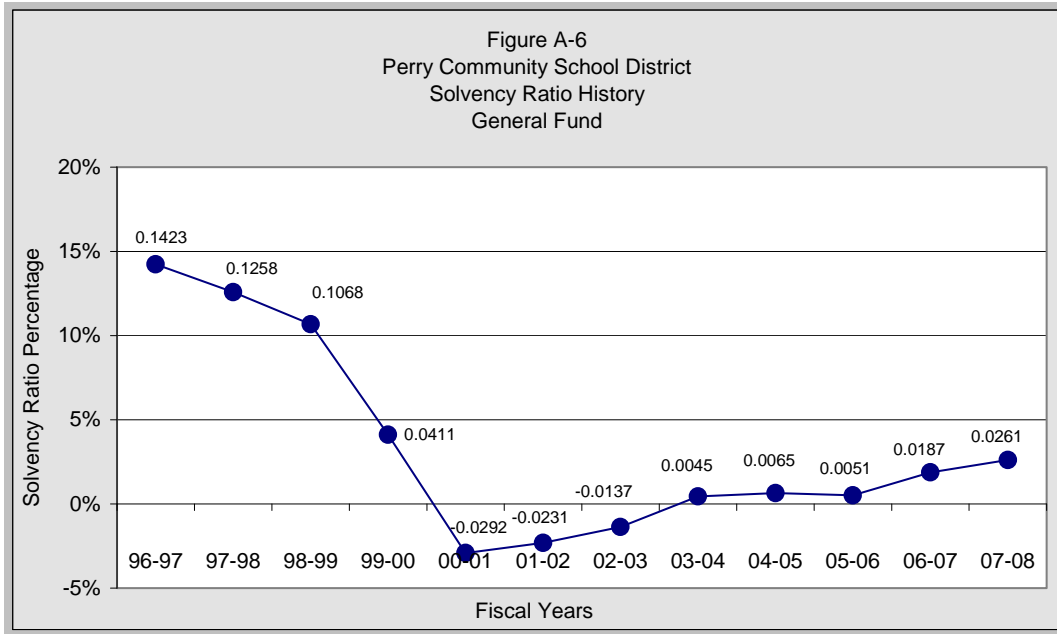
Financial Analysis of the District's Funds

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 \$1,416,864 at June 30, 2008, a decrease of \$319,434 from 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 \$280,923, from \$336,782 at June 30, 2007 to \$617,705 at June 30, 2008. Although the increase in revenues and expenditures were consistent, at 8.9% and 8.7%, respectively, revenues have exceeded expenditures in the past two years. The undesignated and unreserved portion of this fund balance increased \$154,678, 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 \$16,020 over the prior year. 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 \$744,000 in revenues. A total of approximately \$1,098,000 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. While the increase in revenues and expenditures were consistent, at 40.8% and 39.1%, respectively, revenues and transfers in have exceeded expenditures in the past two years.

- The **Capital Projects Fund** balance decreased \$336,016 from the prior year. While revenue remained constant, decreasing only \$6,587, expenditures for the middle school roof, athletic complex and concession stand projects increased approximately \$360,000 over the prior year.

Business-Type Fund Highlights

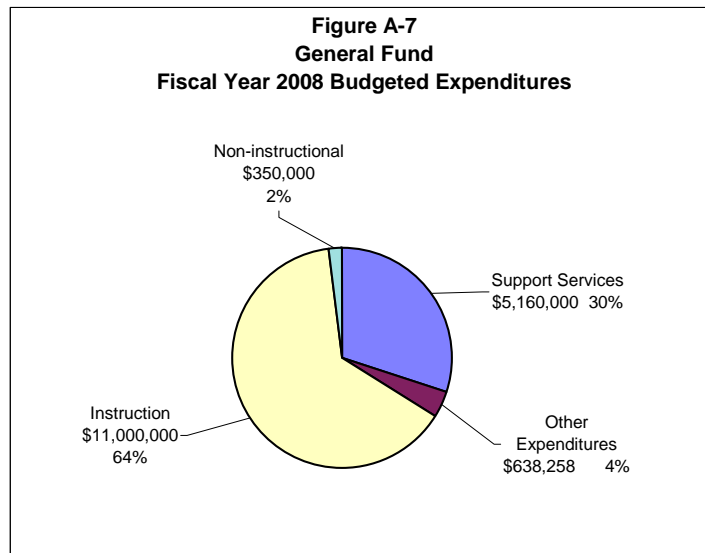
- The **School Nutrition Fund** balance increased from \$468,396 at June 30, 2007 to \$559,081 at June 30, 2008. Just over 50% of this fund balance represents the net value of capital assets, such as kitchen and cafeteria equipment, while the remaining is unrestricted cash. The School Nutrition Fund 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/expenses for 2008 were \$927,691 less than the District’s certified budget for expenditures/expenses, a variance of 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 84% percent of all governmental fund budgeted expenditures for the fiscal year. Total General Fund budgeted expenditures for fiscal year 2008 were \$17,148,258. Figure A-7 indicates the percentage of expenditures budgeted within each function.

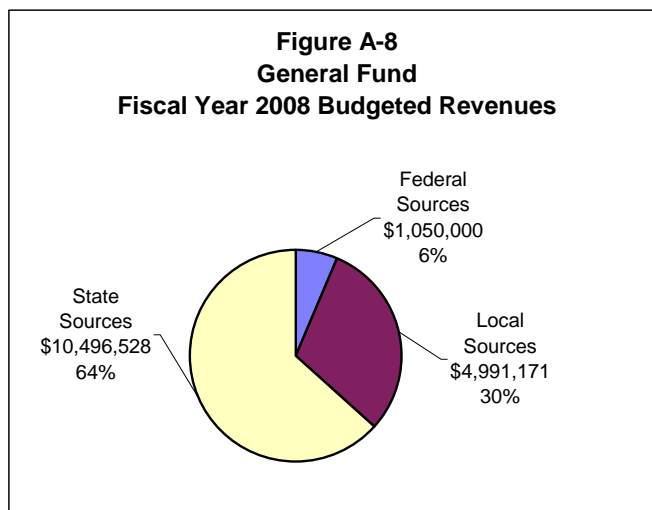


The General Fund budget is reviewed in detail in the business office and updated on an ongoing basis to reflect any anticipated changes in staffing or non-staffing costs. The Board of Directors receives a monthly summary of revenue and expense reports showing cash basis comparisons from prior years. 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 \$16,537,699 for fiscal year 2008, \$671,992 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 64%, or nearly \$10.5 million, of its revenue is received. This includes unrestricted state aid and restricted program or categorical funds. Local sources provide approximately \$5 million, or 30%, 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 \$1,050,000. 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 twice during fiscal year 2008 to reflect an increase of approximately \$1,327,000 in expenditures. The amendments were necessary primarily to allow increased expenditures for the athletic complex and to allow expenditure of additional preschool and other grants received.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had invested, net of depreciation, a total of about \$17.8 million in capital assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. As shown in Figure A-9, this amount represents a slight increase of 5.08% over the prior year.

