

PERRY COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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Perry Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kathryn Powell	President	2013
Daniel Wilhelmi	Vice President	2011
Darek Van Kirk	Board Member	2013
David Menz	Board Member	2011
Scott Seeley	Board Member	2011
School Officials		
M. Lynn Ubben	Superintendent	2011
Sarah Cronk	Business Manager/ District Secretary (Resigned January 2011)	2011
Linda Morman	Acting District Secretary (January 2011 to April 2011)	
Kent E. Bultman	Business Manager/ District Secretary (Appointed April 2011)	2011
Dwayne Hochhalter	District Treasurer	2011
Ahlers and Cooney P.C.	Attorney	2011

Perry Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Perry Community School District:

We have audited the accompanying financial statements of the governmental activities, the Business type activities, each major fund and the aggregate remaining fund information of Perry Community School District, Perry, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Perry Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2012 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 50 through 52 are not required parts of the

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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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Perry Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (which are not presented herein) while another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein). Unqualified opinions were expressed on all of those financial statements. The supplementary information included in Schedules 1 through 10, 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.



NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which immediately follow this section.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$17,405,563 in fiscal 2010 to \$19,060,977 in fiscal 2011, an increase of \$1,655,414. General Fund expenditures decreased from \$16,864,863 in fiscal 2010 to \$16,222,749 in fiscal 2011, a decrease of \$642,114. The District's General Fund balance increased from \$1,423,313 at the end of fiscal 2010 to \$4,261,541 and the end of fiscal 2011, an increase of 199.41%
- The District's solvency ratio has remained positive for the past eight years, increasing to 18.27% at June 30, 2011. 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 fourteen years of solvency ratio history is included later in this section.
- The District's General Fund solvency ratio and fund balance continued to increase due to an increase in revenues from property tax and state sources.
- The District has utilized statewide sales, services and use tax revenues for existing debt reduction and new capital projects such as the Performing Arts Center. The District's share of the 2011 statewide sales, services and use tax revenues received from Boone, Dallas and Greene Counties totaled \$1,324,773. 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.

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 *Government-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:

- a) 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.
- b) The *Proprietary Fund Financial Statements* offer short and long term financial information about the activities the District operates *like a business*, such as food services, the golf driving range and the school bookstore.
- c) The *Fiduciary Funds Financial Statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of other, such as scholarship trusts.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District’s budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds as well as the Trust and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

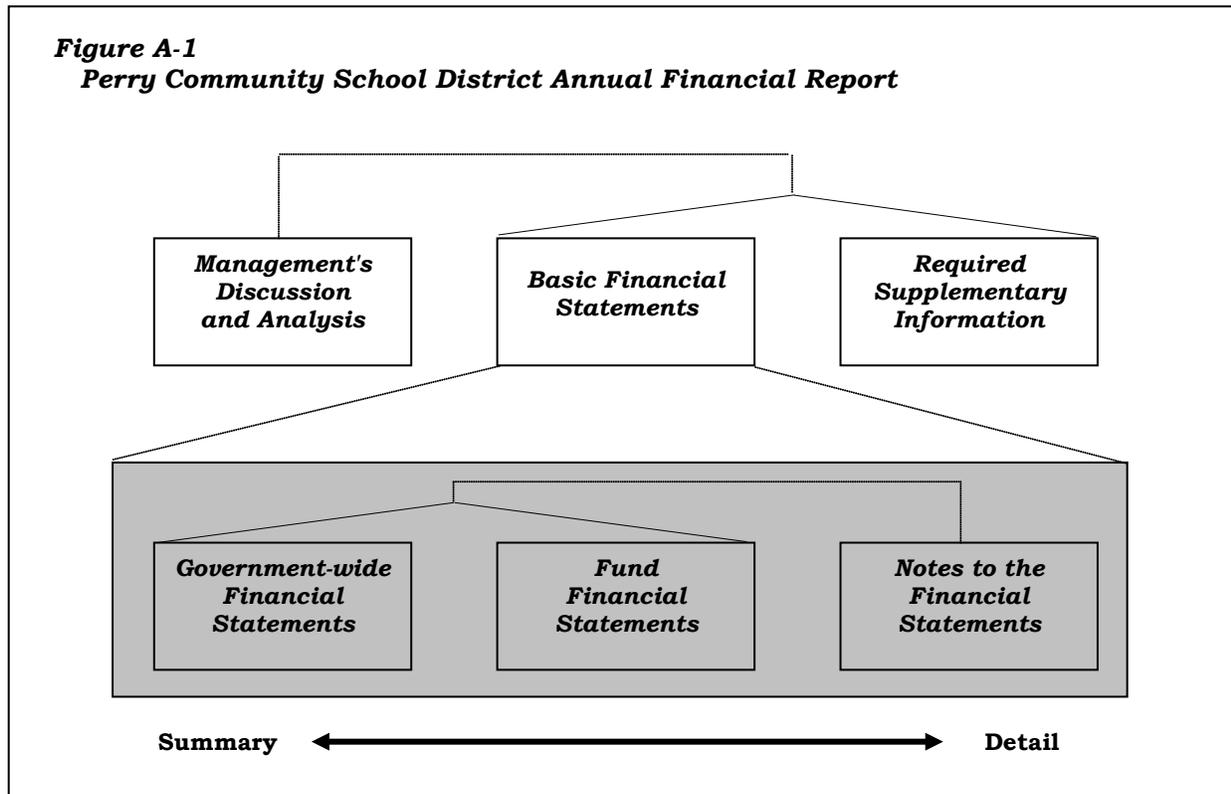


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the Management’s Discussion and Analysis highlights the structure and contents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

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • 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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial 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, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into three 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.
- *Component unit*: This includes the activities of the Perry Community School District Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

Fund Financial Statements

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

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

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 that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that

can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

- a) The District's governmental funds include the General Fund, Management Levy Fund, Student Activity Fund, Physical Plant and Equipment Levy Fund, Capital Projects Fund and the Debt Service Fund.
- b) The required financial statements for the 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 government-wide financial statements.
 - a) 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 three enterprise funds, the School Nutrition Fund, the Golf Driving Range Fund and the School Store Fund.
 - b) 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.
 - c) The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in 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.
 - a) Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
 - b) Agency Funds - These are funds for which the District administers and accounts 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 that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds 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 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 18,653,325	18,803,874	541,946	484,944	19,195,271	19,288,818	-0.48%
Capital assets	20,535,813	17,779,372	294,462	295,926	20,830,275	18,075,298	15.24%
Total assets	<u>39,189,138</u>	<u>36,583,246</u>	<u>836,408</u>	<u>780,870</u>	<u>40,025,546</u>	<u>37,364,116</u>	<u>7.12%</u>
Long-term obligations	18,626,503	19,593,943	6,470	8,934	18,632,973	19,602,877	-4.95%
Other liabilities	9,373,549	10,123,374	121,770	102,076	9,495,319	10,225,450	-7.14%
Total liabilities	<u>28,000,052</u>	<u>29,717,317</u>	<u>128,240</u>	<u>111,010</u>	<u>28,128,292</u>	<u>29,828,327</u>	<u>-5.70%</u>
Net assets:							
Invested in capital assets, net of related debt	2,814,056	3,167,878	294,462	295,926	3,108,518	3,463,804	-10.26%
Restricted	5,222,154	3,518,734	0	0	5,222,154	3,518,734	48.41%
Unrestricted	3,152,876	179,317	413,706	373,934	3,566,582	553,251	544.66%
Total net assets	<u>\$ 11,189,086</u>	<u>6,865,929</u>	<u>708,168</u>	<u>669,860</u>	<u>11,897,254</u>	<u>7,535,789</u>	<u>57.88%</u>

The District's combined net assets increased by 57.88%, or \$4,361,465, 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.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount increased 48.41%, or \$1,703,420. The increase in restricted net assets is due in part to an increase in carryover balances of categorical funding from the State of Iowa.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints, increased 544.66%, or \$3,013,331. The increase in unrestricted net assets is primarily due to the increase in the fund balance of the General Fund.

