



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

February 5, 2015

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Perry, Iowa.

The City's receipts totaled \$11,280,944 for the year ended June 30, 2014, an 8.3% decrease from the prior year. The receipts included \$2,488,344 in property tax, \$540,051 from tax increment financing, \$2,559,927 from charges for service, \$1,216,640 from operating grants, contributions and restricted interest, \$550,653 from capital grants, contributions and restricted interest, \$52,254 from hotel/motel tax, \$1,570,017 from local option sales tax, \$5,231 from unrestricted interest on investments, \$223,540 from franchise fees, \$2,072,599 of bond proceeds and \$1,688 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$10,876,345, a decrease of less than 1% from the prior year, and included \$2,379,565 for capital projects, \$1,870,026 for public works and \$1,614,752 for public safety. Also, disbursements for business type activities totaled \$1,200,491.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1420-0237-B00F.pdf>.

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**CITY OF PERRY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

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**City of Perry**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2014)</b>		
Jay Pattee	Mayor	Jan 2014
Jenny Eklund	Council Member	Jan 2014
Dr. Randall McCaulley	Council Member	Jan 2014
Chuck Schott	Council Member	Jan 2016
Phillip Stone	Council Member	Jan 2016
Barbara Wolling	Council Member	Jan 2016
Delbert Niebuhr	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Corey Eastman	City Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite
<b>(After January 2014)</b>		
Jay Pattee	Mayor	Jan 2016
Chuck Schott	Council Member	Jan 2016
Phillip Stone	Council Member	Jan 2016
Barbara Wolling	Council Member	Jan 2016
John Andorf	Council Member	Jan 2018
Dr. Randall McCaulley	Council Member	Jan 2018
Delbert Niebuhr	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Corey Eastman	City Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite

**City of Perry**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City'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 the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 City'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 City'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 management, 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

### *Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units*

The financial statements do not include financial data for the Perry Public Library Foundation, a legally separate entity which should be reported as a discretely presented component unit. The amount by which this departure would affect the receipts, disbursements and balances of the aggregate discretely presented component units is not reasonably determinable.

### *Adverse Opinion*

In our opinion, because of the omission of the Perry Public Library Foundation which should be reported as a discretely presented component unit, as discussed in the preceding paragraph, the financial statements do not present fairly the cash basis financial position of the aggregate discretely presented component units as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

### *Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Perry as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Perry'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 nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 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 applied 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.




The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 9 through 16 and 40 through 42, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2015 on our consideration of the City of Perry's internal control over financial reporting and on 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 in considering the City of Perry's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 6, 2015

**City of Perry**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Perry provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 3.85%, or approximately \$408,000, from fiscal year 2013 to fiscal year 2014. Local option sales tax (LOST) decreased approximately \$442,000, tax increment financing decreased approximately \$200,000 and capital grants, contributions and restricted interest increased approximately \$217,000. The City's agreement with the Perry Community School District to receive 50% of the local option sales tax collected terminated December 31, 2013. The City received reimbursements from the Perry Water Works and the Rowley Masonic Home for the portion of costs to construct a road and the related water main in fiscal year 2014.
- Disbursements of the City's governmental activities increased less than 1%, or approximately \$91,000, in fiscal year 2014 from fiscal year 2013. Debt service disbursements decreased approximately \$1,322,000, general government disbursements decreased approximately \$570,000 and capital projects disbursements increased approximately \$1,461,000. Debt service disbursements decreased primarily due to payments made to refund the 2006 G.O. bond in fiscal year 2013. General government disbursements decreased primarily due to less local option sales tax receipts available to spend and a decrease in the amounts received from the Perry Community School District for half of the local option sales tax received by the District. Capital projects disbursements increased primarily due to more projects ongoing in the current year.
- The City's total cash basis net assets increased 13%, or \$404,599, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net assets of the governmental activities increased \$882,727 and the cash basis net assets of the business type activities decreased \$478,128.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer and sewer discharge systems. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has three kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Sewer and Sewer Discharge Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the City's own programs. The fiduciary fund consists of the Police Pension Fund.