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

	Governmental Activities		Business type Activities		Total School District		Percent Change 2007-2008
	2008	2007	2008	2007	2008	2007	
Land and land improvements	\$ 595,047	95,751	-	-	595,047	95,751	521.45%
Construction in progress	-	516,838	-	-	-	516,838	-100.00%
Buildings	15,434,352	14,800,238	-	-	15,434,352	14,800,238	4.28%
Improvements other than buildings	730,465	473,137	-	-	730,465	473,137	54.39%
Furniture and equipment	713,101	726,974	288,212	289,644	1,001,313	1,016,618	-1.51%
Total	\$ 17,472,965	16,612,938	288,212	289,644	17,761,177	16,902,582	5.08%

Construction in progress decreased \$516,838 from the prior year, or 100%. This decrease is due to completion of work on the middle school roof replacement project. Land and land improvements and improvements other than buildings increased primarily due to completion of the athletic complex and concession stand projects.

Long-Term Liabilities

On June 30, 2008, the District had a total of \$12,514,605 in general obligation bonds and other long-term liabilities outstanding. This represents a decrease of 3.82% from the prior year, as shown in Figure A-10. As of June 30, 2008, the District did not exceed its legal debt limit of \$21,514,886.

During fiscal 2008, the District issued \$535,000 of general obligation capital loan notes. This, combined with regular scheduled debt service payments of principal and interest on general obligation bonds/notes, resulted in a net debt reduction of \$100,000, or 1%, for that category.

Figure A-10			
Outstanding Long-Term Obligations			
	Total		Percent
	School District		Change
	2008	2007	2007-2008
General obligation bonds/notes	\$ 9,935,000	10,035,000	-1.00%
Local option tax revenue bonds	2,081,000	2,274,000	-8.49%
Notes payable - QZAB	-	300,000	-100.00%
Capital lease purchase agreements	90,874	141,457	-35.76%
Early retirement	351,532	221,872	58.44%
Compensated absences	56,199	39,221	43.29%
Total	\$ 12,514,605	13,011,550	-3.82%

Local option tax revenue bond debt decreased 8.49% during 2008. 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. The District retired the notes during fiscal 2008.

The District's early retirement plan obligations increased from \$221,872 at the end of 2007 to \$351,532 at the end of 2008, an increase of about 58% over the prior year. This increase was due to more eligible staff taking advantage of this benefit during 2008 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 2008-09 school year by 28.6 students, or 1.5% of the total 1,854.5 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 1.5% 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 2008 will be the basis for the District's allowable growth for fiscal year 2010.
- The District receives Local Option Sales and Services Tax (LOSST) revenues from all three counties it serves, Boone, Dallas and Greene Counties. 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, 1102 Willis Avenue, Suite 200, Perry, Iowa 50220.

Basic Financial Statements

Perry Community School District

Statement of Net Assets

June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	School Foundation
Assets				
Cash and cash equivalents:				
ISCAP	\$ 4,258,901	-	4,258,901	-
Other	3,538,771	336,163	3,874,934	74,605
Receivables:				
Property tax:				
Delinquent	101,470	-	101,470	-
Succeeding year	4,983,000	-	4,983,000	-
Income surtax	167,000	-	167,000	-
Accounts	3,733	9,709	13,442	-
ISCAP accrued interest	12,141	-	12,141	-
Due from other governments	518,757	15,254	534,011	-
Inventories	-	23,231	23,231	-
Capital assets, net of accumulated depreciation				
	17,472,965	288,212	17,761,177	-
Total assets	31,056,738	672,569	31,729,307	74,605
Liabilities				
Accounts payable	172,305	1,737	174,042	-
Contracts payable	109,127	-	109,127	-
Salaries and benefits payable	1,742,644	93,182	1,835,826	-
ISCAP warrants payable	4,228,000	-	4,228,000	-
ISCAP accrued interest payable	11,757	-	11,757	-
ISCAP unamortized premium	64,018	-	64,018	-
Anticipatory warrant payable	595,000	-	595,000	-
Accrued interest payable	76,063	-	76,063	-
Deferred revenue:				
Succeeding year property tax	4,983,000	-	4,983,000	-
Other	10,923	8,293	19,216	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds/notes payable	710,000	-	710,000	-
Revenue bonds payable	198,000	-	198,000	-
Capital lease purchase agreements payable	78,044	-	78,044	-
Early retirement payable	162,050	-	162,050	-
Compensated absences payable	56,199	-	56,199	-
Portion due after one year:				
General obligation bonds/notes payable	9,225,000	-	9,225,000	-
Revenue bonds payable	1,883,000	-	1,883,000	-
Capital lease purchase agreements payable	12,830	-	12,830	-
Early retirement payable	189,482	-	189,482	-
Total liabilities	24,507,442	103,212	24,610,654	-

Perry Community School District

Statement of Net Assets

June 30, 2008

	Primary Government			Component Unit
	Governmental	Business Type	Total	School
	Activities	Activities		Foundation
Net assets				
Invested in capital assets, net of related debt	5,366,091	288,212	5,654,303	-
Restricted for:				
Physical plant and equipment levy	116,048	-	116,048	-
Other special revenue purposes	115,454	-	115,454	-
Debt service	191,880	-	191,880	-
Infrastructure	222,340	-	222,340	-
Talented and Gifted (TAG) program	56,195	-	56,195	-
State grant carryover	86,614	-	86,614	-
Unrestricted	394,674	281,145	675,819	74,605
Total net assets	\$ 6,549,296	569,357	7,118,653	74,605

See notes to financial statements.