Changes in Net Assets - Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 500,528	498,300	348,893	320,293	849,421	818,593	3.77%
Operating grants and contributions and restricted interest	2,827,231	4,840,610	939,656	888,346	3,766,887	5,728,956	-34.25%
Capital grants and contributions and restricted interest	0	2,000	0	25,345	0	27,345	-100.00%
General revenues:							
Property tax	6,681,150	5,758,503	0	0	6,681,150	5,758,503	16.02%
Income surtax	208,686	189,434	0	0	208,686	189,434	10.16%
Statewide sales, services and use tax	1,324,773	590,045	0	0	1,324,773	590,045	124.52%
Unrestricted state grants	9,929,383	7,539,187	0	0	9,929,383	7,539,187	31.70%
Nonspecific program federal grants	341,921	0	0	0	341,921	0	100.00%
Unrestricted investment earnings	11,986	110,591	650	895	12,636	111,486	-88.67%
Other	430,184	339,803	38,643	32,263	468,827	372,066	26.01%
Transfers	0	29	0	(29)	0	0	0.00%
Total revenues	22,255,842	19,868,502	1,327,842	1,267,113	23,583,684	21,135,615	11.58%
Program expenses:							
Governmental activities:							
Instructional	11,240,914	12,175,584	0	0	11,240,914	12,175,584	-7.68%
Support services	4,436,616	4,694,972	33,512	30,227	4,470,128	4,725,199	-5.40%
Non-instructional programs	363,995	481,291	1,256,022	1,165,892	1,620,017	1,647,183	-1.65%
Other expenses	1,891,160	2,308,284	0	0	1,891,160	2,308,284	-18.07%
Total expenses	17,932,685	19,660,131	1,289,534	1,196,119	19,222,219	20,856,250	-7.83%
Changes in net assets	4,323,157	208,371	38,308	70,994	4,361,465	279,365	1461.21%
Beginning net assets	6,865,929	6,657,558	669,860	598,866	7,535,789	7,256,424	3.85%
Ending net assets	\$ 11,189,086	6,865,929	708,168	669,860	11,897,254	7,535,789	57.88%

Property tax revenues of \$6,681,150 and unrestricted state grants of \$9,929,383 account for 70.43% of the District's total revenues in all funds, totaling \$23,583,684 as shown above. The District's expenses are primarily in the instruction and support services functions, which total 81.73% of the total expenses of \$19,223,976 as shown above. Total District revenues for fiscal year 2011 were 11.58% higher than the prior year, and the corresponding expenses were 7.83% lower.

Governmental Activities

Revenues for governmental activities were \$22,255,842, a 12.02% increase over the prior year. Expenses were \$17,932,685, an 8.79% decrease over the prior year. Operating grants, contributions and restricted interest decreased by \$2,013,379, largely due to the District receiving less in federal grant monies from the American Recovery and Reinvestment Act. Property tax

revenues increased \$922,647, or 16.02%, over the prior year due to an increase in taxable valuation from \$296,629,682 in FY10 to \$320,960,760 in FY11, an increase off 8.20%. The total levy rate increased from \$20.34 per \$1,000 of taxable valuation for FY 10 to \$21.64 per \$1,000 of taxable valuation for FY11.

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.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 11,240,914	12,175,584	-7.68%	9,030,405	7,885,753	14.52%
Support services	4,436,616	4,694,972	-5.50%	4,352,352	4,497,534	-3.23%
Non-instructional programs	363,995	481,291	-24.37%	60,604	327,337	-81.49%
Other expenses	1,891,160	2,308,284	-18.07%	1,161,565	1,608,597	-27.79%
Totals	\$ 17,932,685	19,660,131	-8.79%	14,604,926	14,319,221	2.00%

The total cost of all governmental activities for FY 11 was \$17,932,685. Some of this cost, or \$500,528, was financed by users of the District's programs, such as from fees or admissions revenues. Another \$2,827,231 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, must be expended within that program.

The net cost of services for all governmental activities was \$14,604,926, 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.

Business type Activities

As previously discussed, the District's business type funds include the School Nutrition Fund and the Golf Driving Range.

Revenues for the School Nutrition Fund were \$1,325,546, an increase of \$28,706, or 4.64%, over the prior year. The increase was primarily for charges for services which increased due to more catering requests. School Nutrition Fund expenses increased \$95,318, or 7.99%, over the prior year, totaling \$1,287,667.

The financial activity in the Golf Driving Range Fund was minimal, with revenues and expenses totaling \$2,296 and \$1,867 respectively.

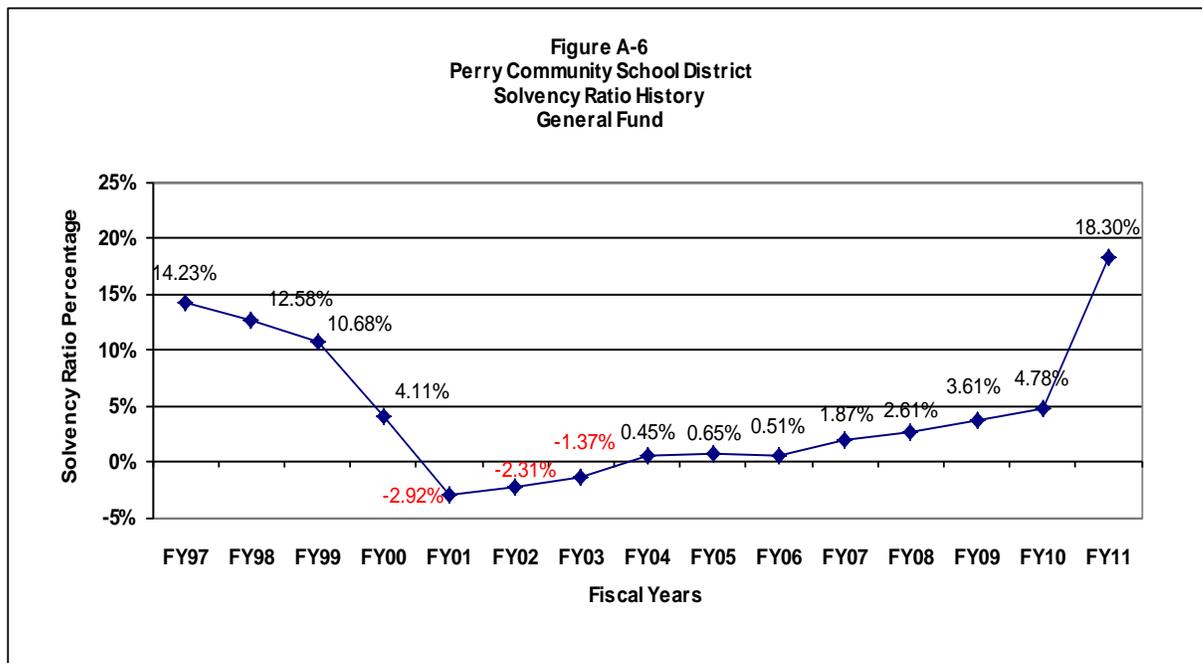
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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 \$9,045,851 at June 30, 2011, an increase of \$354,669 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 \$2,838,228, from \$1,423,313 at June 30, 2010 to \$4,261,541 at June 30, 2011. During the year, the District experienced a 9.51% increase in revenues and a 3.81% decrease in expenses. Revenues have exceeded expenditures in the past five years. The unassigned portion of this fund balance increased \$2,650,078, which is one factor by which the District's solvency ratio is 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 unassigned General Fund balance by its actual General Fund revenues. As shown in the graph below, the District has had a positive financial recovery after several years of sharp decline.



- The **Debt Service Fund** balance decreased \$340,438 over the prior year. The Debt Service Fund is used to account for principal and interest payments on debt to the District's bond and lease holders. Local property tax and interest earnings accounted for \$688,395 in revenues. The Capital Projects Fund transferred \$722,187 to the Debt Service Fund to help pay principal and interest on the District's revenue bond indebtedness.
- The **Capital Projects Fund** balance decreased \$2,169,855 from the prior year. The decrease in fund balance for the Capital Projects Fund was primarily the result of the completion of construction of the new auditorium, the purchase of a new bus and two new vehicles.

BUDGETARY HIGHLIGHTS

Total expenditures/expenses for 2011 were \$36,142 more than the District's certified budget for expenditures/expenses, a variance of 0.15%. 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.

In spite of the District's practice, The District exceeded its budgeted expenditures in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$20.83 million, net of accumulated depreciation, in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. As shown in Figure A-9, this amount represents a net increase of 15.24% from last year. More detailed information about capital assets is available in Note 4 to the financial statements.

