

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

JUNE 30, 2014

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-18
<b>Basic Financial Statements:</b>	<u>Exhibit</u>
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	A 20
Statement of Activities	B 21
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet	C 22
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 23
Statement of Revenues, Expenditures and Changes in Fund Balances	E 24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 25
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position	G 26
Statement of Revenues, Expenditures and Changes in Fund Net Position	H 27
Statement of Cash Flows	I 28
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Position	J 29
Statement of Changes in Fiduciary Net Position	K 30
Notes to Financial Statements	31-45
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	48
Notes to Required Supplementary Information - Budgetary Reporting	49
Schedule of Funding Progress for the Retiree Health Plan	50
Component Unit Financial Statements:	
Combining Assets, Liabilities and Net Position - Cash Basis	51
Statement of Support, Revenues, Expenses and Changes in Net Position - Cash Basis - Component Unit	52
<b>Supplementary Information:</b>	<u>Schedule</u>
<i>Nonmajor Special Revenue Funds</i>	
Combining Balance Sheet	1 54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 55
<i>Capital Projects Accounts:</i>	
Combining Balance Sheet	3 56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4 57
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5 58-59
Combining Statement of Fiduciary Net Position	6 60
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	7 61
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8 62
Schedule of Expenditures of Federal Awards	9 63
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 <u>Government Auditing Standards</u>	64-65
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	66-67
Schedule of Findings and Questioned Costs	68-72

**Perry Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

**Board of Education**

**(Before September 2013 Election)**

Kathryn Powell	President	2013
Daniel Wilhelmi	Vice President	2015
Darek Van Kirk	Board Member	2013
Jim Lutmer	Board Member	2015
Kenia Alarcon	Board Member	2015

**(After September 2013 Election)**

Daniel Wilhelmi	President	2015
Jim Lutmer	Vice-President	2015
Kyle Baxter	Board Member	2017
Kenia Alarcon	Board Member	2015
Marjean Gries	Board Member	2017

**School Officials**

M. Lynn Ubben	Superintendent	2014
Kent E. Bultman	Business Manager/ District Secretary	2014
Dwayne Hochhalter	District Treasurer	2014
Ahlers and Cooney P.C.	Attorney	2014

**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:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Perry Community School District, Perry, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by managements, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Perry Community School District at June 30, 2014, 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.

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan and the combining statements for the discretely presented component units on pages 7 through 18 and 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Perry Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applies in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2015, 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.



NOLTE, CORNMAN & JOHNSON, P.C

January 28, 2015

---

---

## 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which immediately follow.

### 2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$17,654,706 in fiscal 2013 to \$18,695,998 in fiscal 2014, an increase of \$1,041,292. General Fund expenditures increased from \$17,612,829 in fiscal 2013 to \$19,336,516 in fiscal 2014, an increase of \$1,723,687. The District's General Fund balance decreased from \$6,425,512 at June 30, 2013 to \$5,784,994 at June 30, 2014, a decrease of 9.97 %
- The District's General Fund solvency ratio has remained positive for the past ten years, decreasing to 27.51% at June 30, 2014. The solvency ratio is widely used as a comparative tool and is considered to be a good measure of a District's financial health. A graph showing ten years of solvency ratio history is included on page 15.
- The District has utilized statewide sales, services and use tax revenues for existing debt reduction and various capital projects. The District's share of the 2014 statewide sales, services and use tax revenues received from Boone, Dallas and Greene Counties totaled \$1,504,567. 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. Supplementary Information

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

- The first, the Statement of Net Position 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 and the golf driving range.
- 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 and combining statements for the discretely presented component unit.

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.

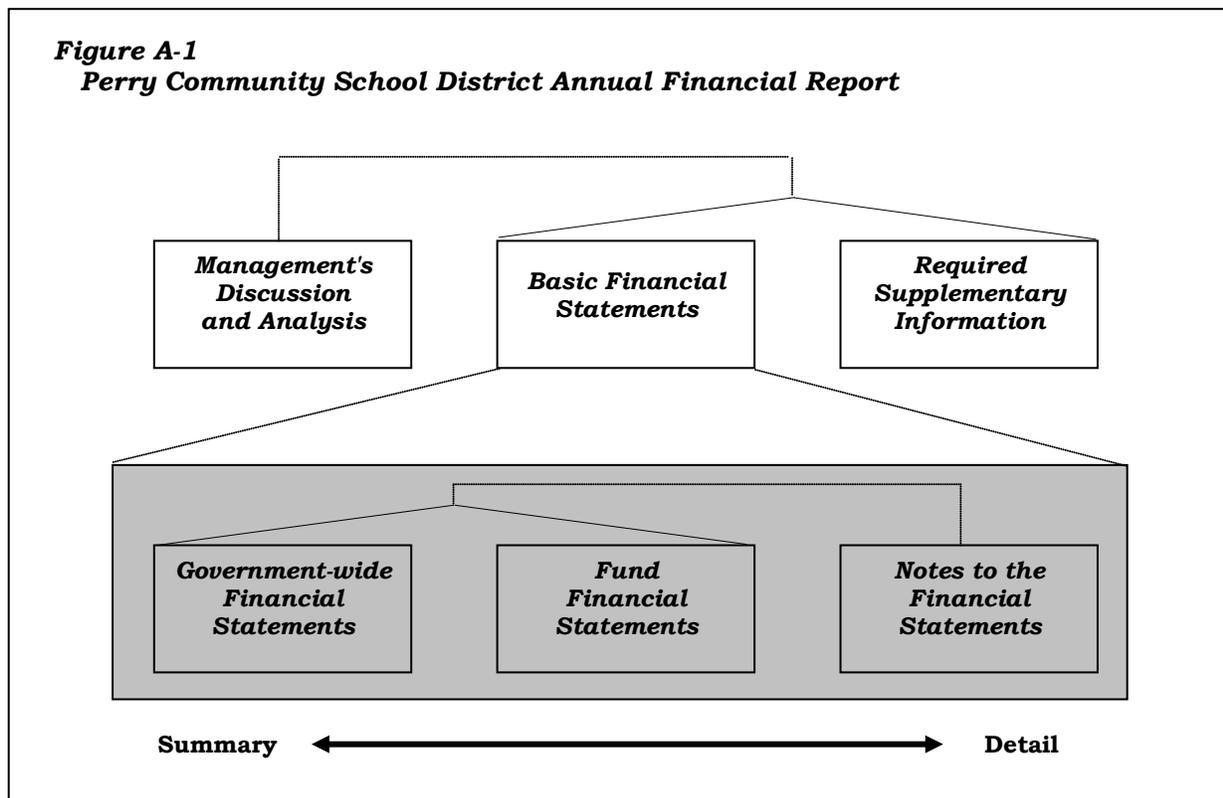


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the Management’s Discussion and Analysis highlights the structure and contents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

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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 Position includes all of the District's assets, deferred outflows or resources, liabilities and deferred inflows or resources, with the difference reported as net position. 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 position and how they have changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. 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.

- 
- 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 two enterprise funds, the School Nutrition Fund and the Golf Driving Range 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 Position and a Statement of Changes in Fiduciary Net Position.

Reconciliation between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Position** - Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2014-13
Current and other assets	\$ 20,507,928	20,735,655	558,468	584,390	21,066,396	21,320,045	-1.19%
Capital assets	22,977,094	22,541,629	184,343	206,166	23,161,437	22,747,795	1.82%
Total assets	43,485,022	43,277,284	742,811	790,556	44,227,833	44,067,840	0.36%
Long-term obligations	18,295,575	19,196,535	7,547	7,806	18,303,122	19,204,341	-4.69%
Other liabilities	2,598,133	2,424,255	113,496	113,735	2,711,629	2,537,990	6.84%
Total liabilities	20,893,708	21,620,790	121,043	121,541	21,014,751	21,742,331	-3.35%
Deferred inflows or resources	5,632,193	6,094,694	-	-	5,632,193	6,094,694	-7.59%
Net position:							
Net investment in capital assets	6,118,538	4,455,695	184,343	206,166	6,302,881	4,661,861	35.20%
Restricted	6,581,423	6,081,474	-	-	6,581,423	6,081,474	8.22%
Unrestricted	4,259,160	5,024,631	437,425	462,849	4,696,585	5,487,480	-14.41%
Total net position	\$ 16,959,121	15,561,800	621,768	669,015	17,580,889	16,230,815	8.32%

The District's combined net position increased by 8.32%, or \$1,350,074, over the prior year. A portion of the District's net position 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount increased 8.22%, or \$499,949. The increase in restricted net position is due in part to an increase in fund balances of the Debt Service Fund and Capital Projects Fund over the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints, decreased 14.41%, or \$790,895. The decrease in unrestricted net position is primarily due to the decrease in the fund balance of the District's General Fund from the prior year.