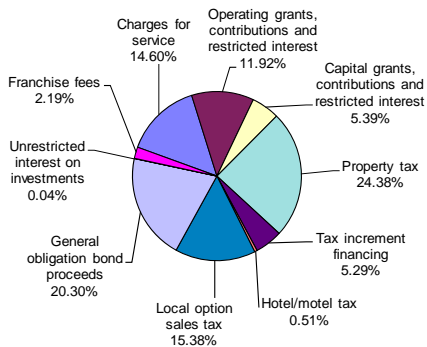
The required financial statement for the fiduciary fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

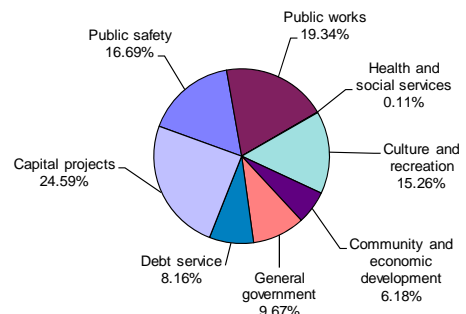
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing to approximately \$2,367,000 from approximately \$1,485,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 1,489,941	1,463,977
Operating grants, contributions and restricted interest	1,216,640	1,138,320
Capital grants, contributions and restricted interest	550,653	334,049
General receipts:		
Property tax	2,488,344	2,415,881
Tax increment financing	540,051	739,788
Hotel/motel tax	52,254	61,213
Local option sales tax	1,570,017	2,011,957
Unrestricted interest on investments	4,542	2,564
Franchise fees	223,540	208,934
General obligation bond proceeds	2,072,599	1,882,235
Bank loan proceeds	-	273,100
Other general receipts	-	84,885
Total receipts	10,208,581	10,616,903
Disbursements:		
Public safety	1,614,752	1,604,947
Public works	1,870,026	1,799,742
Health and social services	10,994	10,967
Culture and recreation	1,476,546	1,310,457
Community and economic development	598,418	322,332
General government	935,558	1,506,007
Debt service	789,995	2,112,217
Capital projects	2,379,565	918,113
Total disbursements	9,675,854	9,584,782
Change in cash basis net position before transfers	532,727	1,032,121
Transfers, net	350,000	76,000
Change in cash basis net position	882,727	1,108,121
Cash basis net position beginning of year	1,484,666	376,545
Cash basis net position end of year	\$ 2,367,393	1,484,666

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 3.85%, or \$408,322, from the prior year. The total cost of all programs and services increased \$91,072, or 0.95%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$9.676 million compared to approximately \$9.585 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$6.419 million because some of the cost was paid by those who directly benefited from the programs (\$1,489,941), by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,216,640) or from capital grants, contributions and restricted interest (\$550,653). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$2,936,000 to approximately \$3,257,000. The increase is primarily due to reimbursements from the Rowley Masonic Home and Perry Water Works for their portions of costs for the construction of a street during fiscal year 2014. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$7.301 million of tax (some of which could only be used for certain programs) and other receipts, such as interest, loan proceeds and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 973,256	968,339
Sewer discharge	96,730	95,109
General receipts:		
Unrestricted interest on investments	689	815
General obligation bond proceeds	-	409,715
General obligation anticipation note proceeds	-	210,000
Miscellaneous	1,688	2,533
Total receipts	<u>1,072,363</u>	<u>1,686,511</u>
Disbursements:		
Sewer	1,182,725	1,238,001
Sewer discharge	17,766	66,280
Total disbursements	<u>1,200,491</u>	<u>1,304,281</u>
Change in cash basis net position before transfers	(128,128)	382,230
Transfers, net	(350,000)	(76,000)
Change in cash basis net position	(478,128)	306,230
Cash basis net position beginning of year	1,590,058	1,283,828
Cash basis net position end of year	<u>\$ 1,111,930</u>	<u>1,590,058</u>