Perry Community School District

Statement of Activities

Year ended June 30, 2008

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 6,778,587	250,138	1,121,783	-
Special instruction	2,268,669	77,786	268,811	-
Other instruction	2,685,341	282,667	738,312	70,961
	<u>11,732,597</u>	<u>610,591</u>	<u>2,128,906</u>	<u>70,961</u>
Support services:				
Student	563,282	-	188,212	-
Instructional staff	766,247	-	83,608	-
Administration	1,780,677	-	-	-
Operation and maintenance of plant	1,383,927	30,970	-	7,493
Transportation	582,279	7,665	39,288	-
	<u>5,076,412</u>	<u>38,635</u>	<u>311,108</u>	<u>7,493</u>
Non-instructional programs	412,049	132,223	131,276	-
Other expenditures:				
Facilities acquisition	102,210	-	-	132,774
Long-term debt interest	601,436	-	43,056	-
AEA flowthrough	619,381	-	619,381	-
Depreciation (unallocated)*	372,959	-	-	-
	<u>1,695,986</u>	<u>-</u>	<u>662,437</u>	<u>132,774</u>
Total governmental activities	<u>18,917,044</u>	<u>781,449</u>	<u>3,233,727</u>	<u>211,228</u>
Business type activities:				
Support services:				
Administration services	660	-	-	-
Operation and maintenance of plant services	14,646	-	-	-
	<u>15,306</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	1,207,912	466,405	839,939	-
Golf driving range operations	11,816	3,452	-	-
	<u>1,219,728</u>	<u>469,857</u>	<u>839,939</u>	<u>-</u>
Total business type activities	<u>1,235,034</u>	<u>469,857</u>	<u>839,939</u>	<u>-</u>
Total Primary Government	<u>\$ 20,152,078</u>	<u>1,251,306</u>	<u>4,073,666</u>	<u>211,228</u>
Component Unit:				
School Foundation	\$ 189,551	-	47,548	-
General Revenues:				
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				
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
(5,406,666)	-	(5,406,666)	-
(1,922,072)	-	(1,922,072)	-
(1,593,401)	-	(1,593,401)	-
(8,922,139)	-	(8,922,139)	-
(375,070)	-	(375,070)	-
(682,639)	-	(682,639)	-
(1,780,677)	-	(1,780,677)	-
(1,345,464)	-	(1,345,464)	-
(535,326)	-	(535,326)	-
(4,719,176)	-	(4,719,176)	-
(148,550)	-	(148,550)	-
30,564	-	30,564	-
(558,380)	-	(558,380)	-
-	-	-	-
(372,959)	-	(372,959)	-
(900,775)	-	(900,775)	-
(14,690,640)	-	(14,690,640)	-
-	(660)	(660)	-
-	(14,646)	(14,646)	-
-	(15,306)	(15,306)	-
-	98,432	98,432	-
-	(8,364)	(8,364)	-
-	90,068	90,068	-
-	74,762	74,762	-
(14,690,640)	74,762	(14,615,878)	-
-	-	-	(142,003)
4,580,676	-	4,580,676	-
701,079	-	701,079	-
116,652	-	116,652	-
893,705	-	893,705	-
183,947	-	183,947	-
9,027,804	-	9,027,804	-
163,769	7,559	171,328	4,290
87,249	-	87,249	-
15,754,881	7,559	15,762,440	4,290
1,064,241	82,321	1,146,562	(137,713)
5,485,055	487,036	5,972,091	212,318
\$ 6,549,296	569,357	7,118,653	74,605

Exhibit C

Perry Community School District

Balance Sheet
Governmental Funds

June 30, 2008

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments:					
ISCAP	\$ 4,258,901	-	-	-	4,258,901
Other	2,125,274	616,851	334,899	378,612	3,455,636
Receivables:					
Property tax:					
Delinquent	80,246	13,092	-	8,132	101,470
Succeeding year	4,022,000	471,000	-	490,000	4,983,000
Income surtax	-	-	-	167,000	167,000
Accounts	3,733	-	-	-	3,733
ISCAP accrued interest	12,141	-	-	-	12,141
Due from other governments	365,089	-	153,668	-	518,757
Total assets	\$ 10,867,384	1,100,943	488,567	1,043,744	13,500,638
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 170,655	-	-	1,650	172,305
Contracts payable	-	-	33,227	75,900	109,127
Salaries and benefits payable	1,742,326	-	-	318	1,742,644
ISCAP warrants payable	4,228,000	-	-	-	4,228,000
ISCAP accrued interest payable	11,757	-	-	-	11,757
ISCAP unamortized premium	64,018	-	-	-	64,018
Anticipatory warrants payable	-	595,000	-	-	595,000
Deferred revenue:					
Succeeding year property tax	4,022,000	471,000	-	490,000	4,983,000
Income surtax	-	-	-	167,000	167,000
Other	10,923	-	-	-	10,923
Total liabilities	10,249,679	1,066,000	33,227	734,868	12,083,774
Fund balances:					
Reserved for:					
Debt service	-	34,943	233,000	-	267,943
Talented and Gifted program (TAG)	56,195	-	-	-	56,195
State grant carryover	86,614	-	-	-	86,614
Unreserved:					
Designated for track resurfacing	25,000	-	-	-	25,000
Undesignated reported in:					
General fund	449,896	-	-	-	449,896
Special revenue funds	-	-	-	308,876	308,876
Capital projects fund	-	-	222,340	-	222,340
Total fund balances	617,705	34,943	455,340	308,876	1,416,864
Total liabilities and fund balances	\$ 10,867,384	1,100,943	488,567	1,043,744	13,500,638

See notes to financial statements.

Perry Community School District

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

June 30, 2008

Total fund balances of governmental funds (page 24) \$ 1,416,864

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. 17,472,965

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 167,000

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. 83,135

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. (76,063)

Long-term liabilities, including bonds/notes payable, capital leases, compensated absences and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds. (12,514,605)

Net assets of governmental activities (page 21) \$ 6,549,296

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, 2008

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,264,335	701,079	893,705	600,940	6,460,059
Tuition	266,737	-	-	-	266,737
Other	506,820	43,056	16,471	421,082	987,429
Intermediate sources	73	-	-	-	73
State sources	11,023,896	499	-	308	11,024,703
Federal sources	1,147,830	-	-	-	1,147,830
Total revenues	17,209,691	744,634	910,176	1,022,330	19,886,831
Expenditures:					
Current:					
Instruction:					
Regular instruction	6,519,133	-	-	176,192	6,695,325
Special instruction	2,218,669	-	-	35,572	2,254,241
Other instruction	2,361,078	-	-	308,202	2,669,280
	11,098,880	-	-	519,966	11,618,846
Support services:					
Student	548,959	-	-	6,790	555,749
Instructional staff	808,642	-	-	6,134	814,776
Administration	1,651,626	26,075	-	16,294	1,693,995
Operation and maintenance of plant	1,314,751	-	-	97,801	1,412,552
Transportation	487,207	-	-	23,661	510,868
	4,811,185	26,075	-	150,680	4,987,940
Non-instructional programs	399,322	-	-	10,448	409,770
Other expenditures:					
Facilities acquisition	-	-	546,192	770,878	1,317,070
Long-term debt:					
Principal	-	1,202,593	-	-	1,202,593
Interest and fiscal charges	-	597,610	-	12,065	609,675
AEA flowthrough	619,381	-	-	-	619,381
	619,381	1,800,203	546,192	782,943	3,748,719
Total expenditures	16,928,768	1,826,278	546,192	1,464,037	20,765,275
Excess (deficiency) of revenues over (under) expenditures	280,923	(1,081,644)	363,984	(441,707)	(878,444)
Other financing sources (uses):					
Capital lease purchase agreement	-	-	-	24,010	24,010
General obligation note proceeds	-	-	-	535,000	535,000
Operating transfers in	600,000	1,697,664	-	-	2,297,664
Operating transfers out	(600,000)	(600,000)	(700,000)	(397,664)	(2,297,664)
Total other financing sources (uses)	-	1,097,664	(700,000)	161,346	559,010
Net change in fund balances	280,923	16,020	(336,016)	(280,361)	(319,434)
Fund balances beginning of year	336,782	18,923	791,356	589,237	1,736,298
Fund balances end of year	\$ 617,705	34,943	455,340	308,876	1,416,864