**Changes in Net Position** - Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2014-13
Revenues:							
Program revenues:							
Charges for service	\$ 834,656	792,036	304,009	330,439	1,138,665	1,122,475	1.44%
Operating grants and contributions and restricted interest	2,222,155	2,102,810	971,798	982,574	3,193,953	3,085,384	3.52%
Capital grants and contributions and restricted interest	6,650	55,067	-	-	6,650	55,067	-87.92%
General revenues:							
Property tax	6,078,051	5,967,553	-	-	6,078,051	5,967,553	1.85%
Income surtax	230,931	192,860	-	-	230,931	192,860	19.74%
Statewide sales, services and use tax	1,504,567	1,466,243	-	-	1,504,567	1,466,243	2.61%
Unrestricted state grants	11,666,118	11,006,769	-	-	11,666,118	11,006,769	5.99%
Unrestricted investment earnings	24,207	36,121	390	578	24,597	36,699	-32.98%
Other	116,186	82,254	21,749	70	137,935	82,324	67.55%
Total revenues	22,683,521	21,701,713	1,297,946	1,313,661	23,981,467	23,015,374	4.20%
Program expenses:							
Governmental activities:							
Instructional	13,766,929	12,436,987	-	-	13,766,929	12,436,987	10.69%
Support services	5,403,049	5,348,549	42,294	31,818	5,445,343	5,380,367	1.21%
Non-instructional programs	224,326	213,208	1,302,899	1,317,389	1,527,225	1,530,597	-0.22%
Other expenses	1,891,896	2,042,152	-	-	1,891,896	2,042,152	-7.36%
Total expenses	21,286,200	20,040,896	1,345,193	1,349,207	22,631,393	21,390,103	5.80%
Changes in net position	1,397,321	1,660,817	(47,247)	(35,546)	1,350,074	1,625,271	-16.93%
Beginning net position	15,561,800	13,900,983	669,015	704,561	16,230,815	14,605,544	11.13%
Ending net position	\$ 16,959,121	15,561,800	621,768	669,015	17,580,889	16,230,815	8.32%

Property tax revenues of \$6,078,051 and unrestricted state grants of \$11,666,118 account for 73.99% of the District's total revenues in all funds, totaling \$23,981,467 as shown above. The District's expenses are primarily in the instruction and support services functions, which total 84.89% of the total expenses of \$22,631,393 as shown above.

As shown in figure A-4, the District as a whole experienced a 4.20% increase in revenues and a 5.80% increase in expenses. This increase in revenues was primarily due to an increase in unrestricted state grant money received while expenditures increased due to an increase in negotiated salaries and benefits paid to employees over the prior year.

### Governmental Activities

Revenues for governmental activities were \$22,683,521, a decrease of 4.52% from the prior year. Expenses were \$21,286,200, a 6.21% increase over the prior year. Operating and Capital grants, contributions and restricted interest increased by \$70,928, largely due to the District receiving

more in federal grant monies. Property tax revenues increased \$110,498, or 1.85%, over the prior year due to an increase in taxable valuation. The total levy rate decreased from \$19.42 per \$1,000 of taxable valuation for FY 13 to \$18.78 per \$1,000 of taxable valuation for FY14.

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		
	2014	2013	Change 2014-13	2014	2013	Change 2014-13
Instruction	\$ 13,766,929	12,436,987	10.69%	11,596,110	10,383,731	11.68%
Support services	5,403,049	5,348,549	1.02%	5,366,762	5,279,725	1.65%
Non-instructional programs	224,326	213,208	5.21%	80,670	55,807	44.55%
Other expenses	1,891,896	2,042,152	-7.36%	1,179,197	1,371,720	-14.04%
Totals	\$ 21,286,200	20,040,896	6.21%	18,222,739	17,090,983	6.62%

For the year ended June 30, 2014:

The total cost financed by users of the District's programs was \$834,656.

Federal and State governments subsidized certain programs with grants and contributions totaling \$2,228,805. 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 \$18,222,739, 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 Fund.

Revenues for business type activities during the year ended June 30, 2014 were \$1,297,946 representing a 1.20% decrease from the prior year, while expenses totaled \$1,345,193, a decrease of less than 1%. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and other general revenues.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The Perry Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

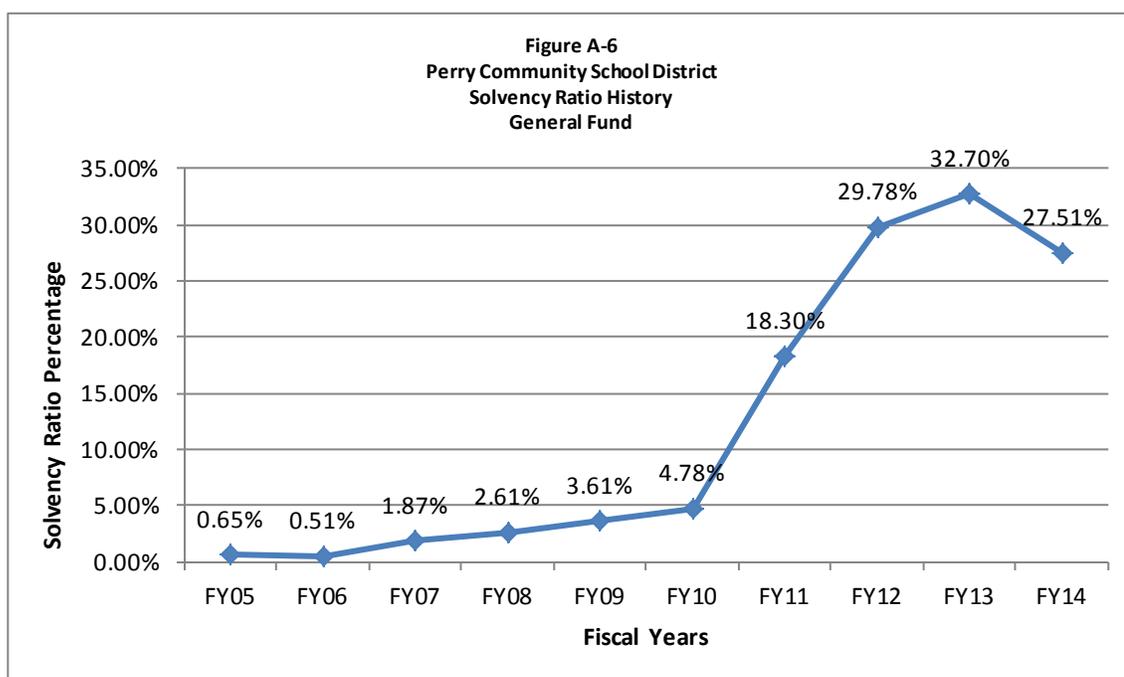
The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental fund reported combined fund balances of \$12,291,393, above last year's ending fund balances of \$12,213,037. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2014 is due to the increase in the fund balances of the Capital Projects Fund and Debt Service Fund.

A summary financial analysis of individual District funds follows, categorized into governmental and business types:

### Governmental Fund Highlights

The following is a closer look at each individual major fund:

- The **General Fund** reported an overall decrease in its fund balance of \$640,518, from \$6,425,512 at June 30, 2013 to \$5,784,994 at June 30, 2014. During the year, the District experienced 5.90% increase in revenues and a 9.79% increase in expenses. Revenues have exceeded expenditures in the six of the past seven years. The unassigned portion of this fund balance decreased \$604,812, 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 assigned and unassigned General Fund balance by its actual General Fund revenues. As shown in the graph below, the District had a positive financial recovery after several years with a below target solvency position, even with the decrease during FY14.



- The **Capital Projects Fund** balance increased from \$3,292,063 at June 30, 2013 to \$3,585,980 at June 30, 2014. An increase of \$293,917 from the prior year. The increase in fund balance for the Capital Projects Fund was primarily the result of the District's decrease in capital outlay expenditures due to the District completion of construction projects during the year. Revenues still outpaced expenditures during the year leading to the increase in fund balance.
- The **Debt Service Fund** balance increased from \$1,764,802 at June 30, 2013 to \$2,073,197 at June 30, 2014, an increase of \$308,395 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 \$1,314,575 in revenues. The Capital Projects Fund transferred \$1,009,852 to the Debt Service Fund to help pay principal and interest on the District's revenue bond and capital lease indebtedness.

## Propriety Fund Highlights

The School Nutrition Fund net position decreased from \$658,051 at June 30, 2013 to \$610,220 at June 30, 2014, representing a decrease of 7.27%. The primary reason for this decrease in fund balance is a decrease in state and federal source revenue received compared to the prior year coupled with relatively no change in fund expenditures.

The Golf Range Driving Fund net position increased from \$10,964 at June 30, 2013 to \$11,548 at June 30, 2014, representing an increase of 5.33%. The primary reason for this increase is an increase in charges for services received in fiscal 2014.

## BUDGETARY HIGHLIGHTS

The District's total revenues were \$1,067,598 less than budgeted revenues, a variance of 4.26%. The primary reason for this difference is a less local source revenues were received than anticipated.

Total expenditures/expenses for 2014 were \$2,260,154 less than the District's certified budget for expenditures/expenses, a variance of 9.62%. 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, 2014, the District had invested approximately \$23.16 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-7, this amount represents a net increase of 1.82% from last year. More detailed information about capital assets is available in Note 4 to the financial statements.