Total business type activities receipts for the fiscal year were \$1,072,363 compared to \$1,686,511 last year. The cash balance decreased \$478,128 from the prior year. Program receipts remained steady due to no changes in utility rates in fiscal year 2014. However, the City received approximately \$620,000 less in bond and note proceeds during the fiscal year causing a decrease in receipts from the prior year. Total disbursements for the fiscal year decreased 7.96% to approximately \$1,200,000, primarily due to a river bank stabilization project which was completed in the prior fiscal year.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$2,367,393, an increase of \$882,727 from last year's balance of \$1,484,666. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$75,128 from the prior year to \$69,633. The increase in the cash balance was primarily attributable to an increase in property tax and licenses and permits for the Masonic Home building permit.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$21,992 to \$289,189. Neither receipts nor disbursements changed significantly from the prior year. The City transferred \$144,759 to the Special Revenue, Employee Benefits Fund to cover benefits paid for public works employees.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance at year end was \$396,601, an increase of \$192,659 from the previous year. The increase in cash balance was primarily due to a \$350,000 interfund loan from the Enterprise, Sewer Fund to fund a development agreement. At June 30, 2014, only \$195,000 had been disbursed, resulting in an increase in its cash balance. The remainder of the \$350,000 is due to be paid in November 2016.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$588,150 from the prior year to \$771,668, due primarily to a decrease in the amounts necessary to service debt. Transfers out to fund projects and service debt decreased \$675,304.
- The Special Revenue, Employee Benefits Fund cash balance increased \$34,476 from the prior year to (\$105,770). This increase in cash balance was primarily due to the City transferring in road use tax funds to help cover the benefit costs of the public works employees.
- The Debt Service Fund cash balance increased \$39,214 to \$56,895 during the fiscal year. There was no significant increase in property tax receipts and no refunding bonds or notes were issued. The proper amounts were transferred to the Debt Service Fund from other funds to cover current year debt obligations.
- The Capital Projects Fund cash balance decreased \$33,453 from the prior year to \$500,043. Although bond proceeds were received in the current fiscal year for projects, the City also had grant reimbursements pending at year end for funds already disbursed.
- The Permanent, Cemetery Perpetual Care Fund cash balance increased \$3,520 to \$219,194 due to current year lot sale proceeds to be used for perpetual care.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Sewer Fund cash balance decreased \$557,092 to \$699,969, primarily due to the repayment of debt which funded the City's portion of the river bank stabilization project. In addition, the Sewer Fund also loaned the Special Revenue, Urban Renewal Tax Increment Fund \$350,000 in fiscal year 2014. The loan will be paid back through collections of urban renewal tax increment receipts in future years.
- The Enterprise, Sewer Discharge Fund cash balance increased \$78,964 to \$411,961, primarily due to receipts outpacing related disbursements. Disbursements decreased approximately \$49,000 from the prior year due to less storm sewer projects in the current fiscal year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 19, 2014 and resulted in an increase in budgeted receipts and disbursements, primarily related to governmental and business type activities capital projects function activity funded from bond proceeds.

The City's receipts were \$131,229, or 1.17%, less than the amended budget. Total disbursements were \$938,401, or 6.9%, less than the amended budget. The actual disbursements for capital projects, including the Owner Occupied Housing Rehabilitation Project, were less than budgeted. This is primarily due to the timing of the capital projects in relation to the end of the City's fiscal year. Disbursements in the health and social services, community and economic development and debt service functions exceeded the amended budget.

## DEBT ADMINISTRATION

At June 30, 2014, the City had \$6,776,550 of bonds and other long-term debt outstanding, compared to \$5,962,883 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2014	2013
General obligation bonds	\$ 5,940,000	4,355,000
Revenue bonds	700,000	1,110,000
General obligation anticipation note	-	210,000
Real estate contracts	-	932
Bank loans	136,550	286,951
Total	\$ 6,776,550	5,962,883