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, 2008

Net change in fund balances - total governmental funds (page 26) \$ (319,434)

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. Capital outlay expenditures and capital contributions exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,376,832	
Capital contributions	78,454	
Depreciation expense	<u>(595,259)</u>	860,027

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 16,000

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 issuances, as follows:

Issued	(559,010)	
Repaid	<u>1,202,593</u>	643,583

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. 8,239

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	(129,660)	
Compensated absences	<u>(16,978)</u>	(146,638)

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. 2,464

Change in net assets of governmental activities (page 23) \$ 1,064,241

See notes to financial statements.

Exhibit G

Perry Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Business Type Activities			Governmental Activities Internal Service
	Enterprise			
	School Nutrition	Nonmajor		
		Golf Driving Range	Total	
Assets				
Cash and cash equivalents	\$ 334,353	1,810	336,163	83,135
Accounts receivable	9,709	-	9,709	-
Due from other governments	15,254	-	15,254	-
Inventories	23,231	-	23,231	-
Capital assets, net of accumulated depreciation	279,546	8,666	288,212	-
Total assets	662,093	10,476	672,569	83,135
Liabilities				
Accounts payable	1,537	200	1,737	-
Salaries and benefits payable	93,182	-	93,182	-
Unearned revenue	8,293	-	8,293	-
Total liabilities	103,012	200	103,212	-
Net Assets				
Invested in capital assets	279,546	8,666	288,212	-
Unrestricted	279,535	1,610	281,145	83,135
Total net assets	\$ 559,081	10,276	569,357	83,135

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, 2008

	Business Type Activities			Governmental Activities Internal Service
	Enterprise			
	School Nutrition	Nonmajor Golf		
		Driving Range	Total	
Operating revenues:				
Local sources:				
Charges for service	\$ 466,405	3,452	469,857	1,341,081
Operating expenses:				
Support services:				
Administration	660	-	660	1,338,617
Operation and maintenance of plant	14,646	-	14,646	-
	15,306	-	15,306	1,338,617
Non-instructional programs:				
Food service operations:				
Salaries	395,019	-	395,019	-
Benefits	73,320	-	73,320	-
Purchased services	8,207	-	8,207	-
Supplies	688,566	-	688,566	-
Depreciation	42,800	-	42,800	-
	1,207,912	-	1,207,912	-
Golf driving range operations:				
Purchased services	-	1,150	1,150	-
Supplies	-	285	285	-
Depreciation	-	1,178	1,178	-
	-	2,613	2,613	-
Total operating expenses	1,223,218	2,613	1,225,831	1,338,617
Operating income (loss)	(756,813)	839	(755,974)	2,464
Non-operating revenues (expenses):				
State sources	11,463	-	11,463	-
Federal sources	828,476	-	828,476	-
Interest income	7,559	-	7,559	-
Loss on disposal of capital assets	-	(9,203)	(9,203)	-
Total non-operating revenues (expenses)	847,498	(9,203)	838,295	-
Net income (loss)	90,685	(8,364)	82,321	2,464
Net assets beginning of year	468,396	18,640	487,036	80,671
Net assets end of year	\$ 559,081	10,276	569,357	83,135

See notes to financial statements.

Exhibit I

Perry Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Business Type Activities			Governmental Activities Internal Service
	Enterprise			
	School	Nonmajor		
		Nutrition	Golf Driving Range	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 375,941	-	375,941	-
Cash received from other customers and users	88,701	3,557	92,258	1,341,081
Cash paid to employees for services	(494,888)	-	(494,888)	-
Cash paid to suppliers for goods or services	(680,516)	(1,435)	(681,951)	(1,338,617)
Net cash provided (used) by operating activities	(710,762)	2,122	(708,640)	2,464
Cash flows from non-capital financing activities:				
State grants received	11,463	-	11,463	-
Federal grants received	812,835	-	812,835	-
Deficit cash implicitly financed	-	(312)	(312)	-
Net cash provided (used) by non-capital financing activities	824,298	(312)	823,986	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(51,749)	-	(51,749)	-
Cash flows from investing activities:				
Interest on investments	7,559	-	7,559	-
Net increase in cash and cash equivalents	69,346	1,810	71,156	2,464
Cash and cash equivalents beginning of year	265,007	-	265,007	80,671
Cash and cash equivalents end of year	\$ 334,353	1,810	336,163	83,135
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (756,813)	839	(755,974)	2,464
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities used	49,015	-	49,015	-
Depreciation	42,800	1,178	43,978	-
(Increase) in inventories	(10,514)	-	(10,514)	-
(Increase) decrease in accounts receivable	(1,763)	105	(1,658)	-
Increase in accounts payable	42	-	42	-
(Decrease) in unearned revenue	(6,980)	-	(6,980)	-
(Decrease) in salaries and benefits payable	(26,549)	-	(26,549)	-
Net cash provided (used) by operating activities	\$ (710,762)	2,122	(708,640)	2,464

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2008, the District received \$49,015 of federal commodities.

See notes to financial statements.

Perry Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 1,213,068	46,301
Due from other governments	-	140,163
Accounts receivable	-	452
Total assets	<u>1,213,068</u>	<u>186,916</u>
Liabilities		
Due to other governments	-	140,163
Trusts payable	-	46,753
Total liabilities	<u>-</u>	<u>186,916</u>
Net assets		
Reserved for scholarships	<u>\$ 1,213,068</u>	<u>-</u>

See notes to financial statements.

Exhibit K

Perry Community School District

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 33,060	
Interest income	53,343	
Total additions	<u>86,403</u>	
Deductions:		
Regular instruction:		
Scholarships awarded		<u>59,100</u>
Change in net assets		27,303
Net assets beginning of year		<u>1,185,765</u>
Net assets end of year		<u>\$ 1,213,068</u>

See notes to financial statements.