Figure A-9							
Capital Assets, Net of Depreciation							
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 595,047	595,047	0	0	595,047	595,047	0.00%
Construction in progress	0	1,328,947	0	0	0	1,328,947	-100.00%
Buildings	18,620,588	14,567,068	0	0	18,620,588	14,567,068	27.83%
Land improvements	667,453	715,690	0	0	667,453	715,690	-6.74%
Machinery and equipment	652,725	572,620	294,462	295,926	947,187	868,546	9.05%
Total	\$ 20,535,813	17,779,372	294,462	295,926	20,830,275	18,075,298	15.24%

Construction in progress decreased \$1,328,947 from the prior year, or 100%. This decrease is due to construction costs associated with the new auditorium being capitalized during the year.

Long-Term Debt

At June 30, 2011, the District had a total of \$18,632,973 in general obligation bonds/notes and other long-term debt outstanding. This represents a decrease of 4.95% from the prior year, as shown in Figure A-10.

Figure A-10							
Outstanding Long-Term Obligations							
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General Obligation Bonds/Notes	\$ 7,705,000	8,470,000	0	0	7,705,000	8,470,000	-9.03%
Revenue Bonds	9,900,000	9,900,000	0	0	9,900,000	9,900,000	0.00%
Capital Leases	88,456	173,130	0	0	88,456	173,130	-48.91%
Building Contract	28,301	55,000	0	0	28,301	55,000	-48.54%
Early Retirement	335,473	529,615	0	0	335,473	529,615	-36.66%
Compensated Absences	50,258	50,686	485	2,365	50,743	53,051	-4.35%
Net OPEB Liability	519,015	415,512	5,985	6,569	525,000	422,081	24.38%
Total	\$ 18,626,503	19,593,943	6,470	8,934	18,632,973	19,602,877	-4.95%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District bonded against the statewide sales, service and use tax to complete various projects from July 2009 through July 2012.
- The condition of the national, state and local economies directly affects the future economics of the school. Actions taken by the governor and legislators to balance the state budget affect education funding.

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 accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lynn Ubben, Superintendent, Perry Community School District, 1102 Willis Avenue, Suite 200, Perry, Iowa, 50220.

Perry Community School District

BASIC FINANCIAL STATEMENTS

PERRY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Unit
	Govern- mental Activities	Business type Activities	Total	Perry Community School District Foundation
ASSETS				
Cash and pooled investments	\$ 10,822,586	504,708	11,327,294	77,295
Receivables:				
Property tax:				
Delinquent	108,767	0	108,767	0
Succeeding year	6,812,917	0	6,812,917	0
Income surtax	189,527	0	189,527	0
Accounts	54,297	11,591	65,888	0
Due from other governments	665,231	19,546	684,777	0
Inventories	0	6,101	6,101	0
Capital assets, net of accumulated depreciation	20,535,813	294,462	20,830,275	0
TOTAL ASSETS	39,189,138	836,408	40,025,546	77,295
LIABILITIES				
Accounts payable	329,017	9,284	338,301	0
Salaries and benefits payable	1,871,293	103,245	1,974,538	0
Interest payable	35,118	0	35,118	0
Deferred revenue:				
Succeeding year property tax	6,812,917	0	6,812,917	0
Other	312,272	0	312,272	0
Unearned revenue	12,932	9,241	22,173	0
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	775,000	0	775,000	0
Capital loan notes payable	50,000	0	50,000	0
Capital leases payable	88,456	0	88,456	0
Building contract payable	28,301	0	28,301	0
Early retirement payable	193,850	0	193,850	0
Compensated absences	50,258	485	50,743	0
Portion due after one year:				
General obligation bonds payable	6,535,000	0	6,535,000	0
Revenue bonds payable	9,900,000	0	9,900,000	0
Capital loan notes payable	345,000	0	345,000	0
Early retirement payable	141,623	0	141,623	0
Net OPEB liability	519,015	5,985	525,000	0
TOTAL LIABILITIES	28,000,052	128,240	28,128,292	0
NET ASSETS				
Invested in capital assets, net of related debt	2,814,056	294,462	3,108,518	0
Restricted for:				
Categorical funding	773,317	0	773,317	0
School infrastructure	1,934,500	0	1,934,500	0
Physical plant and equipment	244,676	0	244,676	0
Debt service	2,105,606	0	2,105,606	0
Management levy purposes	31,166	0	31,166	0
Student activities	132,889	0	132,889	0
Unrestricted	3,152,876	413,706	3,566,582	77,295
TOTAL NET ASSETS	\$ 11,189,086	708,168	11,897,254	77,295

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Perry Community School District Foundation
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Govern- mental Activities	Business Type Activities		
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,138,849	204,452	368,118	(5,566,279)	0	(5,566,279)	0
Special	2,184,311	66,708	440,032	(1,677,571)	0	(1,677,571)	0
Other	2,917,754	77,673	1,053,526	(1,786,555)	0	(1,786,555)	0
	<u>11,240,914</u>	<u>348,833</u>	<u>1,861,676</u>	<u>(9,030,405)</u>	<u>0</u>	<u>(9,030,405)</u>	<u>0</u>
Support services:							
Student	487,814	0	0	(487,814)	0	(487,814)	0
Instructional staff	674,279	0	48,081	(626,198)	0	(626,198)	0
Administration	1,590,475	0	0	(1,590,475)	0	(1,590,475)	0
Operation and maintenance of plant	1,250,436	0	0	(1,250,436)	0	(1,250,436)	0
Transportation	433,612	5,958	30,225	(397,429)	0	(397,429)	0
	<u>4,436,616</u>	<u>5,958</u>	<u>78,306</u>	<u>(4,352,352)</u>	<u>0</u>	<u>(4,352,352)</u>	<u>0</u>
Non-instructional programs	363,995	145,737	157,654	(60,604)	0	(60,604)	0
Other expenses:							
Long-term debt interest and fiscal charges	631,629	0	0	(631,629)	0	(631,629)	0
AEA flowthrough	729,595	0	729,595	0	0	0	0
Depreciation(unallocated)*	529,936	0	0	(529,936)	0	(529,936)	0
	<u>1,891,160</u>	<u>0</u>	<u>729,595</u>	<u>(1,161,565)</u>	<u>0</u>	<u>(1,161,565)</u>	<u>0</u>
Total governmental activities	17,932,685	500,528	2,827,231	(14,604,926)	0	(14,604,926)	0
Business Type activities:							
Support services:							
Administration	552	0	0	0	(552)	(552)	0
Operation and maintenance of plant	32,935	0	0	0	(32,935)	(32,935)	0
Transportation	25	0	0	0	(25)	(25)	0
Total support services	<u>33,512</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(33,512)</u>	<u>(33,512)</u>	<u>0</u>
Non-instructional programs:							
School Nutrition	1,254,155	346,597	939,656	0	32,098	32,098	0
Golf Driving Range	1,867	2,296	0	0	429	429	0
Total non-instructional programs:	<u>1,256,022</u>	<u>348,893</u>	<u>939,656</u>	<u>0</u>	<u>32,527</u>	<u>32,527</u>	<u>0</u>
Total business type activities	1,289,534	348,893	939,656	0	(985)	(985)	0
Total primary government	\$ 19,222,219	849,421	3,766,887	(14,604,926)	(985)	(14,605,911)	0
Total component unit	\$ 94,428	0	99,874				5,446
General Revenues:							
Property tax levied for:							
General purposes				\$ 5,755,357	0	5,755,357	0
Debt service				688,395	0	688,395	0
Capital outlay				237,398	0	237,398	0
Income surtax				208,686	0	208,686	0
Statewide sales, services and use tax				1,324,773	0	1,324,773	0
Unrestricted state grants				9,929,383	0	9,929,383	0
Nonspecific program federal grants				341,921	0	341,921	0
Unrestricted investment earnings				11,986	650	12,636	852
Other				430,184	38,643	468,827	984
Total general revenues				18,928,083	39,293	18,967,376	1,836
Changes in net assets				4,323,157	38,308	4,361,465	7,282
Net assets beginning of year				6,865,929	669,860	7,535,789	70,013
Net assets end of year				\$ 11,189,086	708,168	11,897,254	77,295