Debt increased due primarily to the issuance of general obligation bonds to be paid over twelve years.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$6,076,550, plus development agreements of \$658,992 which are subject to the debt limit totals \$6,735,542, which is significantly below its constitutional debt limit of approximately \$12,718,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Taxable valuations used for the fiscal year 2014 budget increased \$4,809,709, or 3.07%, over the taxable valuation used for the fiscal year 2013 budget. Taxable valuations used for the fiscal year 2015 budget decreased \$9,082,123, or 5.62%, under the taxable valuation used for the fiscal year 2014 budget. The City was awarded a RISE grant to assist with the extension of Research Drive due to the addition of the Hy-Line Poultry Hatchery in the Perry Industrial Park, which was completed in 2012 and was added to the tax rolls for the fiscal year 2015 budget. The City has completed a sewer line extension and lift station for the area on North 18<sup>th</sup> Street. A proposed subdivision in this area should supplement the growth of the City's taxable valuation in the next few years. Changes in the commercial property tax rollback and telecommunications property tax reduction have caused a decrease in the City's taxable valuations. The City also had decreases in the assessed valuations of residential and commercial properties from the Dallas County Assessor's Office. Backfill from the State is available only for the decrease due to the commercial property tax reduction.



The Hotel Pattee reopened in October 2013. Hotel/motel tax receipts increased \$7,795, or 34.3%, in the fourth quarter of 2013 and the first quarter of 2014 from the same time period of the prior year. Local ownership and management of the Hotel Pattee has increased traffic and events at the establishment.

The Raccoon River Valley Trail loop from Waukee to Herndon has been completed with a total trail distance of 89 miles. A grand opening ceremony was held in Perry on June 1, 2013 and the trail has seen increased usage since then. The trail generated enough statewide interest Perry was chosen as an overnight stop for RAGBRAI in July of 2013. A REAP grant from the Iowa Department of Natural Resources allowed the City to complete a trail along 5<sup>th</sup> Street from the Raccoon River Valley Trail, which will eventually connect to the Dallas County Hospital's recreational trail around that facility. In fiscal year 2014, additional trail work was done from the 5<sup>th</sup> Street trail towards the Dallas County Hospital on Iowa Street. The Wiese Foundation has paid for the replacement of approximately 750 feet of recreational trails in Wiese Park each fiscal year from 2012 through 2015. The City's work on the in-town recreational trails, as well as the Raccoon River Valley Trail expansion, should attract many recreational enthusiasts and businesses geared toward serving trail users. The City will use this increase in receipts to finance programs currently offered.

The City continues to work to correct the interconnections and infiltrations of the sanitary sewer system. The City is pleased to report there were no sewer backups caused by overcharged sanitary sewers in the past year. Flows have been reduced to record levels at the Water Pollution Control Facility. The City has completed a sanitary and storm sewer repair project in the northwest area of Perry which improved flows in that area. The City has contracted with HydroKlean for a city-wide sanitary sewer cleaning project. A new generator was also purchased for the North Street sanitary sewer lift station to prevent any sewer backups in the north side of Perry if the area loses power.

The City began collecting a 1% local option sales tax (LOST) on July 1, 2010. The State of Iowa's fiscal year 2014 LOST receipts for the City were \$958,795, which was a decrease of \$237,277, or 20%, from fiscal year 2013. In fiscal year 2013, an adjustment of \$435,724 for LOST underpaid in fiscal year 2012 was received. The adjustment in fiscal year 2014 was \$39,973. The estimate for the City's LOST collections in fiscal year 2015 is \$800,000. The City continued to receive half of the Perry Community School District's SILO tax and the City paid the District half of the City's LOST receipts until December 31, 2013. LOST receipts are used for street and sewer improvement projects, capital projects, grant matching funds and building and grounds maintenance.

The City continued improvements at the Perry Municipal Airport. The City continues to submit capital improvement plans to the Federal Aviation Authority (FAA) in order to remain eligible for grants for airport improvements. In fiscal year 2014, the City was awarded the following grants from the Iowa Department of Transportation: \$150,000 to build a conventional hangar, \$11,200 for runway maintenance and \$3,500 for safety enhancements. These projects are to be completed in fiscal year 2015. In fiscal year 2015, the City was awarded a grant from the FAA for \$637,830 to rehabilitate 4,700 square yards of the terminal apron. This project will be completed in fiscal year 2015.

Building and grounds improvements continue at the Perry Public Library, the McCreary Community Building and Pattee Park. Local grants and donations, as well as local option sales tax funds, have paid for the improvements. Local involvement has spearheaded the installation of a wheelchair accessible swing at Pattee Park, as well as ongoing replacement and renovation of the sidewalk and paths.