The original cost of the District's capital assets was approximately \$35.96 million. Governmental activities account for approximately \$35.34 million, with the remainder of approximately \$0.62 million accounted for in the District's business type activities.

	Figure A-7							
	Capital Assets, Net of Depreciation							
	Governmental		Business type		Total		Total	
	Activities		Activities		District		Change	
June 30,		June 30,		June 30,		June 30,		
2014	2013	2014	2013	2014	2013	2014-13		
Land	\$ 595,047	595,047	-	-	595,047	595,047	0.00%	
Construction in progress	386,023	1,878,660	-	-	386,023	1,878,660	-79.45%	
Buildings	20,605,885	18,635,450	-	-	20,605,885	18,635,450	10.57%	
Land improvements	532,657	577,589	-	-	532,657	577,589	-7.78%	
Machinery and equipment	857,482	854,883	184,343	206,166	1,041,825	1,061,049	-1.81%	
Total	\$ 22,977,094	22,541,629	184,343	206,166	23,161,437	22,747,795	1.82%	

The largest change in capital assets activity during the year occurred in the construction in progress category. Construction in progress totaled \$386,023 at June 30, 2014 compared to \$1,878,660 at June 30, 2013. This decrease resulted from the completion of facility upgrade projects during the year. These projects were added to the District's capital asset listing.

### Long-Term Debt

At June 30, 2014, the District had a total of \$18,303,122 in general obligation bonds/notes and other long-term debt outstanding. This represents a decrease of 4.69% from the prior year. (See Figure A-8) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had outstanding general obligation bonds of \$4,105,000 at June 30, 2014, payable from the Debt Service Fund.
- The District had outstanding revenue bonds of \$12,395,000 at June 30, 2014, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had an outstanding capital loan note of \$240,000 at June 30, 2014, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.
- The District had an outstanding capital lease of \$118,556 at June 30, 2014, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.
- The District had compensated absences of \$68,151 at June 30, 2014. \$66,074 of this total is payable from the General Fund with the remaining \$2,077 payable from the Enterprise: School Nutrition Fund.
- The District had outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$494,133 at June 30, 2014.
- The District has a net OPEB liability of \$882,282 as of June 30, 2014. Governmental activities account for \$876,812 of this total while the remaining \$5,470 is accounted for in the business-type activities.

Figure A-8  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2014-13
General Obligation Bonds	\$ 4,105,000	5,365,000	-	-	4,105,000	5,365,000	-23.49%
Revenue Bonds	12,395,000	12,395,000	-	-	12,395,000	12,395,000	0.00%
Capital Loan Note	240,000	295,000	-	-	240,000	295,000	-18.64%
Capital Leases	118,556	234,247	-	-	118,556	234,247	-49.39%
Termination Benefits	494,133	105,862	-	-	494,133	105,862	366.77%
Compensated Absences	66,074	46,138	2,077	3,094	68,151	49,232	38.43%
Net OPEB Liability	876,812	755,288	5,470	4,712	882,282	760,000	16.09%
Total	\$ 18,295,575	19,196,535	7,547	7,806	18,303,122	19,204,341	-4.69%

---

## **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 began a 1:1 laptop initiative for the 2013-2014 school year. Approximately \$495,000 was spent on computers and another \$200,000 on updating technology out of the General Fund. It is unknown what additional costs the District will incur as the use of technology in the classroom increases.
- The District is uncertain on how the Teacher Leadership Compensation(TLC) Plan will affect the General Fund budget. The District is currently in the planning stages and will submit a plan to the Department of Education.
- The District forecasts that enrollment will decrease in the future as the trend of larger class sizes graduating and smaller incoming classes continues.

## **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 Kent Bultman, Business Manager/District Secretary, Perry Community School District, 1102 Willis Avenue, Suite 200, Perry, Iowa, 50220.

## **BASIC FINANCIAL STATEMENTS**

PERRY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Primary Government			Component Unit*
	Govern- mental Activities	Business type Activities	Total	Perry Community School District Foundation
<b>ASSETS</b>				
Cash and pooled investments	\$ 13,836,538	534,002	14,370,540	74,228
Receivables:				
Property tax:				
Delinquent	105,784	-	105,784	-
Succeeding year	5,632,193	-	5,632,193	-
Income surtax	189,226	-	189,226	-
Accounts	22,600	4,455	27,055	-
Due from other governments	721,587	15,247	736,834	-
Inventories	-	4,764	4,764	-
Capital assets, net of accumulated depreciation	22,977,094	184,343	23,161,437	-
<b>TOTAL ASSETS</b>	<b>43,485,022</b>	<b>742,811</b>	<b>44,227,833</b>	<b>74,228</b>
<b>LIABILITIES</b>				
Accounts payable	312,614	276	312,890	-
Salaries and benefits payable	2,008,523	103,374	2,111,897	-
Advances for student fees	8,818	-	8,818	-
Accrued interest payable	268,178	-	268,178	-
Deferred revenue:				
Unearned revenue	-	9,846	9,846	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	1,270,000	-	1,270,000	-
Revenue bonds payable	300,000	-	300,000	-
Capital loan notes payable	55,000	-	55,000	-
Capital leases payable	118,556	-	118,556	-
Termination benefits payable	202,832	-	202,832	-
Compensated absences	66,074	2,077	68,151	-
Portion due after one year:				
General obligation bonds payable	2,835,000	-	2,835,000	-
Revenue bonds payable	12,095,000	-	12,095,000	-
Capital loan notes payable	185,000	-	185,000	-
Termination benefits payable	291,301	-	291,301	-
Net OPEB liability	876,812	5,470	882,282	-
<b>TOTAL LIABILITIES</b>	<b>20,893,708</b>	<b>121,043</b>	<b>21,014,751</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable property tax revenues	5,632,193	-	5,632,193	-
<b>NET POSITION</b>				
Net investment in capital assets	6,118,538	184,343	6,302,881	-
Restricted for:				
Categorical funding	837,335	-	837,335	-
School infrastructure	2,971,836	-	2,971,836	-
Physical plant and equipment	614,144	-	614,144	-
Debt service	1,805,019	-	1,805,019	-
Management levy purposes	224,357	-	224,357	-
Student activities	128,732	-	128,732	-
Unrestricted	4,259,160	437,425	4,696,585	74,228
<b>TOTAL NET POSITION</b>	<b>\$ 16,959,121</b>	<b>621,768</b>	<b>17,580,889</b>	<b>74,228</b>

\* Component unit information is for year ended June 30, 2014.

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit**
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Perry Community School District Foundation	
					Govern- mental Activities	Business Type Activities		
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 7,235,721	243,809	167,282	-	(6,824,630)	-	(6,824,630)	-
Special	3,094,340	99,897	379,097	-	(2,615,346)	-	(2,615,346)	-
Other	3,436,868	340,268	940,466	-	(2,156,134)	-	(2,156,134)	-
	<u>13,766,929</u>	<u>683,974</u>	<u>1,486,845</u>	<u>-</u>	<u>(11,596,110)</u>	<u>-</u>	<u>(11,596,110)</u>	<u>-</u>
Support services:								
Student	421,983	-	-	-	(421,983)	-	(421,983)	-
Instructional staff	1,301,861	-	-	-	(1,301,861)	-	(1,301,861)	-
Administration	1,997,782	-	-	-	(1,997,782)	-	(1,997,782)	-
Operation and maintenance of plant	1,000,785	-	-	6,650	(994,135)	-	(994,135)	-
Transportation	680,638	7,026	22,611	-	(651,001)	-	(651,001)	-
	<u>5,403,049</u>	<u>7,026</u>	<u>22,611</u>	<u>6,650</u>	<u>(5,366,762)</u>	<u>-</u>	<u>(5,366,762)</u>	<u>-</u>
Non-instructional programs	224,326	143,656	-	-	(80,670)	-	(80,670)	-
Long-term debt interest	581,852	-	-	-	(581,852)	-	(581,852)	-
Other expenses:								
AEA flowthrough	712,699	-	712,699	-	-	-	-	-
Depreciation(unallocated)*	597,345	-	-	-	(597,345)	-	(597,345)	-
	<u>1,310,044</u>	<u>-</u>	<u>712,699</u>	<u>-</u>	<u>(597,345)</u>	<u>-</u>	<u>(597,345)</u>	<u>-</u>
Total governmental activities	21,286,200	834,656	2,222,155	6,650	(18,222,739)	-	(18,222,739)	-
Business type activities:								
Support services:								
Instructional staff	882	-	-	-	-	(882)	(882)	-
Administration	2,103	-	-	-	-	(2,103)	(2,103)	-
Operation and maintenance of plant	39,309	-	-	-	-	(39,309)	(39,309)	-
Total support services	<u>42,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,294)</u>	<u>(42,294)</u>	<u>-</u>
Non-instructional programs:								
School nutrition	1,301,032	301,558	971,798	-	-	(27,676)	(27,676)	-
Golf driving range	1,867	2,451	-	-	-	584	584	-
Total non-instructional programs:	<u>1,302,899</u>	<u>304,009</u>	<u>971,798</u>	<u>-</u>	<u>-</u>	<u>(27,092)</u>	<u>(27,092)</u>	<u>-</u>
Total business type activities	1,345,193	304,009	971,798	-	-	(69,386)	(69,386)	-
Total primary government	\$ 22,631,393	1,138,665	3,193,953	6,650	(18,222,739)	(69,386)	(18,292,125)	-
Total component unit	\$ 3,517	-	6,630	-				3,113
General Revenues:								
Property tax levied for:								
General purposes					\$ 4,525,879	-	4,525,879	-
Debt service					1,297,519	-	1,297,519	-
Capital outlay					254,653	-	254,653	-
Income surtax					230,931	-	230,931	-
Statewide sales, services and use tax					1,504,567	-	1,504,567	-
Unrestricted state grants					11,666,118	-	11,666,118	-
Unrestricted investment earnings					24,207	390	24,597	599
Other					116,186	21,749	137,935	-
Total general revenues					<u>19,620,060</u>	<u>22,139</u>	<u>19,642,199</u>	<u>599</u>
Changes in net position					1,397,321	(47,247)	1,350,074	3,712
Net position beginning of year					15,561,800	669,015	16,230,815	70,516
Net position end of year					\$ 16,959,121	621,768	17,580,889	74,228

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

\*\* Component unit information is for year ended June 30, 2014.