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

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 6,116,692	2,032,856	2,094,575	498,947	10,743,070
Receivables:					
Property tax:					
Delinquent	86,272	3,796	11,014	7,685	108,767
Succeeding year	5,344,917	251,413	716,587	500,000	6,812,917
Income surtax	0	189,527	0	0	189,527
Accounts	51,992	0	0	2,305	54,297
Due from other governments	510,719	154,483	17	12	665,231
Total Assets	\$ 12,110,592	2,632,075	2,822,193	1,008,949	18,573,809
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 307,809	11,959	0	9,249	329,017
Salaries and benefits payable	1,871,121	0	0	172	1,871,293
Deferred revenue:					
Succeeding year property tax	5,344,917	251,413	716,587	500,000	6,812,917
Income surtax	0	189,527	0	0	189,527
Other	312,272	0	0	0	312,272
Unearned revenue	12,932	0	0	0	12,932
Total liabilities	7,849,051	452,899	716,587	509,421	9,527,958
Fund balances:					
Restricted for:					
Categorical funding	773,317	0	0	0	773,317
School infrastructure	0	1,934,500	0	0	1,934,500
Physical plant and equipment	0	244,676	0	0	244,676
Debt service	0	0	2,105,606	0	2,105,606
Management levy purposes	0	0	0	366,639	366,639
Student activities	0	0	0	132,889	132,889
Assigned for special purposes	5,995	0	0	0	5,995
Unassigned	3,482,229	0	0	0	6,434,722
Total fund balances	4,261,541	2,179,176	2,105,606	499,528	9,045,851
Total Liabilities and Fund Balances	\$ 12,110,592	2,632,075	2,822,193	1,008,949	18,573,809

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 22)	\$ 9,045,851
 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 in the governmental funds.	20,535,813
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	79,516
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	189,527
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.	(35,118)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, capital loan notes payable, leases payable, building contract payable, early retirement payable, compensated absences payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(18,626,503)</u>
Net assets of governmental activities(page 20)	<u><u>\$ 11,189,086</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 5,284,507	1,748,531	688,395	470,850	8,192,283
Tuition	248,674	0	0	0	248,674
Other	484,108	4,632	1,494	260,115	750,349
State sources	11,158,543	0	379	0	11,158,922
Federal sources	1,883,288	0	0	0	1,883,288
TOTAL REVEUNES	19,059,120	1,753,163	690,268	730,965	22,233,516
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,052,538	0	0	245,633	6,298,171
Special	2,147,794	0	0	34,221	2,182,015
Other	2,689,580	0	0	233,478	2,923,058
	10,889,912	0	0	513,332	11,403,244
Support services:					
Student	506,989	0	0	0	506,989
Instructional staff	674,146	0	0	0	674,146
Administration	1,439,400	4,717	3,954	187,466	1,635,537
Operation and maintenance of plant	1,181,128	87,815	0	2,262	1,271,205
Transportation	451,456	60,382	0	534	512,372
	4,253,119	152,914	3,954	190,262	4,600,249
Non-instructional programs:					
Food service operations	0	0	0	4,413	4,413
Community service operations	350,123	0	0	0	350,123
	350,123	0	0	4,413	354,536
Other expenditures:					
Facilities acquisitions	0	3,047,917	0	0	3,047,917
Long-term debt:					
Principal	0	0	876,373	0	876,373
Interest and fiscal charges	0	0	872,566	0	872,566
AEA flowthrough	729,595	0	0	0	729,595
	729,595	3,047,917	1,748,939	0	5,526,451
TOTAL EXPENDITURES	16,222,749	3,200,831	1,752,893	708,007	21,884,480
Excess(Deficiency) of revenues over(under)expenditures	2,836,371	(1,447,668)	(1,062,625)	22,958	349,036
Other financing sources(uses):					
Transfer in	0	0	722,187	0	722,187
Transfer out	0	(722,187)	0	0	(722,187)
Insurance proceeds	0	0	0	3,776	3,776
Sale of equipment	1,857	0	0	0	1,857
Total other financing sources(uses)	1,857	(722,187)	722,187	3,776	5,633
Net change in fund balances	2,838,228	(2,169,855)	(340,438)	26,734	354,669
Fund balance beginning of year, as restated	1,423,313	4,349,031	2,446,044	472,794	8,691,182
Fund balance end of year	\$ 4,261,541	2,179,176	2,105,606	499,528	9,045,851

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, 2011

Net change in fund balances - total governmental funds(page 24) \$ 354,669

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

Expenditures for capital assets	\$ 3,481,782	
Depreciation expense	(725,341)	2,756,441

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (18,656)

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. 876,373

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. 240,937

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 22,326

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.

Early retirement	194,142	
Compensated absences	428	
Other postemployment benefits	(103,503)	91,067

Changes in net assets of governmental activities(page 21) \$ 4,323,157

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business Type Activities: Nonmajor Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Golf Driving Range	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 500,199	4,509	504,708	79,516
Accounts receivable	11,591	0	11,591	0
Due from other governments	19,546	0	19,546	0
Inventories	6,101	0	6,101	0
Total current assets	<u>537,437</u>	<u>4,509</u>	<u>541,946</u>	<u>79,516</u>
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	287,797	6,665	294,462	0
Total non-current assets	<u>287,797</u>	<u>6,665</u>	<u>294,462</u>	<u>0</u>
TOTAL ASSETS	<u>825,234</u>	<u>11,174</u>	<u>836,408</u>	<u>79,516</u>
LIABILITIES				
Current liabilities:				
Accounts payable	9,084	200	9,284	0
Salaries and benefits payable	103,245	0	103,245	0
Unearned revenue	9,241	0	9,241	0
Total current liabilities	<u>121,570</u>	<u>200</u>	<u>121,770</u>	<u>0</u>
Long-term liabilities:				
Compensated absences	485	0	485	0
Net OPEB liability	5,985	0	5,985	0
Total long-term liabilities	<u>6,470</u>	<u>0</u>	<u>6,470</u>	<u>0</u>
TOTAL LIABILITIES	<u>128,040</u>	<u>200</u>	<u>128,240</u>	<u>0</u>
NET ASSETS				
Invested in capital assets	287,797	6,665	294,462	0
Unrestricted	409,397	4,309	413,706	79,516
TOTAL NET ASSETS	<u>\$ 697,194</u>	<u>10,974</u>	<u>708,168</u>	<u>79,516</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business Type Activities:			Governmental
	Nonmajor Enterprise Funds			Activities:
	School Nutrition	Golf Driving Range	Total	Internal Service Fund
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 346,597	2,296	348,893	0
Miscellaneous	38,643	0	38,643	1,405,873
TOTAL OPERATING REVENUES	<u>385,240</u>	<u>2,296</u>	<u>387,536</u>	<u>1,405,873</u>
OPERATING EXPENSES:				
Support services:				
Administration:				
Services	412	0	412	1,424,529
Other	140	0	140	0
	<u>552</u>	<u>0</u>	<u>552</u>	<u>1,424,529</u>
Operation and maintenance of plant:				
Salaries	8,628	0	8,628	0
Benefits	1,260	0	1,260	0
Services	21,197	0	21,197	0
Supplies	1,850	0	1,850	0
	<u>32,935</u>	<u>0</u>	<u>32,935</u>	<u>0</u>
Transportation:				
Supplies	25	0	25	0
Total support services	<u>33,512</u>	<u>0</u>	<u>33,512</u>	<u>1,424,529</u>
Non-instructional programs:				
Food service operations:				
Salaries	457,011	0	457,011	0
Benefits	80,063	0	80,063	0
Services	20,667	0	20,667	0
Supplies	643,945	0	643,945	0
Depreciation	52,469	0	52,469	0
	<u>1,254,155</u>	<u>0</u>	<u>1,254,155</u>	<u>0</u>
Other enterprise operations:				
Services	0	1,200	1,200	0
Depreciation	0	667	667	0
	<u>0</u>	<u>1,867</u>	<u>1,867</u>	<u>0</u>
Total non-instructional programs	<u>1,254,155</u>	<u>1,867</u>	<u>1,256,022</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>1,287,667</u>	<u>1,867</u>	<u>1,289,534</u>	<u>0</u>
OPERATING INCOME (LOSS)	<u>(902,427)</u>	<u>429</u>	<u>(901,998)</u>	<u>(18,656)</u>
NON-OPERATING REVENUES:				
State sources	9,666	0	9,666	0
Federal sources	929,990	0	929,990	0
Interest income	650	0	650	0
TOTAL NON-OPERATING REVENUES	<u>940,306</u>	<u>0</u>	<u>940,306</u>	<u>0</u>
Change in net assets	37,879	429	38,308	(18,656)
Net assets beginning of year	659,315	10,545	669,860	98,172
Net assets end of year	<u>\$ 697,194</u>	<u>10,974</u>	<u>708,168</u>	<u>79,516</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business type Activities			Governmental
	Nonmajor			Activities:
	Enterprise Funds			Internal
	School	Golf	Total	Service
Nutrition	Driving Range	Fund		
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 338,015	0	338,015	0
Cash received from driving range fees	0	2,296	2,296	0
Cash received from miscellaneous operating activities	38,643	0	38,643	1,405,873
Cash payments to employees for services	(532,510)	0	(532,510)	0
Cash payments to suppliers for goods or services	(605,131)	(1,000)	(606,131)	(1,424,529)
Net cash provided by(used in) operating activities	(760,983)	1,296	(759,687)	(18,656)
Cash flows from non-capital financing activities:				
State grants received	9,666	0	9,666	0
Federal grants received	865,110	0	865,110	0
Net cash provided by non-capital financing activities	874,776	0	874,776	0
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(51,672)	0	(51,672)	0
Cash flows from investing activities:				
Interest on investments	650	0	650	0
Net increase(decrease) in cash and cash equivalents	62,771	1,296	64,067	(18,656)
Cash and cash equivalents at beginning of year	437,428	3,213	440,641	98,172
Cash and cash equivalents at end of year	\$ 500,199	4,509	504,708	79,516
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (902,427)	429	(901,998)	(18,656)
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:				
Commodities consumed	73,638	0	73,638	0
Depreciation	52,469	667	53,136	0
Decrease in inventories	6,559	0	6,559	0
Increase in accounts receivable	(8,252)	0	(8,252)	0
Increase in accounts payable	2,908	200	3,108	0
Increase in salaries and benefits payable	16,916	0	16,916	0
Decrease in unearned revenue	(330)	0	(330)	0
Decrease in other postemployment benefits	(584)	0	(584)	0
Decrease in compensated absences	(1,880)	0	(1,880)	0
Net cash provided by(used in) operating activities	\$ (760,983)	1,296	(759,687)	(18,656)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$73,638.