Perry Community School District

Notes to Financial Statements

June 30, 2008

(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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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, 2008. 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.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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, 2008, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 35,221</u>

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

At June 30, 2008, 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, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Debt Service	\$ 600,000
Debt Service	General	600,000
	Capital Projects	700,000
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>397,664</u>
Total		<u>\$ 2,297,664</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, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/08	1/23/09	\$ 722,311	10,800	720,000	10,726
2008-09A	6/26/08	6/25/09	3,536,590	1,341	3,508,000	1,031
Total			<u>\$ 4,258,901</u>	<u>12,141</u>	<u>4,228,000</u>	<u>11,757</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 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, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ -	1,000,000	1,000,000	-
2007-08B	-	100,000	100,000	-
	<u>\$ -</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>

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
2007-08A	4.500%	5.448%
2007-08B	3.750	3.451
2008-09A	3.500	3.469

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 95,751	499,296	-	595,047
Construction in progress	516,838	1,214,860	(1,731,698)	-
Total capital assets not being depreciated	612,589	1,714,156	(1,731,698)	595,047
Capital assets being depreciated:				
Buildings	20,197,853	1,007,482	-	21,205,335
Improvements other than buildings	965,708	310,735	-	1,276,443
Furniture and equipment	2,398,074	154,611	(10,228)	2,542,457
Total capital assets being depreciated	23,561,635	1,472,828	(10,228)	25,024,235
Less accumulated depreciation for:				
Buildings	5,397,615	373,368	-	5,770,983
Improvements other than buildings	492,571	53,407	-	545,978
Furniture and equipment	1,671,100	168,484	(10,228)	1,829,356
Total accumulated depreciation	7,561,286	595,259	(10,228)	8,146,317
Total capital assets being depreciated, net	16,000,349	877,569	-	16,877,918
Governmental activities capital assets, net	\$ 16,612,938	2,591,725	(1,731,698)	17,472,965
Business type activities:				
Furniture and equipment	\$ 531,216	51,749	10,225	572,740
Less accumulated depreciation	241,572	43,978	1,022	284,528
Business type activities capital assets, net	\$ 289,644	7,771	9,203	288,212

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 30,658
Other	42,256

Support services:

Instructional staff	31,119
Administration	36,835
Operation and maintenance of plant	11,364
Transportation	70,068

222,300

Unallocated

372,959

Total depreciation expense - governmental activities

\$ 595,259

Business type activities:

Food service operations	\$ 42,800
Driving range operations	1,178

\$ 43,978

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds/notes	\$ 10,035,000	535,000	635,000	9,935,000	710,000
Revenue bonds	2,274,000	-	193,000	2,081,000	198,000
Capital loan notes	300,000	-	300,000	-	-
Capital lease purchase agreements	141,457	24,010	74,593	90,874	78,044
Early retirement	221,872	254,189	124,529	351,532	162,050
Compensated absences	39,221	143,915	126,937	56,199	56,199
Total	<u>\$ 13,011,550</u>	<u>957,114</u>	<u>1,454,059</u>	<u>12,514,605</u>	<u>1,204,293</u>

General Obligation Bonds/Notes

Details of the district's June 30, 2008 general obligation bond/note 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
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		-	-		-	-
2014-2018		-	-		-	-
2019-2022		-	-		-	-
Total		<u>\$ 410,000</u>	<u>17,015</u>		<u>\$ 1,195,000</u>	<u>134,376</u>

Year Ending June 30,	Bond Issue of May 1, 2002			Note Issue of Sept 1, 2007			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2009	4.250-4.350%	\$ 40,000	369,705	3.700%	\$ 45,000	21,482	\$ 710,000	472,434
2010	4.350	35,000	367,975	3.750	45,000	19,818	735,000	440,469
2011	4.350-4.450	410,000	362,538	3.850	50,000	18,130	785,000	398,136
2012	4.450-4.500	775,000	340,387	3.900	50,000	16,205	825,000	356,592
2013	4.450-4.600	810,000	305,158	4.000	50,000	14,255	860,000	319,413
2014-2018	4.500-4.900	4,650,000	912,688	4.050-4.250	295,000	38,100	4,945,000	950,788
2019-2023	4.900-5.000	1,075,000	40,500		-	-	1,075,000	40,500
Total		\$ 7,795,000	2,698,951		\$ 535,000	127,990	\$ 9,935,000	2,978,332

Revenue Bonds

Details of the District's June 30, 2008 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
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	4.000	195,000	16,200		-	-
2014	4.200	200,000	8,400		-	-
Total		\$ 1,110,000	156,795		\$ 56,000	-

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
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	4.550	200,000	18,656		-	-	395,000	34,856
2014	4.550	210,000	9,556		-	-	410,000	17,956
Total		\$ 690,000	149,700		\$ 225,000	35,088	\$ 2,081,000	341,583

* 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 District has pledged future local option sales and service tax revenues to repay the \$2,302,000 of bonds issued in 2004 through 2006. The 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 and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 32 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,422,583. For the current year, total principal and interest paid on the bonds and total local option sales and services tax revenues were \$286,162 and \$893,705, respectively.

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.

Capital Lease Purchase Agreements

In June 2006, the District entered into a capital lease purchase agreement with Blue Bird Body Company for three buses totaling \$217,447. The lease is payable over three years at an interest rate of 4.92%. During the year ended June 30, 2008, the District paid \$75,990 of principal and interest under this agreement.

In March 2008, the District entered into a capital lease purchase agreement totaling \$13,010 for the purchase of a utility tractor. The lease is payable over five years at an interest rate of 5.209%. During the year ended June 30, 2008, the District paid \$2,879 of principal and interest under this agreement.

In May 2008, the District entered into a capital lease purchase agreement totaling \$11,000 for the purchase of a bunker and field rake. The lease is payable over four years at an interest rate of 5.605%. During the year ended June 30, 2008, the District paid \$2,683 of principal and interest under this agreement.

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, 2008:

Year Ending June 30,	Buses	Rake	Tractor	Total
2009	\$ 75,990	2,683	2,879	81,552
2010	-	2,683	2,879	5,562
2011	-	4,000	2,879	6,879
2012	-	-	2,879	2,879
Total minimum lease payments	75,990	9,366	11,516	96,872
Less amount representing interest	(3,563)	(1,049)	(1,386)	(5,998)
Present value of net minimum lease payments	\$ 72,427	8,317	10,130	90,874

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, 2008 totaled \$124,529.

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, 2008, the defeased debt totaled \$7,450,000.

(7) Anticipatory Warrant

On May 28, 2008, the District entered into an agreement with Raccoon Valley Bank of Perry, Iowa to provide for the issuance of a \$595,000 warrant in anticipation of school infrastructure local option sales and services tax receipts. The warrant, which bears interest at 2.75% per annum and matures on May 28, 2009, 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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$652,386, \$584,063 and \$548,899, 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 \$619,381 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(11) Deficit Balance

The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund had a deficit balance of \$50,952 at June 30, 2008. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of PPEL funds.