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 7,592,973	3,284,805	2,050,965	842,634	13,771,377
Receivables:					
Property tax:					
Delinquent	72,624	4,363	22,232	6,565	105,784
Succeeding year	3,975,656	200,439	1,305,504	150,594	5,632,193
Income surtax	-	189,226	-	-	189,226
Accounts	22,225	-	-	375	22,600
Due from other governments	424,775	296,812	-	-	721,587
<b>TOTAL ASSETS</b>	<b>\$ 12,088,253</b>	<b>3,975,645</b>	<b>3,378,701</b>	<b>1,000,168</b>	<b>20,442,767</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 310,262	-	-	2,352	312,614
Salaries and benefits payable	2,008,523	-	-	-	2,008,523
Advances for student fees	8,818	-	-	-	8,818
Total liabilities	2,327,603	-	-	2,352	2,329,955
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,975,656	200,439	1,305,504	150,594	5,632,193
Income surtax	-	189,226	-	-	189,226
Total deferred inflows of resources	3,975,656	389,665	1,305,504	150,594	5,821,419
Fund balances:					
Restricted for:					
Categorical funding	837,335	-	-	-	837,335
School infrastructure	-	2,971,836	-	-	2,971,836
Physical plant and equipment	-	614,144	-	-	614,144
Debt service	-	-	2,073,197	-	2,073,197
Management levy purposes	-	-	-	718,490	718,490
Student activities	-	-	-	128,732	128,732
Assigned for athletic expenses	22,245	-	-	-	22,245
Unassigned	4,925,414	-	-	-	4,925,414
Total fund balances	5,784,994	3,585,980	2,073,197	847,222	12,291,393
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 12,088,253</b>	<b>3,975,645</b>	<b>3,378,701</b>	<b>1,000,168</b>	<b>20,442,767</b>

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2014

<b>Total fund balances of governmental funds(page 22)</b>	\$	12,291,393
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		22,977,094
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		65,161
Accounts receivable income surtax, are not yet available to pay current year expenditures and therefore, is recognized as a deferred inflow of resources in the governmental funds.		189,226
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.		(268,178)
Long-term liabilities, including general obligation bonds/notes payable, revenue bonds payable, capital lease payable, termination benefits 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>(18,295,575)</u>
<b>Net position of governmental activities(page 20)</b>	<b>\$</b>	<b><u><u>16,959,121</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 4,151,943	483,401	1,297,519	373,936	6,306,799
Tuition	324,990	-	-	-	324,990
Other	392,094	6,653	17,056	304,408	720,211
State sources	12,773,991	1,504,567	-	-	14,278,558
Federal sources	1,050,780	-	-	-	1,050,780
<b>TOTAL REVEUNES</b>	<b>18,693,798</b>	<b>1,994,621</b>	<b>1,314,575</b>	<b>678,344</b>	<b>22,681,338</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	6,929,777	-	-	36,711	6,966,488
Special	2,996,861	-	-	-	2,996,861
Other	3,117,765	-	-	299,784	3,417,549
	13,044,403	-	-	336,495	13,380,898
Support services:					
Student	418,330	-	-	-	418,330
Instructional staff	1,305,798	-	-	-	1,305,798
Administration	1,732,629	18,451	-	229,970	1,981,050
Operation and maintenance of plant	1,297,002	96,443	-	3,013	1,396,458
Transportation	602,083	-	-	-	602,083
	5,355,842	114,894	-	232,983	5,703,719
Non-instructional programs:					
Community service operations	223,572	-	-	-	223,572
Capital outlay	-	575,958	-	-	575,958
Long-term debt:					
Principal	-	-	1,430,691	-	1,430,691
Interest and fiscal charges	-	-	585,341	-	585,341
	-	-	2,016,032	-	2,016,032
Other expenditures:					
AEA flowthrough	712,699	-	-	-	712,699
<b>TOTAL EXPENDITURES</b>	<b>19,336,516</b>	<b>690,852</b>	<b>2,016,032</b>	<b>569,478</b>	<b>22,612,878</b>
Excess(Deficiency) of revenues over(under)expenditures	(642,718)	1,303,769	(701,457)	108,866	68,460
Other financing sources(uses):					
Transfer in	-	-	1,009,852	-	1,009,852
Transfer out	-	(1,009,852)	-	-	(1,009,852)
Sale of equipment	2,200	-	-	-	2,200
Insurance proceeds	-	-	-	7,696	7,696
<b>Total other financing sources(uses)</b>	<b>2,200</b>	<b>(1,009,852)</b>	<b>1,009,852</b>	<b>7,696</b>	<b>9,896</b>
Change in fund balances	(640,518)	293,917	308,395	116,562	78,356
Fund balance beginning of year	6,425,512	3,292,063	1,764,802	730,660	12,213,037
Fund balance end of year	\$ 5,784,994	3,585,980	2,073,197	847,222	12,291,393

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, 2014

<b>Change in fund balances - total governmental funds(page 24)</b>	\$	78,356
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Activities and are expensed allocated over their estimated useful lives as depreciation expenditures in the Statement of Activities. Capital outlay exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	\$ 1,257,611	
Depreciation expense	<u>(822,146)</u>	435,465
 Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		(23,132)
 Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:		
		1,430,691
 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.		
		3,489
 Income surtax account receivable is not available revenue and is recognized as deferred inflows of resources in the governmental funds.		
		2,183
 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.		
Termination benefits	\$ (388,271)	
Compensated absences	(19,936)	
Other postemployment benefits	<u>(121,524)</u>	<u>(529,731)</u>
<b>Change in net position of governmental activities(page 21)</b>	<b>\$</b>	<b><u><u>1,397,321</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Golf Driving Range	Total	
<b>ASSETS</b>				
Current assets:				
Cash and pooled investments	\$ 527,118	6,884	534,002	65,161
Accounts receivable	4,455	-	4,455	-
Due from other governments	15,247	-	15,247	-
Inventories	4,764	-	4,764	-
Total current assets	551,584	6,884	558,468	65,161
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	179,679	4,664	184,343	-
Total non-current assets	179,679	4,664	184,343	-
<b>TOTAL ASSETS</b>	731,263	11,548	742,811	65,161
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	276	-	276	-
Salaries and benefits payable	103,374	-	103,374	-
Unearned revenue	9,846	-	9,846	-
Total current liabilities	113,496	-	113,496	-
Noncurrent liabilities:				
Compensated absences	2,077	-	2,077	-
Net OPEB liability	5,470	-	5,470	-
Total noncurrent liabilities	7,547	-	7,547	-
<b>TOTAL LIABILITIES</b>	121,043	-	121,043	-
<b>NET POSITION</b>				
Net investment in capital assets	179,679	4,664	184,343	-
Unrestricted	430,541	6,884	437,425	65,161
<b>TOTAL NET POSITION</b>	\$ 610,220	11,548	621,768	65,161