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 1,164,063	73,125
Accounts receivable	0	1,789
Due from other governments	0	114,044
TOTAL ASSETS	<u>1,164,063</u>	<u>188,958</u>
LIABILITIES		
Due to other groups	0	188,958
TOTAL LIABILITIES	<u>0</u>	<u>188,958</u>
NET ASSETS		
Restricted for scholarships	1,022,265	0
Unrestricted	141,798	0
TOTAL NET ASSETS	<u>\$ 1,164,063</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Contributions	\$ 4,075
Interest	11,629
Total additions	<u>15,704</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>25,435</u>
Change in net assets	(9,731)
Net assets beginning of year	<u>1,173,794</u>
Net assets end of year	<u>\$ 1,164,063</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(1) Summary of Significant Accounting Policies

The 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 of 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 the Perry Community School District Foundation (component unit). The Perry Community School District Foundation is discussed below and 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 Perry Community School District 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 Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas, Greene and Boone County Assessors' 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 daycare 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 that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that 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 that are 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 other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District also reports three non-major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Golf Driving Range Fund is used to account for the operations of the District operated driving range that is open to students of Perry Community Schools as well as citizens of Perry.

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 Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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

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

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 statewide sales, services and use 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 government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

The District maintains its financial records during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

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, they have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Land improvements	10,000
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery 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
Land improvements	5-20 years
Intangibles	5-10 years
Machinery 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 is 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on 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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the business type activities.

Unearned revenues in the General Fund are monies that have been collected for student registrations. The revenue will be considered earned when services are provided. The student registrations are reflected on the Statement of Net Assets in the governmental activities.

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 funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily 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, fund balances are classified as follows:

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

Assigned - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011 expenditures in the other expenditures functional area exceeded amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2011 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$683,714 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

At June 30, 2011, the District had an investment with a fair value of \$14,088 invested in a United States Treasury Bond. The United States Treasury Bond has a maturity date of 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.

(3) Interfund Transfers

The transfer detail for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 160,988
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	561,199
Total		<u>\$ 722,187</u>

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for principal and interest payments on the District's tractor and bus leases as well as repayment of the District's principal and interest on the capital loan note indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for payments on the District's general obligation bond indebtedness, principal and interest payments on the District's land contract, repayment of the District's anticipatory warrant and bond fees during the year.

(4) Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 595,047	0	0	595,047
Construction in progress	1,328,947	3,206,372	4,535,319	0
Total capital assets not being depreciated	<u>1,923,994</u>	<u>0</u>	<u>4,535,319</u>	<u>595,047</u>
Capital assets being depreciated:				
Buildings	21,290,335	4,535,319	0	25,825,654
Land improvements	1,392,644	0	0	1,392,644
Machinery and equipment	2,704,942	275,410	0	2,980,352
Total capital assets being depreciated	<u>25,387,921</u>	<u>4,810,729</u>	<u>0</u>	<u>30,198,650</u>
Less accumulated depreciation for:				
Buildings	6,723,267	481,799	0	7,205,066
Land improvements	676,954	48,237	0	725,191
Machinery and equipment	2,132,322	195,305	0	2,327,627
Total accumulated depreciation	<u>9,532,543</u>	<u>725,341</u>	<u>0</u>	<u>10,257,884</u>
Total capital assets being depreciated, net	<u>15,855,378</u>	<u>4,085,388</u>	<u>0</u>	<u>19,940,766</u>
Governmental activities capital assets, net	<u>\$ 17,779,372</u>	<u>4,085,388</u>	<u>4,535,319</u>	<u>20,535,813</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 674,067	51,672	0	725,739
Less accumulated depreciation	378,141	53,136	0	431,277
Business type activities capital assets, net	<u>\$ 295,926</u>	<u>(1,464)</u>	<u>0</u>	<u>294,462</u>

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 20,604
Special			527
Other			5,748
Support services:			
Instructional staff			36,595
Administration			18,906
Operation and maintenance			14,866
Transportation			98,159
			<u>195,405</u>
Unallocated depreciation			<u>529,936</u>
Total governmental activities depreciation expense			<u>\$ 725,341</u>
Business type activities:			
Food services			\$ 52,469
Golf driving range			667
Total business type activities depreciation expense			<u>\$ 53,136</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Notes	\$ 8,470,000	0	765,000	7,705,000	825,000
Revenue Bonds	9,900,000	0	0	9,900,000	0
Capital Leases	173,130	0	84,674	88,456	88,456
Building Contract	55,000	0	26,699	28,301	28,301
Early Retirement	529,615	0	194,142	335,473	193,850
Compensated Absences	50,686	50,258	50,686	50,258	50,258
Net OPEB Liability	415,512	103,503	0	519,015	0
Total	<u>\$ 19,593,943</u>	<u>153,761</u>	<u>1,121,201</u>	<u>18,626,503</u>	<u>1,185,865</u>
Business Type Activities:					
Compensated Absences	\$ 2,365	485	2,365	485	485
Net OPEB Liability	6,569	0	584	5,985	0
Total	<u>\$ 8,934</u>	<u>485</u>	<u>2,949</u>	<u>6,470</u>	<u>485</u>

General Obligation Bonds/Notes

Details of the District's June 30, 2011, general obligation bond/notes indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2002			Note Issue of September 1, 2007			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	4.45-4.50 %	\$ 775,000	340,387	3.90 %	\$ 50,000	16,205	\$ 825,000	356,592	1,181,592
2013	4.50-4.60	810,000	305,158	4.00	50,000	14,255	860,000	319,413	1,179,413
2014	4.60-4.70	845,000	267,638	4.05	55,000	12,255	900,000	279,893	1,179,893
2015	4.70-4.75	885,000	227,780	4.10	55,000	10,028	940,000	237,808	1,177,808
2016	4.75-4.850	925,000	185,257	4.15	60,000	7,772	985,000	193,029	1,178,029
2017-2019	4.85-5.00	3,070,000	272,513	4.20-4.25	125,000	8,045	3,195,000	280,558	3,475,558
Total		<u>\$ 7,310,000</u>	<u>1,598,733</u>		<u>\$ 395,000</u>	<u>68,560</u>	<u>\$ 7,705,000</u>	<u>1,667,293</u>	<u>9,372,293</u>

Revenue Bonds

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

Year Ending June 30,	Bond Issue of June 1, 2009 Series A			Bond Issue of June 1, 2009 Series B			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	4.50 %	\$ -	-	5.00 %	\$ -	-	\$ -	-	-
2013	4.50	-	-	5.00	-	-	-	-	-
2014	4.50	-	450,320	5.00	-	16,500	-	466,820	466,820
2015	4.50	-	450,320	5.00	-	16,500	-	466,820	466,820
2016	4.50	-	450,320	5.00	-	16,500	-	466,820	466,820
2017-2021	4.50	900,000	2,138,125	5.00	330,000	8,250	1,230,000	2,146,375	3,376,375
2022-2026	4.10-4.50	3,600,000	1,513,920	-	-	-	3,600,000	1,513,920	5,113,920
2027-2030	4.60-5.00	5,070,000	498,200	-	-	-	5,070,000	498,200	5,568,200
Total		<u>\$ 9,570,000</u>	<u>5,501,205</u>		<u>\$ 330,000</u>	<u>57,750</u>	<u>\$ 9,900,000</u>	<u>5,558,955</u>	<u>15,458,955</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued June 1, 2009. 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 statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 79 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$15,458,955. For the current year statewide sales, services and use tax revenues were \$1,324,774.