In fiscal year 2013, the City was awarded a Brownfield Multi-Purpose Pilot grant of \$400,000 from the EPA for assessments and cleanup of the former Chicago, Milwaukee and St. Paul railroad site. The cleanup and assessment work for this grant continued through fiscal year 2014.

The City entered into a loan agreement with the Iowa Energy Bank for \$613,543 to finance energy conservation improvements, including light fixtures, a solar array on a City building to provide power to the marketplace (farmers' market building), parks storage buildings and the building housing the local bicycle cooperative and HVAC renovations at the Public Safety Building. This project continues into fiscal year 2015.

The City is in the process of closing out the Neighborhood Stabilization Project, as well as the third Owner Occupied Housing Rehabilitation CDBG. This project allowed for the rehabilitation of twelve homes in Perry, with a federal share of \$352,490 and a local match of \$30,000.

In prior planning sessions, the City Council ranked the renovation of the McCreary Center parking lot high on the list of priorities. In fiscal year 2014, the project was completed and funded through a bond issue. Other fiscal year 2014 projects benefitting the community include the 28<sup>th</sup> Street road project to allow for access to the Rowley Masonic Home expansion, a renovation of the Willis Avenue/Willis Street intersection and the asphalt resurfacing of approximately 11 blocks of City streets. In fiscal year 2014, the City entered into a contract with Elder Corporation for the reconstruction of 18<sup>th</sup> Street with concrete pavement from McKinley Street to North Street. This project will be completed in fiscal year 2015. In fiscal year 2015, the City will begin the North Street Construction Project, which will include pavement construction, storm sewer installation and grading on North Street from 16<sup>th</sup> Street to 18<sup>th</sup> Street.

The need for a soccer complex has garnered community support for a proposed soccer complex in the Pattee Park area. In fiscal year 2015, the City received a REAP grant from the Iowa Department of Natural Resources for \$100,000 for the development of a strip of land as a natural buffer and wetland with a recreational trail between a local neighborhood and the future soccer complex. Several local grants from community foundations and donations from area businesses and soccer clubs have been received for the construction of the soccer complex.

In fiscal year 2014, Minburn Telephone Company began a project to offer fiber optics to the main arteries of the City and the commercial district which will provide for cutting edge communications service, including telephone, digital television and high speed DSL internet.

These factors were taken into account when adopting the General Fund budget for fiscal year 2015. Budgeted amounts available for appropriation in the fiscal year 2015 General Fund budget total \$3,213,992. Budgeted disbursements in the fiscal year 2015 General Fund budget total \$3,228,472. The City has added no major new programs or initiatives to the fiscal year 2015 budget.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Butch Niebuhr, City Administrator, Corey Eastman, City Clerk/Treasurer, or Susie Moorhead, Finance Officer, at Perry City Hall located at 1102 Willis Avenue, Perry, IA 50220.