(12) 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 officials pertaining to the mishandling of cash collections from an athletic shirt sale by a District employee. The special investigation was performed for the period July 1, 2005 through November 30, 2007 and identified a number of variances resulting from checks collected at the High School being substituted for other collections which included cash and other checks.

Copies of the special investigation report were filed with the Perry Police Department, the Dallas County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office upon its completion.

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, 2008

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual
Revenues:			
Local sources	\$ 7,714,225	477,416	8,191,641
Intermediate sources	73	-	73
State sources	11,024,703	11,463	11,036,166
Federal sources	1,147,830	828,476	1,976,306
Total revenues	<u>19,886,831</u>	<u>1,317,355</u>	<u>21,204,186</u>
Expenditures/Expenses:			
Instruction	11,618,846	-	11,618,846
Support services	4,987,940	15,306	5,003,246
Non-instructional programs	409,770	1,219,728	1,629,498
Other expenditures	3,748,719	-	3,748,719
Total expenditures	<u>20,765,275</u>	<u>1,235,034</u>	<u>22,000,309</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(878,444)	82,321	(796,123)
Other financing sources, net	<u>559,010</u>	-	<u>559,010</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	(319,434)	82,321	(237,113)
Balances beginning of year	<u>1,736,298</u>	<u>487,036</u>	<u>2,223,334</u>
Balances end of year	<u>\$ 1,416,864</u>	<u>569,357</u>	<u>1,986,221</u>

See accompanying independent auditor's report.

Budgeted Amounts		Budget to
Original	Final	Net
		Variance
8,117,701	8,117,701	73,940
-	-	73
10,506,728	10,506,728	529,438
1,750,000	1,750,000	226,306
20,374,429	20,374,429	829,757
11,500,000	11,900,000	281,154
5,578,000	5,578,000	574,754
1,560,000	1,700,000	70,502
2,963,258	3,750,000	1,281
21,601,258	22,928,000	927,691
(1,226,829)	(2,553,571)	1,757,448
-	-	559,010
(1,226,829)	(2,553,571)	2,316,458
3,281,398	3,281,398	(1,058,064)
2,054,569	727,827	1,258,394

Perry Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

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/expenses 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 two budget amendments which increased budgeted expenditures by \$1,326,742.

During the year ended June 30, 2008, expenditures/expenses did not exceed 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, 2008

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 238,417	117,422	22,773	378,612
Receivables:				
Property tax:				
Delinquent	5,957	-	2,175	8,132
Succeeding year	299,000	-	191,000	490,000
Income surtax	-	-	167,000	167,000
Total assets	\$ 543,374	117,422	382,948	1,043,744
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	1,650	-	1,650
Contracts payable	-	-	75,900	75,900
Salaries and benefits payable	-	318	-	318
Deferred revenue:				
Succeeding year property tax	299,000	-	191,000	490,000
Income surtax	-	-	167,000	167,000
Total liabilities	299,000	1,968	433,900	734,868
Unreserved fund balances	244,374	115,454	(50,952)	308,876
Total liabilities and fund balances	\$ 543,374	117,422	382,948	1,043,744

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, 2008

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 316,341	-	284,599	600,940
Other	24,681	259,860	136,541	421,082
State sources	225	-	83	308
Total revenues	341,247	259,860	421,223	1,022,330
Expenditures:				
Current:				
Instruction:				
Regular instruction	176,192	-	-	176,192
Special instruction	35,572	-	-	35,572
Other instruction	25,703	282,499	-	308,202
Support services:				
Student	6,790	-	-	6,790
Instructional staff	6,134	-	-	6,134
Administration	16,264	-	30	16,294
Operation and maintenance of plant	7,048	536	90,217	97,801
Transportation	22,127	1,534	-	23,661
Non-instructional programs	10,448	-	-	10,448
Other expenditures:				
Facilities acquisition	-	-	770,878	770,878
Long-term debt:				
Interest and fiscal charges	-	-	12,065	12,065
Total expenditures	306,278	284,569	873,190	1,464,037
Excess (deficiency) of revenues over (under) expenditures	34,969	(24,709)	(451,967)	(441,707)
Other financing sources (uses):				
Capital lease purchase agreement	-	-	24,010	24,010
General obligation note proceeds	-	-	535,000	535,000
Operating transfers out	-	-	(397,664)	(397,664)
Total other financing sources (uses)	-	-	161,346	161,346
Net change in fund balances	34,969	(24,709)	(290,621)	(280,361)
Fund balances beginning of year	209,405	140,163	239,669	589,237
Fund balances end of year	\$ 244,374	115,454	(50,952)	308,876

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, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Interest Revenue	\$ 992	650	-	-	1,642
Nurses Fund	751	-	239	-	512
Misc Student Activity	19,786	53,831	5,155	(63,147)	5,315
Elem Book Fair	2,060	255	1,843	-	472
Elem Pencil Fund	-	825	796	-	29
Elem Rainforest	6,609	-	1,801	-	4,808
Elem Homework Club	2,500	-	-	-	2,500
Elem Tag	1,635	626	842	-	1,419
Elem Spanish Camp	1,571	-	-	-	1,571
Elem At-Risk	255	-	94	-	161
MS Student Activity	8,745	33,197	28,052	(3,071)	10,819
MS Vocal Music	1,302	-	28	-	1,274
MS Band	6,038	22,054	23,117	-	4,975
MS Athletics	-	-	323	323	-
MS Cheerleaders	1,679	-	-	-	1,679
MS Cross Country	-	-	-	-	-
MS Boys Basketball	18	-	-	-	18
MS Football	-	-	2,976	3,009	33
MS Boys Track	-	382	832	450	-
MS Wrestling	376	102	2,339	1,861	-
MS Girls Basketball	-	-	723	723	-
MS Volleyball	130	-	312	182	-
MS Girls Track	-	277	883	606	-
MS Industrial Tech	708	-	-	-	708
MS TSA	253	220	-	(473)	-
MS Journalism/Yearbook	-	1,242	1,405	163	-
MS Student Council	2,454	-	382	-	2,072
MS Book Fair	150	98	248	-	-
MS Pencil Fund	331	364	248	-	447
HS Student Activity	-	5,502	11,401	5,899	-
HS Drama	3,182	5,103	6,263	-	2,022
HS Speech	-	727	2,021	1,294	-
HS Vocal Music	4,751	2,315	2,432	-	4,634
HS Vocal Music Trips	4,158	2,472	-	-	6,630
HS Vocal Music Robes	8	-	-	-	8
HS Band	72	562	1,369	735	-
HS Band Trips	2,693	7,893	3,656	-	6,930
HS Band Olympics	7,033	10,916	8,442	-	9,507
HS Academic Decathlon	-	-	716	716	-
HS Mock Trial	-	-	209	209	-
HS Cheerleaders	7,150	5,170	4,420	-	7,900
HS Athletics	7,535	3,019	2,645	-	7,909
HS Cross Country	46	4,024	4,980	910	-