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

- a) \$990,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on

the bonds if insufficient money is available in the sinking Account. The balance of the proceeds shall be deposited to the Project Account.

- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) \$1,672,772 of the proceeds from the issuance of the revenue bonds shall be deposited to an escrow account to be used solely for the purpose of paying the interest requirements through fiscal year 2013. Beginning in fiscal year 2014, monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Capital Leases

In March 2008, the District entered into a capital lease agreement for the purchase of a utility tractor. Details of the remaining principal and interest payments made from the Capital Projects: Physical Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	Tractor Lease of March 2008			
	Interest Rates	Principal	Interest	Total
2012	5.21 %	\$ 2,733	146	2,879

During the year ended June 30, 2010, the District entered into a capital lease agreement for the purchase of buses. Details of the remaining principal and interest payments made from the Capital Projects: Physical Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	Bus Lease of July 2009			
	Interest Rates	Principal	Interest	Total
2012	5.61 %	\$ 85,723	3,806	89,529

Land Contract

During the year ended June 30, 2010, the District entered into an agreement to purchase a building for use by the buildings and grounds department of the District. Details of the remaining principal and interest payments made from the Capital Projects: Statewide Sales, Services and Use Tax Fund are as follows:

Year Ending June 30,	Land Contract of December 2009			
	Interest Rates	Principal	Interest	Total
2012	6.00 %	\$ 28,301	1,699	30,000

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District. The employee must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement benefits commence. 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 maximum retirement benefit of \$30,000.

Early retirement benefits paid during the year ended June 30, 2011, totaled \$194,142. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Bond Defeasement

On June 1, 2009, the District issued \$9,570,000 in revenue bonds to advance refund \$1,630,000 of outstanding revenue bonds dated May 1, 2004 and June 28, 2006 Series A. The remaining bond issuance was used to defray costs of school infrastructure. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified sufficient to pay all principal and interest on the refunded bonds. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2011, \$600,000 of such bonds is outstanding. Defeasement of principal and interest for the year was \$855,000 and \$59,618.

On June 1, 2009, the District issued \$330,000 in revenue bonds to advance refund \$225,000 of outstanding revenue bonds dated June 28, 2006 Series B. The proceeds of the refunding issue have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified sufficient to pay all principal and interest on the refunded bonds. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2011, \$0 of such bonds is outstanding. Defeasement of principal and interest for the year was \$90,000 and \$29,348.

(7) Anticipatory Warrant

On April 30, 2010, the District entered into an agreement with Raccoon Valley Bank of Perry, Iowa to provide for the issuance of a \$130,000 warrant in anticipation of school infrastructure statewide sales, services and use tax receipts. A summary of the District's anticipatory warrant activity for the year ended June 30, 2011 is as follows:

Warrant Date	Final Warrant Maturity	Interest Rates	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
5/1/2010	4/30/2011	1.00%	\$ 130,000	0	130,000	0

(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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$714,396, \$739,717, and \$694,834 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 264 active and 20 retired members in the plan.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit and explicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 162,000
Interest on net OPEB obligation	18,994
Adjustment to annual required contribution	(16,075)
Annual OPEB cost	<u>164,919</u>
Contributions made	(62,000)
Increase in net OPEB obligation	<u>102,919</u>
Net OPEB obligation - beginning of year	<u>422,081</u>
Net OPEB obligation - end of year	<u><u>\$ 525,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$62,000 to the medical plan. Plan members eligible for benefits contributed \$158,000 or 71.82% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 215,000	2.79%	\$ 209,000
2010	217,081	1.84%	422,081
2011	164,919	37.59%	525,000

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.280 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.280 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7.684 million, and the ratio of the UAAL to the covered payroll was 16.7%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding

policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2010 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$679 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) 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 \$729,595 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Accounting Change/Restatement

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

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 4,218,206	\$ 130,825
Change in fund type classification per implementation of GASB Statement No. 54	130,825	(130,825)
Balance July 1, 2010 as restated	<u>\$ 4,349,031</u>	<u>\$ 0</u>

(13) Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2011, expenditures in the other expenditures functional area exceeded the certified budget.

(14) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Programs</u>	<u>Amount</u>
Home school assistance program	\$ 1,903
Weighted at-risk programs	8,057
Talented and gifted	123,470
Dropout and dropout and prevention	211,208
Four-year-old preschool	198,714
Beginning teacher mentoring	5,512
Salary improvement program	89,927
Phase II	1,798
Model core curriculum	59,804
Professional development	72,924
Total	<u>\$ 773,317</u>

Perry Community School District

REQUIRED SUPPLEMENTARY INFORMATION

PERRY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 9,191,306	388,186	9,579,492	9,011,922	9,011,922	567,570
State sources	11,158,922	9,666	11,168,588	12,058,294	12,058,294	(889,706)
Federal sources	1,883,288	929,990	2,813,278	2,455,000	2,455,000	358,278
Total revenues	<u>22,233,516</u>	<u>1,327,842</u>	<u>23,561,358</u>	<u>23,525,216</u>	<u>23,525,216</u>	<u>36,142</u>
Expenditures/Expenses:						
Instruction	11,403,244	0	11,403,244	14,250,000	14,250,000	2,846,756
Support services	4,600,249	33,512	4,633,761	5,713,233	5,713,233	1,079,472
Non-instructional programs	354,536	1,256,022	1,610,558	2,010,000	2,010,000	399,442
Other expenditures	5,526,451	0	5,526,451	5,170,249	5,170,249	(356,202)
Total expenditures/expenses	<u>21,884,480</u>	<u>1,289,534</u>	<u>23,174,014</u>	<u>27,143,482</u>	<u>27,143,482</u>	<u>3,969,468</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	349,036	38,308	387,344	(3,618,266)	(3,618,266)	4,005,610
Other financing sources, net	5,633	0	5,633	(1,521)	(1,521)	7,154
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	354,669	38,308	392,977	(3,619,787)	(3,619,787)	4,012,764
Balance beginning of year	8,691,182	669,860	9,361,042	8,143,976	8,143,976	1,217,066
Balance end of year	<u>\$ 9,045,851</u>	<u>708,168</u>	<u>9,754,019</u>	<u>4,524,189</u>	<u>4,524,189</u>	<u>5,229,830</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

During the year ended June 30, 2011, the expenditures in the other expenditures functional area exceeded the certified budget.