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Golf Driving Range	Total	
<b>OPERATING REVENUE:</b>				
Local sources:				
Charges for services	\$ 301,558	2,451	304,009	-
Miscellaneous	21,749	-	21,749	1,587,777
<b>TOTAL OPERATING REVENUES</b>	<b>323,307</b>	<b>2,451</b>	<b>325,758</b>	<b>1,587,777</b>
<b>OPERATING EXPENSES:</b>				
Support services:				
Instructional staff:				
Services	882	-	882	-
Administration:				
Services	2,003	-	2,003	1,610,909
Other	100	-	100	-
	2,103	-	2,103	1,610,909
Operation and maintenance of plant:				
Salaries	9,300	-	9,300	-
Benefits	1,542	-	1,542	-
Services	26,067	-	26,067	-
Supplies	2,400	-	2,400	-
	39,309	-	39,309	-
Total support services	42,294	-	42,294	1,610,909
Non-instructional programs:				
Food service operations:				
Salaries	480,815	-	480,815	-
Benefits	96,002	-	96,002	-
Services	11,288	-	11,288	-
Supplies	642,571	-	642,571	-
Depreciation	57,564	-	57,564	-
	1,288,240	-	1,288,240	-
Other enterprise operations:				
Services	-	1,200	1,200	-
Depreciation	-	667	667	-
	-	1,867	1,867	-
Total non-instructional programs	1,288,240	1,867	1,290,107	-
<b>TOTAL OPERATING EXPENSES</b>	<b>1,330,534</b>	<b>1,867</b>	<b>1,332,401</b>	<b>-</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(1,007,227)</b>	<b>584</b>	<b>(1,006,643)</b>	<b>(23,132)</b>
<b>NON-OPERATING REVENUES(EXPENSES):</b>				
Loss on sale of capital assets	(12,792)	-	(12,792)	-
State sources	10,152	-	10,152	-
Federal sources	961,646	-	961,646	-
Interest income	390	-	390	-
<b>TOTAL NON-OPERATING REVENUES(EXPENSES)</b>	<b>959,396</b>	<b>-</b>	<b>959,396</b>	<b>-</b>
Change in net position	(47,831)	584	(47,247)	(23,132)
Net position beginning of year	658,051	10,964	669,015	88,293
Net position end of year	\$ 610,220	11,548	621,768	65,161

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business type Activities			Governmental
	Enterprise Funds			Activities:
	School Nutrition	Golf Driving Range	Total	Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 299,359	-	299,359	-
Cash received from driving range fees	-	2,451	2,451	-
Cash received from miscellaneous operating activities	21,749	-	21,749	1,587,777
Cash payments to employees for services	(587,867)	-	(587,867)	-
Cash payments to suppliers for goods or services	(611,871)	(1,200)	(613,071)	(1,610,909)
Net cash provided by(used in) operating activities	(878,630)	1,251	(877,379)	(23,132)
Cash flows from non-capital financing activities:				
State grants received	10,152	-	10,152	-
Federal grants received	904,413	-	904,413	-
Net cash provided by non-capital financing activities	914,565	-	914,565	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(49,200)	-	(49,200)	-
Cash flows from investing activities:				
Interest on investments	390	-	390	-
Net increase(decrease) in cash and cash equivalents	(12,875)	1,251	(11,624)	(23,132)
Cash and cash equivalents at beginning of year	539,993	5,633	545,626	88,293
Cash and cash equivalents at end of year	\$ 527,118	6,884	534,002	65,161
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (1,007,227)	584	(1,006,643)	(23,132)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	69,769	-	69,769	-
Depreciation	57,564	667	58,231	-
Decrease in inventories	3,719	-	3,719	-
Increase in accounts receivable	(1,957)	-	(1,957)	-
Decrease in accounts payable	(48)	-	(48)	-
Increase in salaries and benefits payable	51	-	51	-
Decrease in unearned revenue	(242)	-	(242)	-
Increase in other postemployment benefits	758	-	758	-
Decrease in compensated absences	(1,017)	-	(1,017)	-
Net cash provided by(used in) operating activities	\$ (878,630)	1,251	(877,379)	(23,132)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$69,769.

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
<b>ASSETS</b>		
Cash and pooled investments	\$ 1,303,024	41,356
<b>LIABILITIES</b>		
Due to other groups	-	41,356
<b>NET POSITION</b>		
Restricted for scholarships	<u>\$ 1,303,024</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Contributions	\$ 23,015
Interest	10,101
Total additions	<u>33,116</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>30,160</u>
Change in net position	2,956
Net position beginning of year	<u>1,300,068</u>
Net position end of year	<u>\$ 1,303,024</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PERRY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

The Perry Community School District is a political subdivision of the State of Iowa and operate 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 Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* 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 position* result when constraints placed on net positions use is either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those 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 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 reports one major proprietary fund:

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

The District also reports two nonmajor proprietary funds:

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 Position and the Statement of Activities.

The District also reports fiduciary funds which focus on net position and changes in net position. 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 position is 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.

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, Deferred Inflows of Resources, 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Land improvements	10,000
Intangibles	150,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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
Furniture and equipment	2-20 years

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

Advances from Student Fees - Proceeds in the General Fund are monies that have been collected for student registration fees. The revenue will be considered earned when services are provided. The student registration fees are reflected on the Statement of Net Position in the governmental activities.

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 Position in the business type 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, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and School Nutrition 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 Position.

Deferred Inflows of Resources - 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 year. 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 year. Deferred inflows of resources consist of property tax receivables not collected within sixty days after year end.

Deferred inflows of resources on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Balances - 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. At June 30, 2014 the District had assigned \$22,245 for athletic expenses.

Unassigned - All amounts not included in the preceding classifications.

### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the certified budget.

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$136,743 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard and Poor's Financial Service.

At June 30, 2014, the District had an investment with a fair value of \$14,000 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 detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 189,255
Debt Service	Capital Projects: Statewide Sales, Services and use Tax	820,597
Total		<u>\$ 1,009,852</u>

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments on the District's capital loan note and capital lease indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for payments on the District's revenue bond indebtedness.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 595,047	-	-	595,047
Construction in progress	1,878,660	1,030,211	2,522,848	386,023
Total capital assets not being depreciated	<u>2,473,707</u>	<u>1,030,211</u>	<u>2,522,848</u>	<u>981,070</u>
Capital assets being depreciated:				
Buildings	26,833,507	2,522,848	-	29,356,355
Land improvements	1,392,644	-	-	1,392,644
Machinery and equipment	3,442,158	227,400	56,232	3,613,326
Total capital assets being depreciated	<u>31,668,309</u>	<u>2,750,248</u>	<u>56,232</u>	<u>34,362,325</u>
Less accumulated depreciation for:				
Buildings	8,198,057	552,413	-	8,750,470
Land improvements	815,055	44,932	-	859,987
Machinery and equipment	2,587,275	224,801	56,232	2,755,844
Total accumulated depreciation	<u>11,600,387</u>	<u>822,146</u>	<u>56,232</u>	<u>12,366,301</u>
Total capital assets being depreciated, net	<u>20,067,922</u>	<u>1,928,102</u>	<u>-</u>	<u>21,996,024</u>
Governmental activities capital assets, net	<u>\$ 22,541,629</u>	<u>2,958,313</u>	<u>2,522,848</u>	<u>22,977,094</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 744,624	49,200	173,125	620,699
Less accumulated depreciation	538,458	58,231	160,333	436,356
Business type activities capital assets, net	<u>\$ 206,166</u>	<u>(9,031)</u>	<u>12,792</u>	<u>184,343</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 31,394
Other	29,454
Support services:	
Instructional staff	20,197
Administration	14,340
Operation and maintenance	16,861
Transportation	112,555
	<u>224,801</u>
Unallocated depreciation	<u>597,345</u>
Total governmental activities depreciation expense	<u><u>\$ 822,146</u></u>
Business type activities:	
Food service operations	57,564
Golf driving range	667
	<u>667</u>
Total business type activities depreciation expense	<u><u>\$ 58,231</u></u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 5,365,000	-	1,260,000	4,105,000	1,270,000
Revenue Bonds	12,395,000	-	-	12,395,000	300,000
Capital Loan Note	295,000	-	55,000	240,000	55,000
Capital Leases	234,247	-	115,691	118,556	118,556
Termination Benefits	105,862	441,202	52,931	494,133	203,832
Compensated Absences	46,138	66,074	46,138	66,074	66,074
Net OPEB Liability	755,288	121,524	-	876,812	-
Total	<u>\$ 19,196,535</u>	<u>628,800</u>	<u>1,529,760</u>	<u>18,295,575</u>	<u>2,013,462</u>
<b>Business Type Activities:</b>					
Compensated Absences	\$ 3,094	2,077	3,094	2,077	2,077
Net OPEB Liability	4,712	758	-	5,470	-
Total	<u>\$ 7,806</u>	<u>2,835</u>	<u>3,094</u>	<u>7,547</u>	<u>2,077</u>

**General Obligation Bond**

Details of the District's June 30, 2014, general obligation bond indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue of April 4, 2012				
	Interest Rates		Principal	Interest	Total
2015	0.55-0.60	% \$	1,270,000	34,004	1,304,004
2016	0.65-0.75		695,000	27,326	722,326
2017	0.85-0.95		705,000	22,092	727,092
2018	1.05-1.15		710,000	15,369	725,369
2019	1.25-1.35		725,000	7,141	732,141
Total			<u>\$ 4,105,000</u>	<u>105,932</u>	<u>4,210,932</u>

**Revenue Bonds**

Details of the District's June 30, 2014, Capital Projects: Statewide Sales, Services and Use Tax revenue bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2009 Series A			Bond Issue of June 1, 2009 Series B				
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest		
2015	4.50	% \$	-	450,320	5.00	% \$	-	16,500
2016	4.50		-	450,320	5.00		-	16,500
2017	4.50		-	450,320	5.00		330,000	8,250
2018	4.50		300,000	443,570	-		-	-
2019	4.50		300,000	430,070	-		-	-
2020-2024	4.10-4.50		3,115,000	1,825,043	-		-	-
2025-2029	4.60-5.00		4,305,000	947,692	-		-	-
2030	5.10		1,550,000	53,550	-		-	-
Total			<u>\$ 9,570,000</u>	<u>5,050,885</u>			<u>\$ 330,000</u>	<u>41,250</u>