Perry Community School District
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
HS Boys Basketball	5,277	4,218	6,708	-	2,787
HS Football	2,951	12,361	25,034	11,089	1,367
HS Boys Soccer	-	246	3,385	3,139	-
HS Baseball	-	2,411	13,223	10,812	-
HS Boys Track	-	2,899	6,925	4,026	-
HS Boys Golf	-	1,577	1,930	353	-
HS Wrestling	-	3,851	5,980	2,129	-
HS Girls Basketball	4,162	2,402	3,658	-	2,906
HS Volleyball	-	2,482	4,518	2,036	-
HS Girls Soccer	-	760	2,504	1,744	-
HS Softball	-	4,563	11,549	6,986	-
HS Girls Track	-	1,559	2,839	1,280	-
HS Girls Golf	-	607	3,050	2,443	-
HS Girls Swimming	494	4,500	6,294	1,300	-
Class of 2008	4,956	-	4,956	-	-
Class of 2009	300	-	300	-	-
National Honor Society	-	-	1,119	1,119	-
HS Dance Team	1,562	3,811	4,590	-	783
HS DECA	919	4,346	4,564	-	701
HS VICA/TSA	3,194	1,490	16,322	15,473	3,835
HS FCCLA	244	1,138	768	-	614
HS Journalism	4,085	3,089	7,843	669	-
HS Photo Club	338	-	-	-	338
HS Student Council	3,055	4,027	5,316	-	1,766
HS Art Club	85	67	165	13	-
HS French Club	830	219	215	-	834
HS Spanish Club	3,727	-	-	-	3,727
HS BEAC Club	762	106	65	-	803
HS Interact Club	470	156	289	-	337
HS Fitness Club	529	197	361	-	365
HS Bowling Club	802	326	459	-	669
HS Concessions	3,674	28,954	16,261	(15,000)	1,367
PHS TV	61	5,250	-	-	5,311
HS S.A.D.D.	950	-	-	-	950
HS Jag	1,765	422	2,187	-	-
Total	\$ 140,163	259,860	284,569	-	115,454

See accompanying independent auditor's report.

Schedule 4

Perry Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

Year ended June 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 37,456	973,444	964,599	46,301
Due from other governments	141,401	140,163	141,401	140,163
Accounts receivable	1,893	55	1,496	452
Total assets	\$ 180,750	1,113,662	1,107,496	186,916
Liabilities				
Accounts payable	\$ 99	-	99	-
Due to other governments	141,401	848,178	849,416	140,163
Trusts payable	39,250	265,484	257,981	46,753
Total liabilities	\$ 180,750	1,113,662	1,107,496	186,916

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 Six Years

	Modified Accrual Basis					
	2008	2007	2006	2005	2004	2003
Revenues:						
Local sources:						
Local tax	\$ 6,460,059	5,598,758	6,060,053	5,870,232	*	*
Tuition	266,737	256,481	198,073	234,106	*	*
Other	987,429	985,240	822,194	695,731	*	*
Total local sources	7,714,225	6,840,479	7,080,320	6,800,069	6,617,122	5,654,194
Intermediate sources	73	-	-	-	-	50,414
State sources	11,024,703	10,283,042	8,864,846	8,380,911	8,112,480	8,204,265
Federal sources	1,147,830	1,020,069	925,508	730,804	1,297,185	1,098,809
Total	\$ 19,886,831	18,143,590	16,870,674	15,911,784	16,026,787	15,007,682
Expenditures:						
Instruction:						
Regular instruction	\$ 6,695,325	5,915,536	5,687,952	5,420,543	*	*
Special instruction	2,254,241	2,323,771	2,334,594	3,170,905	*	*
Other instruction	2,669,280	2,423,344	2,198,242	957,600	*	*
Total instruction	11,618,846	10,662,651	10,220,788	9,549,048	9,292,389	8,847,894
Support services:						
Student	555,749	514,308	523,379	802,090	*	*
Instructional staff	814,776	670,719	700,090	661,600	*	*
Administration	1,693,995	1,617,173	1,515,496	1,276,678	*	*
Operation and maintenance of plant	1,412,552	1,392,818	1,348,351	1,284,512	*	*
Transportation	510,868	693,709	468,672	331,553	*	*
Other	-	-	-	3,463	*	*
Total support services	4,987,940	4,888,727	4,555,988	4,359,896	4,437,156	4,302,666
Non-instructional programs	409,770	329,654	357,716	-	-	-
Other expenditures:						
Facilities acquisition	1,317,070	216,289	502,048	373,042	1,610,330	1,506,158
Long-term debt:						
Principal	1,202,593	708,990	580,000	560,000	*	*
Interest and fiscal charges	609,675	578,687	577,961	591,812	*	*
Total long-term debt	1,812,268	1,287,677	1,157,961	1,151,812	1,112,897	772,949
AEA flowthrough	619,381	590,781	530,384	499,406	503,058	533,914
Total	\$ 20,765,275	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, 2008

Grantor/Program	CFDA Number	Grant Number	Expen- ditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY08	\$ 149,280
National School Lunch Program	10.555	FY08	641,323 *
Summer Food Services Program for Children	10.559	FY08	37,873
			<u>828,476</u>
U.S. Department of Justice:			
Iowa Department of Human Services:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	FY08	<u>47,104</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY08	<u>465,133</u>
Migrant Education - State Grant Program	84.011	FY08	<u>63,180</u>
Career and Technical Education - Basic Grants to States	84.048	FY08	<u>26,315</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY08	<u>8,896</u>
Twenty-first Century Community Learning Centers	84.287	FY08	<u>108,465</u>
State Grants for Innovative Programs	84.298	FY08	<u>3,898</u>
Reading First State Grants	84.357	FY08	<u>55,500</u>
English Language Acquisition Grants	84.365	FY08	<u>39,474</u>
Improving Teacher Quality State Grants	84.367	FY08	<u>70,982</u>
Grants for State Assessments and Related Activities	84.369	FY08	<u>12,551</u>
Heartland Area Education Agency II:			
Special Education - Grants to States	84.027	FY08	<u>115,322</u>
Iowa Department of Education - Division of Vocational Rehabilitation Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY08	<u>28,145</u>
Total			<u>\$ 1,873,441</u>

* Includes \$49,015 of non-cash awards.

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



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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 discretely presented component unit and remaining fund information of Perry Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 25, 2008. 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, including deficiencies we consider to be material weaknesses.

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-C-08 and II-D-08 are material weaknesses.