PERRY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial				Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a
		Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Percentage of Covered Payroll ((b-a)/c)			
2009	July 1, 2008	\$ 0	\$ 1,798	\$ 1,798	0.0%	\$ 10,398	17.3%	
2010	July 1, 2008	0	1,798	1,798	0.0%	8,197	21.9%	
2011	July 1, 2010	0	1,280	1,280	0.0%	7,684	16.7%	

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

PERRY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 364,200	134,747	498,947
Receivables:			
Property tax			
Delinquent	7,685	0	7,685
Succeeding year	500,000	0	500,000
Accounts	0	2,305	2,305
Due from other governments	12	0	12
TOTAL ASSETS	\$ 871,897	137,052	1,008,949
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,258	3,991	9,249
Salaries and benefits payable	0	172	172
Deferred revenue:			
Succeeding year property tax	500,000	0	500,000
Total liabilities	505,258	4,163	509,421
Fund balances			
Restricted for:			
Management levy purposes	366,639	0	366,639
Student activities	0	132,889	132,889
Total fund balances	366,639	132,889	499,528
TOTAL LIABILITIES AND FUND BALANCES	\$ 871,897	137,052	1,008,949

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, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 470,850	0	470,850
Other	16,080	244,035	260,115
TOTAL REVENUES	486,930	244,035	730,965
EXPENDITURES:			
Current:			
Instruction:			
Regular	245,633	0	245,633
Special	34,221	0	34,221
Other	0	233,478	233,478
Support services:			
Administration	187,466	0	187,466
Operation and maintenance of plant	0	2,262	2,262
Transportation	0	534	534
Non-instructional programs:			
Food service operations	4,413	0	4,413
TOTAL EXPENDITURES	471,733	236,274	708,007
Excess of revenues over expenditures	15,197	7,761	22,958
Other financing sources:			
Insurance proceeds	3,776	0	3,776
Net change in fund balances	18,973	7,761	26,734
Fund balance beginning of year, as restated	347,666	125,128	472,794
Fund balance end of year	\$ 366,639	132,889	499,528

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,788,082	244,774	2,032,856
Receivables:			
Property tax:			
Delinquent	0	3,796	3,796
Succeeding year	0	251,413	251,413
Income surtax	0	189,527	189,527
Due from other governments	154,477	6	154,483
TOTAL ASSETS	\$ 1,942,559	689,516	2,632,075
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 8,059	3,900	11,959
Deferred revenue:			
Succeeding year property tax	0	251,413	251,413
Income surtax	0	189,527	189,527
Total liabilities	8,059	444,840	452,899
Fund balances:			
Restricted for:			
School infrastructure	1,934,500	0	1,934,500
Physical plant and equipment	0	244,676	244,676
Total fund balances	1,934,500	244,676	2,179,176
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,942,559	689,516	2,632,075

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,324,773	423,758	1,748,531
Other	4,632	0	4,632
TOTAL REVENUES	<u>1,329,405</u>	<u>423,758</u>	<u>1,753,163</u>
EXPENDITURES:			
Current:			
Support services:			
Administration	0	4,717	4,717
Operation and maintenance of plant	0	87,815	87,815
Transportation	3,995	56,387	60,382
Other expenditures:			
Facilities acquisitions	3,047,917	0	3,047,917
TOTAL EXPENDITURES	<u>3,051,912</u>	<u>148,919</u>	<u>3,200,831</u>
Excess(Deficiency) of revenues over(under) expenditures	(1,722,507)	274,839	(1,447,668)
Other financing uses:			
Transfer out	(561,199)	(160,988)	(722,187)
Net change in fund balances	(2,283,706)	113,851	(2,169,855)
Fund balance beginning of year, as restated	4,218,206	130,825	4,349,031
Fund balance end of year	<u>\$ 1,934,500</u>	<u>244,676</u>	<u>2,179,176</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<u>High School:</u>					
Student Activity	\$ 0	899	7,122	6,223	0
Drama	2,554	2,569	4,845	0	278
Speech	0	79	782	703	0
Vocal Music	7,807	2,828	8,830	0	1,805
Vocal Music Trips	6,800	0	0	0	6,800
Vocal Music Robes	8	0	0	0	8
Band	0	140	535	395	0
Band Trips	975	4,921	5,057	3,081	3,920
Band Olympics	10,405	11,708	9,641	(3,081)	9,391
Academic Decathlon	0	0	66	66	0
Mock Trial	0	200	69	0	131
Athletics	28,203	24,946	(1,314)	(2,750)	51,713
Cross Country	0	2,524	3,135	611	0
Cheerleaders	3,000	6,591	4,976	0	4,615
Dance Team	2,315	5,370	5,230	0	2,455
Boys Basketball	770	610	1,947	567	0
Football	0	274	10,115	9,841	0
Boys Soccer	0	624	2,948	2,324	0
Baseball	0	1,629	5,029	3,400	0
Boys Track	0	1,492	4,459	2,967	0
Boys Golf	0	580	1,321	741	0
Wrestling	0	4,611	7,034	2,423	0
Girls Basketball	0	796	1,827	1,031	0
Volleyball	0	1,675	2,366	691	0
Girls Soccer	0	210	1,322	1,112	0
Softball	0	1,220	2,656	1,556	120
Girls Track	0	443	1,848	1,405	0
Girls Golf	0	348	1,540	1,192	0
Girls Swimming	87	1,437	1,801	277	0
National Honor Society	127	0	183	56	0
DECA	557	7,744	8,048	0	253
VICA/TSA	5,089	2,978	18,151	18,100	8,016
FCCLA	963	2,092	1,316	0	1,739
Journalism	51	1,169	0	745	1,965
Photo Club	0	3,152	3,517	365	0
Student Council	763	972	0	0	1,735
Art Club	383	0	50	0	333
French Club	740	0	0	0	740
Spanish Club	3,727	0	0	0	3,727
BEAC Club	882	0	320	0	562
Interact Club	265	0	0	(265)	0
Fitness Club	645	100	0	0	745
Concessions	4,080	37,383	18,929	(18,150)	4,384
PHS TV	745	0	0	(745)	0
SADD	950	0	0	0	950
	82,891	134,314	145,701	34,881	106,385

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<u>Middle School:</u>					
Student Activity	20,316	27,774	40,214	0	7,876
Vocal Music	1,220	0	0	0	1,220
Band	7,993	6,400	7,393	0	7,000
Athletics	0	0	33	33	0
Cross Country	0	0	50	50	0
Cheerleaders	0	0	161	169	8
Boys Basketball	0	1,033	1,033	0	0
Football	0	0	2,335	2,335	0
Boys Track	176	650	499	0	327
Wrestling	0	0	20	20	0
Girls Basketball	0	0	36	36	0
Girls Track	0	0	1,528	1,528	0
Industrial Tech	0	425	752	327	0
TSA	0	828	450	0	378
Journalism/Yearbook	892	1,540	2,670	238	0
Student Council	1,784	133	305	0	1,612
Pencil Fund	901	192	100	0	993
	<u>33,282</u>	<u>38,975</u>	<u>57,579</u>	<u>4,736</u>	<u>19,414</u>
<u>Elementary:</u>					
Pencil Fund	410	351	534	0	227
Rainforest	4,035	0	376	0	3,659
TAG	1,433	304	187	0	1,550
	<u>5,878</u>	<u>655</u>	<u>1,097</u>	<u>0</u>	<u>5,436</u>
<u>Miscellaneous:</u>					
Activity Admissions	2,942	69,929	31,897	(39,617)	1,357
Interest	135	162	0	0	297
	<u>3,077</u>	<u>70,091</u>	<u>31,897</u>	<u>(39,617)</u>	<u>1,654</u>
Total	\$ 125,128	244,035	236,274	0	132,889

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2011

	Calhoun Scholarship	White Scholarship	Wykoff Scholarship	Van Wifvat Scholarship	Boyer Scholarship	Mills Scholarship	O'Brien Scholarship	Kaufman Scholarship	Garber Scholarship
ASSETS									
Cash and pooled investments	\$ 34,759	11,074	274	49,937	214,083	717,200	124,131	1,912	400
LIABILITIES									
	0	0	0	0	0	0	0	0	0
NET ASSETS									
Restricted for scholarships	0	10,000	125	30,000	205,436	662,672	113,732	0	0
Unrestricted	34,759	1,074	149	19,937	8,647	54,528	10,399	1,912	400
TOTAL NET ASSETS	\$ 34,759	11,074	274	49,937	214,083	717,200	124,131	1,912	400

Natalie Scholarship	Kirkman Scholarship	Whiton Scholarship	Latino Empowerment	Patton Scholarship	Fox Scholarship	Clark Scholarship	Withers-Mertz Scholarship	Total
1,188	329	376	6,000	1,000	750	250	400	1,164,063
0	0	0	0	0	0	0	0	0
0	300	0	0	0	0	0	0	1,022,265
1,188	29	376	6,000	1,000	750	250	400	141,798
1,188	329	376	6,000	1,000	750	250	400	1,164,063

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2011

	Calhoun Scholarship	White Scholarship	Wykoff Scholarship	Van Wifvat Scholarship	Boyer Scholarship	Mills Scholarship	O'Brien Scholarship	Kaufman Scholarship	Garber Scholarship
Additions:									
Local sources:									
Contributions	\$ 0	0	0	0	0	0	0	1,125	250
Interest	34	91	0	1,933	1,377	6,968	1,226	0	0
Total additions	34	91	0	1,933	1,377	6,968	1,226	1,125	250
Deductions:									
Regular instruction:									
Scholarships awarded	0	300	0	1,500	2,300	11,800	0	835	400
Change in net assets	34	(209)	0	433	(923)	(4,832)	1,226	290	(150)
Net assets beginning of year	34,725	11,283	274	49,504	215,006	722,032	122,905	1,622	550
Net assets end of year	\$ 34,759	11,074	274	49,937	214,083	717,200	124,131	1,912	400