Year Ending June 30,	Bond Issue of December 1, 2011			Total			
	Interest Rates	Principal	Interest	Principal	Interest	Total	
2015	2.00	% \$	300,000	53,140	300,000	519,960	819,960
2016	2.00		450,000	45,640	450,000	512,460	962,460
2017	2.00		245,000	38,690	575,000	497,260	1,072,260
2018	2.00		320,000	33,040	620,000	476,610	1,096,610
2019	2.10		320,000	26,480	620,000	456,550	1,076,550
2020-2024	2.20-3.00		560,000	69,460	3,675,000	1,894,503	5,569,503
2025-2029	3.00-3.40		250,000	29,350	4,555,000	977,042	5,532,042
2030	3.40		50,000	850	1,600,000	54,400	1,654,400
Total			<u>\$ 2,495,000</u>	<u>296,650</u>	<u>12,395,000</u>	<u>5,388,785</u>	<u>17,783,785</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,900,000 bonds issued June 1, 2009 and \$2,495,000 bond issued December 1, 2011. 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 55 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$17,783,785. For the current year, no principal and \$522,960 in interest was paid on the bonds and statewide sales, services and use tax revenues were \$1,504,567.

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

- a) \$1,196,773 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) A portion of the proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) 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 Loan Note**

Details of the District’s June 30, 2014, Capital Projects: Physical Plant and Equipment Levy general obligation note indebtedness is as follows:

Year Ending June 30,	Note Issue of September 1, 2007				
	Interest Rates		Principal	Interest	Total
2015	4.10	% \$	55,000	10,028	65,028
2016	4.15		60,000	7,772	67,772
2017	4.20		60,000	5,282	65,282
2018	4.25		65,000	2,763	67,763
Total			\$ 240,000	25,845	265,845

**Capital Lease**

On July 5, 2012, and July 15, 2012 the District entered into a capital lease purchase agreement with Sovereign Bank for the purchase of 4 school buses. Principle and interest payments will be made from the Capital Projects: Physical Plant and Equipment Levy. Details of the District’s June 30, 2014 bus lease indebtedness is as follows:

Year Ending June 30,	Bus Lease Dated July 5, 2012				Bus Lease Dated July 15, 2012				Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total	
2015	2.48	% \$ 87,798	2,179	2.48	% \$ 30,758	765	\$ 118,556	2,944	121,500	

### **Termination Benefits**

In December 2013, the District offered 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 30th in the calendar year in which early retirement benefits commence. The application is subject to approval by the Board of Education. The District also offered the same plan to its employees in fiscal 2012.

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.

The policy requires the plan to be paid in three equal installments with the first payment being in January in the year following retirement. The second will be paid the following July and the third payment will be paid during July of the succeeding year.

At June 30, 2014 the District had obligations to thirteen participants with a total liability of \$494,133. Early retirement benefits paid during the year ended June 30, 2014, totaled \$52,931. A liability has been recorded in the Statement of Net Position 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 with interest rates ranging from 4.50% to 5.10% to advance refund \$940,000 of outstanding revenue bonds dated May 1, 2004 with interest rates ranging from 3.50% to 4.20% and \$690,000 dated June 28, 2006 Series A with an interest rate of 4.55%. The remaining bond proceeds were 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, 2014, \$0 in principal of both the May 1, 2004 and the June 28, 2006 Series A bonds are outstanding. Defeasement of principal and interest for the May 1, 2004 issuance was \$200,000 and \$8,400 and for the June 28, 2006 Series A was \$210,000 and \$9,555.

### **(7) 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,041,291, \$942,413 and \$849,679 respectively, equal to the required contributions for each year.

### **(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for retirees, employees and their spouses. There are 276 active and 19 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 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, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 231,000
Interest on net OPEB obligation	34,200
Adjustment to annual required contribution	<u>(28,918)</u>
Annual OPEB cost	236,282
Contributions made	<u>(114,000)</u>
Increase in net OPEB obligation	122,282
Net OPEB obligation - beginning of year	<u>760,000</u>
Net OPEB obligation - end of year	<u><u>\$ 882,282</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2014.

For the year ended June 30, 2014, the District contributed \$114,000 to the medical plan. Plan members eligible for benefits contributed \$238,000 or 67.61% 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 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 165,527	53.16%	\$ 602,527
2013	235,473	33.12%	760,000
2014	236,282	48.25%	882,282

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1.682 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.682 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8.127 million, and the ratio of the UAAL to the covered payroll was 20.7%. As of June 30, 2014, 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, 2012 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 10%. The ultimate medical trend rate is 5%. 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, 2012 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$779 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.

## **(9) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$1,703,434.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$712,699 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Construction Commitment**

The District has entered into a contract for \$488,523 for various energy improvement projects throughout the District. As of June 30, 2014, costs of \$386,021 had been incurred against the contracts. The balance of \$102,502 remaining at June 30, 2014 will be paid as work on the projects progresses.

**(12) 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, 2014, expenditures in the other expenditures functional area and the total budgeted expenditures exceeded the certified budget.

**(13) Operating Lease Commitments**

During the year ended June 30, 2012, the District entered into 42 month lease with Great America Leasing Corporation for a copy machine. The District will make monthly payments of \$770 from the Capital Projects: Physical Plant and Equipment Levy Fund through June 30, 2015.

During the year ended June 30, 2014, District entered into a 60 month lease with U.S. Bank Equipment Finance to lease eight copy machines. The District will make monthly payments of \$2,391.55 from the Capital Projects: Physical Plant and Equipment Levy Fund through July 30, 2019.

**(14) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Programs</u>	<u>Amount</u>
Limited english proficiency weightng	\$ 245,219
Home school assistance	326
Gifted and talented	105,958
Dropout and dropout and prevention	221,941
Beginning teacher mentoring and induction programs	600
Teacher salary supplement	24,657
Nonpublic textbook services	238
Four-year-old state preschool	77,291
Successful progression for early readers	27,085
Professional development for model core curriculum	83,967
Professional development	38,248
Teacher leadership grants	11,805
Total	<u>\$ 837,335</u>

**(15) Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted Balances
Fund balance (Exhibit C)	\$ -	718,490	2,073,197	4,925,414
Capital assets, net of accumulated depreciation	22,977,094	-	-	-
General obligation bond proceeds expended for capital assets	(4,105,000)	-	-	-
Revenue bond proceeds expended for capital assets	(12,395,000)	-	-	-
Capital loan note proceeds expended for capital assets	(240,000)	-	-	-
Capital leases	(118,556)	-	-	-
Internal service fund	-	-	-	65,161
Income surtax	-	-	-	189,226
Assigned fund balance for athletic expenses	-	-	-	22,245
Accrued interest payable	-	-	(268,178)	-
Termination benefits	-	(494,133)	-	-
Compensated absences	-	-	-	(66,074)
Net OPEB liability	-	-	-	(876,812)
Net position (Exhibit A)	\$ 6,118,538	224,357	1,805,019	4,259,160

**(16) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**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, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues:						
Local sources	\$ 7,352,000	326,148	7,678,148	9,317,185	9,317,185	(1,639,037)
State sources	14,278,558	10,152	14,288,710	13,624,697	13,624,697	664,013
Federal sources	1,050,780	961,646	2,012,426	2,105,000	2,105,000	(92,574)
Total revenues	<u>22,681,338</u>	<u>1,297,946</u>	<u>23,979,284</u>	<u>25,046,882</u>	<u>25,046,882</u>	<u>(1,067,598)</u>
Expenditures/Expenses:						
Instruction	13,380,898	-	13,380,898	14,645,000	14,645,000	1,264,102
Support services	5,703,719	42,294	5,746,013	6,666,600	6,666,600	920,587
Non-instructional programs	223,572	1,302,899	1,526,471	2,107,750	2,107,750	581,279
Other expenditures	3,304,689	-	3,304,689	2,798,875	2,798,875	(505,814)
Total expenditures/expenses	<u>22,612,878</u>	<u>1,345,193</u>	<u>23,958,071</u>	<u>26,218,225</u>	<u>26,218,225</u>	<u>2,260,154</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	68,460	(47,247)	21,213	(1,171,343)	(1,171,343)	1,192,556
Other financing sources, net	<u>9,896</u>	<u>-</u>	<u>9,896</u>	<u>2,000</u>	<u>2,000</u>	<u>7,896</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	78,356	(47,247)	31,109	(1,169,343)	(1,169,343)	1,200,452
Balance beginning of year	<u>12,213,037</u>	<u>669,015</u>	<u>12,882,052</u>	<u>11,829,854</u>	<u>11,829,854</u>	<u>1,052,198</u>
Balance end of year	<u>\$ 12,291,393</u>	<u>621,768</u>	<u>12,913,161</u>	<u>10,660,511</u>	<u>10,660,511</u>	<u>2,252,650</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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, 2014, 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 Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2009	July 1, 2008	\$ -	\$ 1,797	\$ 1,798	0.0%	\$ 10,398	17.3%
2010	July 1, 2008	-	1,798	1,798	0.0%	8,197	21.9%
2011	July 1, 2010	-	1,280	1,280	0.0%	7,684	16.7%
2012	July 1, 2010	-	1,280	1,280	0.0%	7,448	17.2%
2013	July 1, 2012	-	1,682	1,682	0.0%	7,680	21.9%
2014	July 1, 2012	-	1,682	1,682	0.0%	8,127	20.7%