## **Basic Financial Statements**

City of Perry

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,614,752	8,339	97,572	-
Public works	1,870,026	854,838	813,007	-
Health and social services	10,994	-	-	-
Culture and recreation	1,476,546	490,159	190,702	-
Community and economic development	598,418	73,257	4,133	218,651
General government	935,558	63,348	108,876	-
Debt service	789,995	-	-	-
Capital projects	2,379,565	-	2,350	332,002
Total governmental activities	9,675,854	1,489,941	1,216,640	550,653
Business type activities:				
Sewer	1,182,725	973,256	-	-
Sewer discharge	17,766	96,730	-	-
Total business type activities	1,200,491	1,069,986	-	-
<b>Total Primary Government</b>	<b>\$ 10,876,345</b>	<b>2,559,927</b>	<b>1,216,640</b>	<b>550,653</b>
<b>Component Units:</b>				
Perry Police Officers Association	\$ 7,280	-	7,524	-
Perry Volunteer Firefighter's Association	22,214	-	32,187	-
Perry Municipal Waterworks	1,786,453	1,623,433	226,164	-
<b>Total Component Units</b>	<b>\$ 1,815,947</b>	<b>1,623,433</b>	<b>265,875</b>	<b>-</b>
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Hotel/motel tax				
Local option sales tax				
Local option sales tax received from the Perry Community School District				
Unrestricted interest on investments				
Franchise fees				
General obligation bond proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Permanent Funds				
Expendable:				
Streets				
Urban renewal purposes				
Capital projects				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
(1,508,841)	-	(1,508,841)	
(202,181)	-	(202,181)	
(10,994)	-	(10,994)	
(795,685)	-	(795,685)	
(302,377)	-	(302,377)	
(763,334)	-	(763,334)	
(789,995)	-	(789,995)	
(2,045,213)	-	(2,045,213)	
(6,418,620)	-	(6,418,620)	
-	(209,469)	(209,469)	
-	78,964	78,964	
-	(130,505)	(130,505)	
(6,418,620)	(130,505)	(6,549,125)	
			244
			9,973
			63,144
			<u>73,361</u>
2,240,792	-	2,240,792	-
247,552	-	247,552	-
540,051	-	540,051	-
52,254	-	52,254	-
958,765	-	958,765	-
611,252	-	611,252	-
4,542	689	5,231	4,316
223,540	-	223,540	-
2,072,599	-	2,072,599	-
-	1,688	1,688	18,216
350,000	(350,000)	-	-
7,301,347	(347,623)	6,953,724	22,532
882,727	(478,128)	404,599	95,893
1,484,666	1,590,058	3,074,724	891,260
\$ 2,367,393	1,111,930	3,479,323	987,153
\$ 265,190	-	265,190	-
289,189	-	289,189	-
396,601	-	396,601	-
500,043	-	500,043	-
56,895	263,450	320,345	122,243
895,612	-	895,612	125,187
(36,137)	848,480	812,343	739,723
\$ 2,367,393	1,111,930	3,479,323	987,153

City of Perry

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,282,908	-	-	-
Tax increment financing	-	-	540,051	-
Other city tax	92,745	-	-	958,765
Licenses and permits	310,557	-	-	-
Use of money and property	37,853	-	3,433	31
Intergovernmental	279,326	769,074	-	619,495
Charges for service	1,277,040	-	-	-
Miscellaneous	215,952	-	-	2,350
Total receipts	3,496,381	769,074	543,484	1,580,641
Disbursements:				
Operating:				
Public safety	1,114,741	-	-	46,734
Public works	636,059	646,307	-	253,877
Health and social services	10,994	-	-	-
Culture and recreation	998,582	-	-	123,268
Community and economic development	238,716	-	335,621	-
General government	452,161	-	-	380,648
Debt service	-	-	-	-
Capital projects	-	-	-	20,715
Total disbursements	3,451,253	646,307	335,621	825,242
Excess (deficiency) of receipts over (under) disbursements	45,128	122,767	207,863	755,399
Other financing sources (uses):				
General obligation bond proceeds, net of premium and fees of \$7,599	-	-	-	-
Transfers in	30,000	-	350,000	-
Transfers out	-	(144,759)	(365,204)	(167,249)
Total other financing sources (uses)	30,000	(144,759)	(15,204)	(167,249)
Change in cash balances	75,128	(21,992)	192,659	588,150
Cash balances beginning of year	(5,495)	311,181	203,942	183,518
Cash balances end of year	\$ 69,633	289,189	396,601	771,668
<b>Cash Basis Fund Balances</b>				
Nonspendable:				
Cemetery perpetual care	\$ -	-	-	-
O'Brien beautification	-	-	-	-
Restricted for:				
Streets	-	289,189	-	-
Urban renewal purposes	-	-	396,601	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	771,668
Unassigned	69,633	-	-	-
Total cash basis fund balances	\$ 69,633	289,189	396,601	771,668

See notes to financial statements.