Natalie Scholarship	Kirkman Scholarship	Whiton Scholarship	Mid-Iowa Scholarship	Latino Empowerment	Patton Scholarship	Fox Scholarship	Clark Scholarship	Withers-Mertz Scholarship	Triumph Scholarship	Total
0	0	0	0	0	1,000	750	0	200	750	4,075
0	0	0	0	0	0	0	0	0	0	11,629
0	0	0	0	0	1,000	750	0	200	750	15,704
0	0	0	300	5,500	1,000	500	250	0	750	25,435
0	0	0	(300)	(5,500)	0	250	(250)	200	0	(9,731)
1,188	329	376	300	11,500	1,000	500	500	200	0	1,173,794
1,188	329	376	0	6,000	1,000	750	250	400	0	1,164,063

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 78,758	1,047,916	1,053,549	73,125
Accounts receivable	0	1,789	0	1,789
Due from other governments	41,570	114,045	41,571	114,044
TOTAL ASSETS	\$ 120,328	1,163,750	1,095,120	188,958
LIABILITIES				
Due to other groups	120,328	1,163,750	1,095,120	188,958
TOTAL LIABILITIES	\$ 120,328	1,163,750	1,095,120	188,958

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2011	2010	2009	2008	2007	2006	2005
Revenues:							
Local sources:							
Local tax	\$ 8,192,283	6,537,982	6,548,257	6,460,059	5,598,758	6,060,053	5,870,232
Tuition	248,674	560,685	256,425	266,737	256,481	198,073	234,106
Other	750,349	454,078	896,257	987,429	985,240	822,194	695,731
Intermediate sources	0	0	0	73	0	0	0
State sources	11,158,922	9,882,259	11,033,801	11,024,703	10,283,042	8,864,846	8,380,911
Federal sources	1,883,288	2,432,942	1,458,417	1,147,830	1,020,069	925,508	730,804
Total	\$ 22,233,516	19,867,946	20,193,157	19,886,831	18,143,590	16,870,674	15,911,784
Expenditures:							
Instruction:							
Regular	\$ 6,298,171	6,524,628	6,501,999	6,695,325	5,915,536	5,687,952	5,420,543
Special	2,182,015	2,235,614	2,427,811	2,254,241	2,323,771	2,334,594	3,170,905
Other	2,923,058	3,074,324	3,207,920	2,669,280	2,423,344	2,198,242	957,600
Support services:							
Student	506,989	423,114	545,868	555,749	514,308	523,379	802,090
Instructional staff	674,146	693,201	750,129	814,776	670,719	700,090	661,600
Administration	1,635,537	1,659,801	1,758,121	1,693,995	1,617,173	1,515,496	1,276,678
Operation and maintenance of plant	1,271,205	1,329,559	1,388,020	1,412,552	1,392,818	1,348,351	1,284,512
Transportation	512,372	727,835	543,158	510,868	693,709	468,672	331,553
Non-instructional programs	354,536	481,941	433,490	409,770	329,654	357,716	3,463
Other expenditures:							
Facilities acquisitions	3,047,917	1,490,171	148,713	1,317,070	216,289	502,048	373,042
Long-term debt:							
Principal	876,373	881,105	984,970	1,202,593	708,990	580,000	560,000
Interest and fiscal charges	872,566	701,984	585,547	609,675	578,687	577,961	591,812
AEA flow-through	729,595	697,687	639,626	619,381	590,781	530,384	499,406
Total	\$ 21,884,480	20,920,964	19,915,372	20,765,275	17,975,779	17,324,885	15,933,204

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	\$ 199,070
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	628,396 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 11	42,962
			<u>870,428</u>
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 11	<u>51,193</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 11	<u>59,562</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 11	12,100 **
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	5184-GC	122,919 **
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	427,428 **
			<u>562,447</u>
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	<u>65,861 **</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	5184-M	<u>139,400</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>24,272</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 11	<u>1,583</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 11	<u>6,659</u>
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 11	<u>112,500</u>
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS (GEAR-UP)	84.334	FY 11	<u>12,974</u>
READING FIRST STATE GRANTS	84.357	FY 11	<u>24,517</u>

PERRY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 11	83,576
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 11	11,453
STATE FISCAL STABILIZATION FUND CLUSTER:			
STATE FISCAL STABILIZATION FUND (SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	98,452
STATE FISCAL STABILIZATION FUND (SFSF)			
GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	87,814
			<u>186,266</u>
EDUCATION JOBS FUND	84.410	FY 11	155,655
HEARTLAND AREA EDUCATION AGENCY 11:			
IOWA DEPARTMENT OF EDUCATION:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	113,996
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	128,741
			<u>242,737</u>
EDUCATIONAL TECHNOLOGY STATE GRANTS	84.318	FY 11	4,700
NATIONAL ENDOWMENT FOR THE ARTS:			
IOWA ARTS COUNCIL:			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS)	45.025	FY 11	200
TOTAL			<u>\$ 2,615,983</u>

* - Includes \$73,638 of non-cash awards.

** - The Title I Cluster totalled \$628,308

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Perry Community School District and is presented in conformity with 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 general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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 the
Perry Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Perry Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an 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.

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

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

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.

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Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Perry Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2012

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and 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 could have a direct and material effect on each of Perry Community School District's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Members American Institute & Iowa Society of Certified Public Accountants

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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.

Handwritten signature in black ink, reading "Nolte, Cornman & Johnson P.C." with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2012

PERRY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any noncompliance 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 did not disclose any 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:
 - CFDA Number 84.010 - Title I (SINA - Schools in Need of Assistance)
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
 - Individual:
 - CFDA Number 84.410 - Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Perry Community School District did qualify as a low-risk auditee.

PERRY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District expenditures for the year ended June 30, 2011 exceeded the certified amounts in the other expenditures function.

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

Response - The District will review total expenditures in accordance with Chapter 24.9 of the Code of Iowa and amend the budget as needed in the future.

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 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-11 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
J.P. Hulgan, Coach Owns Hulgan Plumbing and Heating	Services	\$775
Jenny Eklund, Coach Owns Perry Paint and Design	Services	\$4,403
Jerry Lambert, Bus Driver Spouse owns T & J Upholstery	Services	\$1,227
Chriss Barck, Activities Sponsor Son owns JS Barck LLC Son owns Rainbow International	Services Services	\$2,400 \$400

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transaction with J.P Hulgan and Jenny Eklund does not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with Jerry Lambert and Chriss Barck does not appear to represent a conflict of interest.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported as resident students was understated by 14.0 students. We also noted the number of ELL students reported was understated by 17.38 students.

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

Response - The District’s auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

IV-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - We noted 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.

IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 4,218,206
Revenues:		
Sales tax revenues	\$ 1,324,773	
Other local revenues	4,632	1,329,405
		5,547,611
Expenditures/transfers out:		
School infrastructure construction	\$ 2,901,972	
Equipment	3,995	
Other	145,945	
Transfers to other funds:		
Debt service fund	561,199	3,613,111
		1,934,500
Ending balance		\$ 1,934,500

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.22000	\$ 400,000

IV-M-11 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued. Once checks have been outstanding for two years, the checks should be submitted to the Treasurer of Iowa as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will research the outstanding checks to get them cleared off and review outstanding checks on a regular basis.

Conclusion - Response accepted.

IV-N-11 Corrective Transfer - We noted during our audit that early retirement insurance benefits for a former employee were being paid from the Management Levy Fund. However, when the former employee's early retirement application was approved, the former

employee was over age 65. In accordance with Chapter 98.62(2) of the Code of Iowa, early retirement benefits are allowable from the Management Levy Fund only when the employee is between the ages of 55 and 65 at the time of retirement.

Recommendation - The District should make a corrective transfer of \$4,413.05 from the General Fund to the Management Levy Fund. Remaining early retirement benefits for this former employee should be made from the General Fund.

Response - The District has made the transfer as recommended and will verify ages of employees who take advantage of our early retirement policy.

Conclusion - Response accepted.