See Note 8 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION  
DISCRETE COMPONENT UNIT  
JUNE 30, 2014

	Perry Community School District Foundation
<b>Assets</b>	
Cash and pooled investments	\$ 74,228
<b>Total Liabilities</b>	-
<b>Net Position</b>	
Unrestricted	\$ 74,228

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

PERRY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND  
CHANGES IN NET POSITION  
DISCRETE COMPONENT UNIT  
YEAR ENDED JUNE 30, 2014

	Perry Community School District Foundation
<b>SUPPORT AND REVENUE:</b>	
Contributions and donations	\$ 6,630
Interest	599
<b>TOTAL SUPPORT AND REVENUE</b>	<b>7,229</b>
 <b>EXPENSES:</b>	
Administration	296
Athletics	3,111
Other	110
<b>TOTAL EXPENSES</b>	<b>3,517</b>
 Excess of support and revenue over expenses	 3,712
 Net position beginning of year	 70,516
 Net position end of year	 \$ 74,228

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**SUPPLEMENTARY INFORMATION**

PERRY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 712,891	129,743	842,634
Receivables:			
Property tax			
Delinquent	6,565	-	6,565
Succeeding year	150,594	-	150,594
Accounts	-	375	375
<b>TOTAL ASSETS</b>	<b>\$ 870,050</b>	<b>130,118</b>	<b>1,000,168</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 966	1,386	2,352
Deferred inflows or resources:			
Unavailable revenues:			
Succeeding year property tax	150,594	-	150,594
Fund balances			
Restricted for:			
Management levy purposes	718,490	-	718,490
Student activities	-	128,732	128,732
Total fund balances	718,490	128,732	847,222
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 870,050</b>	<b>130,118</b>	<b>1,000,168</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 373,936	-	373,936
Other	7,817	296,591	304,408
TOTAL REVENUES	381,753	296,591	678,344
EXPENDITURES:			
Current:			
Instruction:			
Regular	36,711	-	36,711
Other	-	299,784	299,784
Support services:			
Administration	229,970	-	229,970
Operation and maintenance of plant	-	3,013	3,013
TOTAL EXPENDITURES	266,681	302,797	569,478
Excess(Deficiency) of revenues over(under) expenditures	115,072	(6,206)	108,866
Other financing sources:			
Insurance proceeds	7,696	-	7,696
Change in fund balances	122,768	(6,206)	116,562
Fund balance beginning of year	595,722	134,938	730,660
Fund balance end of year	\$ 718,490	128,732	847,222

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,675,024	609,781	3,284,805
Receivables:			
Property tax:			
Delinquent	-	4,363	4,363
Succeeding year	-	200,439	200,439
Income surtax	-	189,226	189,226
Due from other governments	296,812	-	296,812
<b>TOTAL ASSETS</b>	<b>\$ 2,971,836</b>	<b>1,003,809</b>	<b>3,975,645</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	200,439	200,439
Income surtax	-	189,226	189,226
Total deferred inflows of resources	-	389,665	389,665
Fund balances:			
Restricted for:			
School infrastructure	2,971,836	-	2,971,836
Physical plant and equipment	-	614,144	614,144
Total fund balances	2,971,836	614,144	3,585,980
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,971,836</b>	<b>1,003,809</b>	<b>3,975,645</b>

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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	483,401	483,401
Other	3	6,650	6,653
Federal sources	1,504,567	-	1,504,567
<b>TOTAL REVENUES</b>	<b>1,504,570</b>	<b>490,051</b>	<b>1,994,621</b>
EXPENDITURES:			
Current:			
Support services:			
Administration	-	18,451	18,451
Operation and maintenance of plant	-	96,443	96,443
Capital outlay	575,958	-	575,958
<b>TOTAL EXPENDITURES</b>	<b>575,958</b>	<b>114,894</b>	<b>690,852</b>
Excess of revenues over expenditures	928,612	375,157	1,303,769
Other financing uses:			
Transfer out	(820,597)	(189,255)	(1,009,852)
Change in fund balances	108,015	185,902	293,917
Fund balance beginning of year	2,863,821	428,242	3,292,063
Fund balance end of year	\$ 2,971,836	614,144	3,585,980

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<u>High School:</u>					
Drama	\$ 1,620	3,236	1,713	-	3,143
Speech	546	5,694	4,260	-	1,980
Vocal Music	9,964	653	256	-	10,361
Vocal Music Trips	6,800	-	10	-	6,790
Vocal Music Robes	8	-	-	-	8
Band	61	-	-	-	61
Band Trips	8,784	19,084	27,868	-	-
Band Olympics	13,117	11,218	9,973	40	14,402
Mock Trial	131	-	-	-	131
Athletics	24,154	16,371	3,716	(15,022)	21,787
Cross Country	24	3,527	4,267	716	-
Cheerleaders	6,269	6,287	11,128	-	1,428
Dance Team	2,257	6,689	7,069	-	1,877
Boys Basketball	1,070	1,234	1,813	-	491
Football	-	15,631	26,420	11,789	1,000
Boys Soccer	961	5,337	3,360	-	2,938
Baseball	-	1,275	6,045	4,770	-
Boys Track	41	1,283	4,008	2,684	-
Boys Golf	160	1,297	1,376	(81)	-
Wrestling	-	8,187	10,717	2,530	-
Girls Basketball	-	330	1,478	1,148	-
Volleyball	-	2,973	3,695	722	-
Girls Soccer	-	227	1,030	803	-
Softball	1,474	2,055	6,344	2,815	-
Girls Track	-	739	3,321	2,582	-
Girls Golf	-	577	1,369	792	-
Girls Swimming	-	485	830	345	-
Donations	1,547	1,182	2,045	-	684
National Honor Society	-	1,727	1,656	-	71
USA/TSA	7,062	3,218	20,629	16,000	5,651
FCCLA	2,502	360	244	-	2,618
Journalism	1,334	2,065	1,959	-	1,440
Student Council	3,115	4,565	5,923	-	1,757
Delta Company	-	1,200	687	-	513
Art Club	215	-	100	-	115
French Club	740	-	-	-	740
Spanish Club	3,727	-	-	-	3,727
BEAC Club	562	-	-	-	562
Fitness Club	993	293	-	-	1,286
Concessions	5,166	37,162	20,013	(16,000)	6,315
	<u>\$ 104,404</u>	<u>166,161</u>	<u>195,322</u>	<u>16,633</u>	<u>91,876</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<u>Middle School:</u>					
Student Activity	\$ 9,112	21,725	19,465	-	11,372
Vocal Music	2,387	-	-	-	2,387
Band	10,562	18,947	15,978	-	13,531
Athletics	-	9,206	9,206	-	-
Cross Country	-	-	105	105	-
Cheerleaders	8	329	329	-	8
Boys Basketball	-	-	360	360	-
Football	-	-	6,432	6,432	-
Boys Track	-	405	1,651	1,246	-
Wrestling	-	-	67	67	-
Girls Basketball	-	-	360	360	-
Volleyball	-	20	569	549	-
Girls Track	80	540	2,042	1,422	-
Student Council	1,538	151	175	-	1,514
Pencil Fund	1,225	128	242	-	1,111
	24,912	51,451	56,981	10,541	29,923
<u>Elementary:</u>					
Elementary Vocal	203	7,272	7,165	-	310
Elementary Donations	-	4,079	2,156	-	1,923
Student Council	143	-	-	-	143
Pencil Fund	35	30	-	-	65
Rainforest	2,942	-	-	-	2,942
TAG	1,550	-	-	-	1,550
	4,873	11,381	9,321	-	6,933
<u>Miscellaneous:</u>					
Activity Admissions	749	67,598	41,173	(27,174)	-
Total	\$ 134,938	296,591	302,797	-	128,732