Employee Benefits	Debt Service	Capital Projects	Permanent Cemetery		Nonmajor	Total
			Perpetual Care			
886,816	240,110	-	-	-	-	2,409,834
-	-	-	-	-	-	540,051
30,577	7,442	-	-	-	-	1,089,529
-	-	-	-	-	1,150	311,707
-	-	-	-	-	700	42,017
-	-	132,853	-	-	6,679	1,807,427
-	-	630	-	-	7,484	1,285,154
23,757	-	198,519	3,520	206,165	-	650,263
941,150	247,552	332,002	3,520	222,178	-	8,135,982
452,601	-	-	-	-	676	1,614,752
293,794	-	-	-	-	39,989	1,870,026
-	-	-	-	-	-	10,994
195,876	-	-	-	-	158,820	1,476,546
23,331	-	-	-	-	750	598,418
85,831	-	-	-	-	16,918	935,558
-	789,995	-	-	-	-	789,995
-	-	2,358,850	-	-	-	2,379,565
1,051,433	789,995	2,358,850	-	217,153	-	9,675,854
(110,283)	(542,443)	(2,026,848)	3,520	5,025	-	(1,539,872)
-	566,073	1,506,526	-	-	-	2,072,599
144,759	502,453	486,869	-	-	-	1,514,081
-	(486,869)	-	-	-	-	(1,164,081)
144,759	581,657	1,993,395	-	-	-	2,422,599
34,476	39,214	(33,453)	3,520	5,025	-	882,727
(140,246)	17,681	533,496	215,674	164,915	-	1,484,666
(105,770)	56,895	500,043	219,194	169,940	-	2,367,393
-	-	-	219,194	-	-	219,194
-	-	-	-	45,996	-	45,996
-	-	-	-	-	-	289,189
-	-	-	-	-	-	396,601
-	-	500,043	-	-	-	500,043
-	56,895	-	-	-	-	56,895
-	-	-	-	123,944	-	895,612
(105,770)	-	-	-	-	-	(36,137)
(105,770)	56,895	500,043	219,194	169,940	-	2,367,393

**Exhibit C**

## City of Perry

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2014

	Enterprise		
	Sewer	Sewer Discharge	Total
Operating receipts:			
Charges for service	\$ 966,397	96,730	1,063,127
Miscellaneous	6,859	-	6,859
Total operating receipts	973,256	96,730	1,069,986
Operating disbursements:			
Business type activities	450,370	17,766	468,136
Excess of operating receipts over operating disbursements	522,886	78,964	601,850
Non-operating receipts (disbursements):			
Interest on investments	689	-	689
Miscellaneous	1,688	-	1,688
Debt service	(644,883)	-	(644,883)
Capital projects	(87,472)	-	(87,472)
Total non-operating receipts (disbursements)	(729,978)	-	(729,978)
Excess (deficiency) of receipts over (under) disbursements	(207,092)	78,964	(128,128)
Transfers out	(350,000)	-	(350,000)
Change in cash balances	(557,092)	78,964	(478,128)
Cash balances beginning of year	1,257,061	332,997	1,590,058
Cash balances end of year	\$ 699,969	411,961	1,111,930
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 263,450	-	263,450
Unrestricted	436,519	411,961	848,480
Total cash basis fund balances	\$ 699,969	411,961	1,111,930

See notes to financial statements.



## City of Perry

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Fiduciary Fund

As of and for the year ended June 30, 2014

	<u>Police</u> <u>Pension</u>
Additions:	
Employer contributions	\$ 75,844
Deductions:	
Benefits paid	<u>54,673</u>
Change in cash balance	21,171
Cash balance held in trust for pension benefits beginning of year	<u>593,686</u>
Cash balance held in trust for pension benefits end of year	<u><u>\$ 614,857</u></u>

See notes to financial statements.