Compliance and Other Matters

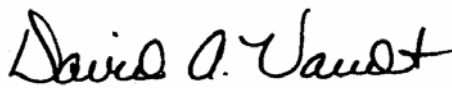
As part of obtaining reasonable assurance about whether Perry Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct 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, 2008 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.

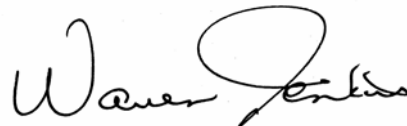
Perry Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Perry Community School District's responses and, accordingly, we express no opinion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



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 25, 2008

**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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2008. 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, 2008.

Internal Control Over Compliance

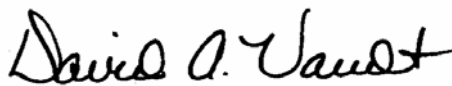
The management of Perry Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Perry 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.

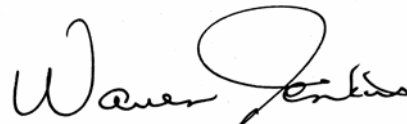
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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 25, 2008

Perry Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

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 material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed 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, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 Capital Assets – Capital asset deletions are not formally approved. The District’s capital asset policy does not indicate who is responsible for approving capital asset deletions.

Recommendation – The District’s capital assets policy should be modified to include a formal process for approving asset disposals, including the individuals who have authority to approve disposals. The District should maintain records documenting approval of capital asset disposals.

Response – The District will review the capital asset policy and implement a formal process for approving asset disposals.

Conclusion – Response accepted.

II-B-08 Student Activity Fund – Gate Admissions 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.

The District does not issue pre-numbered tickets for admission to school dances.

Four of eleven High School athletic gate reconciliations tested included variances ranging from \$20 to \$110, 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. For one of the eleven gate admission events reviewed, a reconciliation form was not provided to the business office.

For the six Middle School athletic gate reconciliations tested, no variances were noted.

Recommendation – The District should enforce adherence to established policies to maximize accountability over admissions. Specifically, pre-numbered tickets and reconciliation forms should be utilized to account for admissions to all events with gate admissions, including school dances. In addition, variances between tickets sold and amounts collected should be resolved timely. 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.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

- (2) High School Fundraisers – Fundraisers for various activities are coordinated and operated by individual student organizations. Funds are normally collected by the students at the time of product delivery and are either remitted to the organization’s adult sponsor or to the school office. The school office issues a pre-numbered receipt to each student for the collections. The sponsor is responsible for ensuring students collect and remit all amounts on the order forms. The order forms or other supporting documentation are not submitted to the school office or business office to substantiate the amounts collected.

Recommendation – Documentation supporting each fundraiser and the amount collected should be remitted to the appropriate school office. An independent reconciliation of the collections and supporting documentation (order forms) should be performed by the office. 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.

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

Conclusion – Response accepted.

- (3) Middle School Fundraisers – Supporting documentation of fundraisers is maintained by the Middle School office and is used to reconcile to the amounts collected. However, the supporting documentation is not forwarded to the District’s business office.

Recommendation – The supporting documentation should be forwarded to the District’s business office along with the copies of the pre-numbered receipts to support the amounts collected and deposited.

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

Conclusion – Response accepted.

The Office of Auditor of State issued a report dated July 29, 2008 on a special investigation of the District for the period July 1, 2005 through November 30, 2007. As part of the investigation, procedures of the Perry Community School District related to collections at the High School were reviewed. Items (C) through (H) address the additional issues identified in the special investigation.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

II-C-08 Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One former employee had control over receipts for the High School. She collected, deposited and reconciled receipts to the bank deposits.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the duties within the receipt function listed above should be segregated to the extent possible.

According to discussions with District officials, High School collections are currently deposited to the bank by District office employees. In addition, District office employees compare the checks recorded in the High School receipts to the checks provided for deposit to ensure collections are deposited intact.

Response – The District will implement procedures that create segregation of duties and better internal control.

Conclusion – Response accepted.

II-D-08 Deposits – All receipts were not deposited intact and High School deposits were not always made in a timely manner. In addition, personal checks were cashed from the cash drawer at the High School.

Recommendation – All collections should be deposited intact. The District should monitor and enforce compliance with established policies related to the timeliness of deposits. Also, cashing personal checks from the cash drawer should be prohibited.

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

Conclusion – Response accepted.

II-E-08 Checks without Restrictive Endorsement – We identified several checks deposited to the District's bank account which were not restrictively endorsed.

Recommendation – A restrictive endorsement (for deposit only) should be placed on all checks when received to help provide protection in case of theft or loss.

Response – The District will place a restrictive endorsement on all checks as soon as they are received.

Conclusion – Response accepted.

Perry Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

II-F-08 Cash Collections – Cash from concession sales is not always counted by the individuals who collected the cash prior to being placed in the safe. In addition, count sheets are not prepared and retained to document the amount of cash collected for concessions, fundraisers or vending machine collections.

Recommendation – The High School should implement procedures to require cash counts be completed and documented for all cash collections at the High School. The count sheets should be signed by the individuals counting the cash.

Response – The District will review the procedures and requirements.

Conclusion – Response accepted.

II-G-08 Vending Machines – Cash emptied from the High School’s vending machines is not consistently counted simultaneously by 2 individuals. In addition, beverages from the machine were available free of charge to some District employees.

Recommendation – To improve control over vending machine collections when emptied, the cash collections should be counted by 2 individuals simultaneously. The cash collected should be documented on a count sheet which is signed by the individuals counting the cash. A reconciliation should be completed to show cash emptied from the machine agrees with the total pop sold multiplied by the purchase price. Also, District employees should not be allowed to obtain vending items free of charge.

Response – The District has contacted our vending machine company to put all the machines on a commission basis.

Conclusion – Response accepted.

II-H-08 Voided Receipts – We identified several voided receipts for which documentation of the purpose for voiding the receipt was not readily available. In addition, we determined for several voided receipts the original collection was returned to the payer.

Recommendation – All voided receipts should clearly state the purpose for voiding the receipt. In addition, collections should not be returned to the payer once receipted by the High School. In cases where refunds are due, payment should be issued by the District.

Response – The District will review the procedures and requirements.

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, 2008

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, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-08 Certified Budget – Expenditures for the year ended June 30, 2008 did not exceed the amounts budgeted.
- IV-B-08 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-08 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-08 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-08 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-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-08 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-08 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.
- IV-J-08 Financial Condition – The Special Revenue, Physical Plant and Equipment Levy Fund had a deficit balance at June 30, 2008 of \$50,952.

Recommendation – The District should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The District will reduce expenditures from the PPEL Fund in order to recover from the deficit balance.

Conclusion – Response accepted.

Perry Community School District

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
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Shannon M. Hoffman, Staff Auditor
Bryan S. Dopheide, Assistant Auditor
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Deputy Auditor of State