PERRY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2014

Account	Beginning Net Position	Additions	Deductions	Ending Net Position
CALHOUN SCHOLARSHIP	\$ 34,767	2	-	34,769
WHITE SCHOLARSHIP	11,026	90	-	11,116
WYKOFF SCHOLARSHIP	125	-	-	125
VAN WIFVAT SCHOLARSHIP	51,593	932	2,000	50,525
BOYER SCHOLARSHIP	211,670	1,492	1,000	212,162
MILLS SCHOLARSHIP	710,415	4,994	5,650	709,759
O'BRIEN SCHOLARSHIP	121,164	984	-	122,148
GARBER SCHOLARSHIP	50	750	300	500
SCHNICKERS SCHOLARSHIP	1,150	1,100	-	2,250
NATALTIE SCHOLARSHIP	1,188	-	-	1,188
SECRESS/OSMUNDSON SCHOLARSHIP	6,000	-	1,000	5,000
MASCIAS SCHOLARSHIP	3,486	400	700	3,186
GARREN SCHOLARSHIP	136,889	975	12,510	125,354
BLUEJAY STAFF SCHOLARSHIP	770	365	500	635
KIRKMAN SCHOLARSHIP	329	632	-	961
SOUTH/OSMUNDSON SCHOLARSHIP	6,000	-	2,000	4,000
WHITON SCHOLARSHIP	376	-	-	376
BIELFELDT SCHOLARSHIP	20	-	-	20
LATINO EMPOWERMENT	550	-	250	300
PATTON SCHOLARSHIP	1,000	1,000	500	1,500
TRIUMPH SCHOLARSHIP	-	3,000	2,250	750
BARNES SCHOLARSHIP	-	500	-	500
VAN KIRK SCHOLARSHIP	-	15,000	-	15,000
FOX SCHOLARSHIP	500	500	500	500
WITHERS-MERTZ MCDOWELL SCHOLARSHIP	600	-	600	-
SCIENCE SCHOLARSHIP	400	400	400	400
Total	\$ 1,300,068	33,116	30,160	1,303,024

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PERRY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 49,644	855,903	864,191	41,356
Due from other governments	123,498	-	123,498	-
<b>TOTAL ASSETS</b>	<b>\$ 173,142</b>	<b>855,903</b>	<b>987,689</b>	<b>41,356</b>
<b>LIABILITIES</b>				
Due to other groups	\$ 173,142	855,903	987,689	41,356
<b>TOTAL LIABILITIES</b>	<b>\$ 173,142</b>	<b>855,903</b>	<b>987,689</b>	<b>41,356</b>

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 NINE YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 6,306,799	7,622,996	7,982,606	8,192,283	6,537,982	6,548,257	6,460,059	5,598,758	6,060,053	5,870,232
Tuition	324,990	274,705	257,538	248,674	560,685	256,425	266,737	256,481	198,073	234,106
Other	720,211	697,008	908,356	750,349	454,078	896,257	987,429	985,240	822,194	695,731
Intermediate sources	-	-	-	-	-	-	73	-	-	-
State sources	14,278,558	12,137,379	11,514,406	11,158,922	9,882,259	11,033,801	11,024,703	10,283,042	8,864,846	8,380,911
Federal sources	1,050,780	965,965	1,613,110	1,883,288	2,432,942	1,458,417	1,147,830	1,020,069	925,508	730,804
Total	\$ 22,681,338	21,698,053	22,276,016	22,233,516	19,867,946	20,193,157	19,886,831	18,143,590	16,870,674	15,911,784
Expenditures:										
Instruction:										
Regular	\$ 6,966,488	6,877,383	6,605,400	6,298,171	6,524,628	6,501,999	6,695,325	5,915,536	5,687,952	5,420,543
Special	2,996,861	2,527,078	2,484,703	2,182,015	2,235,614	2,427,811	2,254,241	2,323,771	2,334,594	3,170,905
Other	3,417,549	3,141,556	3,049,682	2,923,058	3,074,324	3,207,920	2,669,280	2,423,344	2,198,242	957,600
Support services:										
Student	418,330	458,371	418,415	506,989	423,114	545,868	555,749	514,308	523,379	802,090
Instructional staff	1,305,798	693,627	831,180	674,146	693,201	750,129	814,776	670,719	700,090	661,600
Administration	1,981,050	1,950,512	1,750,252	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	1,396,458	1,400,935	1,392,342	1,271,205	1,329,559	1,388,020	1,412,552	1,392,818	1,348,351	1,284,512
Transportation	602,083	907,510	535,914	512,372	727,835	543,158	510,868	693,709	468,672	331,553
Non-instructional programs	223,572	219,231	306,779	354,536	481,941	433,490	409,770	329,654	357,716	3,463
Capital outlay	575,958	1,292,378	1,743,668	3,047,917	1,490,171	148,713	1,317,070	216,289	502,048	373,042
Long-term debt:										
Principal	1,430,691	1,300,000	7,476,757	876,373	881,105	984,970	1,202,593	708,990	580,000	560,000
Interest and fiscal charges	585,341	598,572	831,262	872,566	701,984	585,547	609,675	578,687	577,961	591,812
Other expenditures:										
AEA flow-through	712,699	670,432	663,147	729,595	697,687	639,626	619,381	590,781	530,384	499,406
Total	\$ 22,612,878	22,037,585	28,089,501	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, 2014

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 14	\$ 201,068
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	681,080
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 14	33,074
			<u>915,222</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 14	<u>46,424</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	5184-G	371,553
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	5184-GC	91,290
TITLE I SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 14	15,879
			<u>478,722</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	5184-M	<u>86,892</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	<u>20,965</u>
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS (GEAR-UP)	84.334	FY 14	<u>17,235</u>
IMPORVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 14	<u>57,763</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 14	<u>9,851</u>
HEARTLAND AREA EDUCATION AGENCY 11: SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	<u>99,449</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS			
	93.938	FY14	<u>255</u>
TOTAL			<u>\$ 1,732,778</u>

**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 in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Perry Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2015.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

**Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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**

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.

### **Purpose of this Report**

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

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.



NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2015

**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**  
**for Each Major Federal Program and on Internal Control over Compliance**  
**Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Perry Community School District compliance 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 its major federal programs for the year ended June 30, 2014. Perry Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Perry Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Perry Community School District's compliance with those requirements.

**Opinion on Each Major Federal Program**

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 to each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

The management of Perry Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Perry Community School District's internal control over compliance with the types of requirements that could have a direct and

material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Perry Community School District's internal control over compliance.

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

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

Perry Community School District's responses to the 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.

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2015

PERRY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses or significant deficiencies 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 or significant deficiencies in internal control over the major programs were noted.
- (e) An unmodified 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:
  - ***Title I Programs***
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
    - CFDA Number 84.010 - Title I Schools in Need of Assistance
  - ***Individual***
    - CFDA Number 84.027 - Special Education - Grants to States (Part B)
- (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.

**Part II: Findings Related to the 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-14 Certified Budget - District expenditures for the year ended June 30, 2014 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 monitor expenditures in the future and will amend its budget if necessary in accordance with Chapter 24.9 of the Code of Iowa.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted. However, we noted during our audit that the District purchased clothing for coaches out of the Special Revenue: Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity and School Nutrition Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - The District will refrain from allowing public funds to be used to purchase personal items such as clothing under any circumstance, including employees and student groups unless reimbursed or approved by the Board annually as a public purpose and recorded in the District minutes. Any clothing owned by the District will be inventoried and kept on site after each season.

Conclusion - Response accepted.

IV-C-14 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-14 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, Inc.	Purchased Services	\$2,012
Kenya Alarcon, Board Member Interpreter	Purchsaed Services	\$38
Jim Lutmer, Board Member Manager of Shopko	Supplies	\$5,976

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transactions with J.P Hulgan do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with Jim Lutmer and Kenya Alarcon do not appear to represent a conflict of interest.

- IV-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-14 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 2,863,821
Revenues:		
Sales tax revenues	\$ 1,504,567	
Other local revenues	<u>3</u>	<u>1,504,570</u>
		4,368,391
Expenditures/transfers out:		
School infrastructure construction	\$ 575,958	
Transfer to another fund:		
Debt service fund	<u>820,597</u>	<u>1,396,555</u>
Ending balance		<u>\$ 2,971,836</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-14 Copier Lease Contract - We noted during our audit that the Board Secretary signed a copier lease agreement with U.S. Bank Equipment Finance. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board president sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will have all contracts signed by the Board President in accordance with Chapter 291.1 of the Code of Iowa.

Conclusion -Response accepted.

IV-N-14 Student Activity Fund - During our audit issues arose about the properness of certain receipts collected in, and the purpose of accounts within the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these instances of questioned revenues, accounts and recommendations are as follows:

**Target Donations:** We noted during our audit that the District receipts Target donations in the Student Activity Fund.

Recommendation - Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. This designation should be noted annually in the District's board minutes.

Response - The District will receipt Target donations in the general fund and designate the use of these funds by the Board annually in the District's board minutes.

Conclusion - Response accepted.

**Questionable Accounts:** We noted the District is maintaining a HS Activity Account, HS Donations Account, MS Activity Account, MS Donations Account and an Elementary Donations accounts within the Student Activity Fund.

Recommendation - The District should review the propriety of revenues and expenses that are recorded in these accounts. It would appear that these accounts are administratively maintained, rather than maintained by a club or organization. The District should review these accounts and reclassify/transfer to the appropriate accounts in the Student Activity Fund to be in compliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1). District should receipt revenues and expenditures into the appropriate student activity accounts as they are incurred.

Response - The District will review these accounts and reclassify/transfer to the appropriate fund or accounts in the Student Activity Fund in compliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1).

Conclusion - Response accepted.