**Exhibit E**

## City of Perry

Combining Cash Basis Statement of Activities and Net Position  
Discretely Presented Component Units

As of and for the year ended June 30, 2014

	Perry Police Officers Association	Perry Volunteer Firefighter's Association	Perry Citizens Against Crime, Inc.	Perry Municipal Waterworks	Total
Disbursements	\$ 7,280	22,214	-	1,786,453	1,815,947
Program receipts:					
Charges for service	-	-	-	1,623,433	1,623,433
Operating grants and contributions	7,524	32,187	-	226,164	265,875
Total program receipts	7,524	32,187	-	1,849,597	1,889,308
Net program receipts	244	9,973	-	63,144	73,361
General receipts:					
Interest on investments	-	-	-	4,316	4,316
Rent	-	-	-	18,216	18,216
Total general receipts	-	-	-	22,532	22,532
Change in cash basis net position	244	9,973	-	85,676	95,893
Cash basis net position beginning of year	4,183	12,967	8,778	865,332	891,260
Cash basis net position end of year	\$ 4,427	22,940	8,778	951,008	987,153
<b>Cash Basis Net Position</b>					
Restricted:					
Sinking account	\$ -	-	-	76,243	76,243
Reserve account	-	-	-	46,000	46,000
Other purposes	4,427	22,940	8,778	89,042	125,187
Unrestricted	-	-	-	739,723	739,723
<b>Total cash basis net position</b>	\$ 4,427	22,940	8,778	951,008	987,153

See notes to financial statements.

City of Perry

Notes to Financial Statements

June 30, 2014

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

The City of Perry is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, except as noted, the City of Perry has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City'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 City 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 City.

These financial statements present the City of Perry (the primary government) and its component units, except the Perry Public Library Foundation. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units

The Perry Municipal Waterworks was established to operate the City's waterworks facilities. The Waterworks is governed by a three member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Waterworks is held in the name of the City. A financial benefit/burden exists between the City and the Waterworks in that the City is authorized by statute to issue general obligation debt for a city utility and may certify taxes for the payment of the debt. Complete financial statements can be obtained from the Perry Municipal Waterworks, 1101 W 3<sup>rd</sup> Street, PO Box 604, Perry, Iowa 50220.

The Perry Police Officers Association and the Perry Volunteer Firefighter's Association were organized as non-profit entities under Chapter 504A of the Code of Iowa. The purpose of each Association is to promote fellowship and brotherhood among members and to provide and support community service activities. The Associations are legally separate from the City but are financially accountable to the City, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Perry Citizens Against Crime, Inc. is organized as a non-profit entity under Chapter 504A of the Code of Iowa. The purpose of the group is to support and enhance

the Perry Police Department's ability to reduce crime by developing and supporting programs through community partnership. The group is legally separate from the City but is financially accountable to the City, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

#### Excluded Component Unit

The financial statements do not include financial data for the Perry Public Library Foundation, a legally separate entity which should be reported as a discretely presented component unit.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: North Dallas Regional Solid Waste Planning Commission, Metropolitan Design Standards, Central Iowa Regional Transportation Planning Alliance, Perry Area Child Development Corp., Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission and the Dallas County Joint E911 Service Board.

### B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which 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 Cash Basis Statement of Activities and Net position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property

tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts 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 disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the City's local option sales tax (LOST) receipts and LOST receipts received pursuant to a 28E agreement with the Perry Community School District and related disbursements.

The Employee Benefits Fund is used to account for the tax levy and disbursements for employee benefits, such as health insurance, pension, etc.

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The Permanent, Cemetery Perpetual Care Fund is used to account for receipts from cemetery lot sales to be used for the upkeep and maintenance of the Violet Hill cemetery.

The City reports the following major proprietary funds:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sewer system.

The Enterprise, Sewer Discharge Fund accounts for the operation and maintenance of the City's storm water system.

Additionally, the City reports a fiduciary fund. A fiduciary fund is used to account for assets held by the City in a trustee capacity.

### C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the health and social services, community and economic development and debt service functions. In addition, disbursements exceeded the amounts budgeted in the health and social services, community and economic development, general government and capital projects functions before the budget was amended.

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

The City's deposits in banks 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 ensure there will be no loss of public funds.

The City 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 City Council; 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.

Investment of the Police Pension Fund is authorized under Chapter 410 of the Code of Iowa. The Board of Trustees may invest these funds in interest bearing bonds, notes, certificates or other evidences of indebtedness which are obligations of or guaranteed by the United States or in interest bearing bonds of the State of Iowa, of any county, township or municipal corporation of the State of Iowa.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Long-Term Debt**

Primary Government

Bonds Payable

Annual debt service requirements to maturity for general obligation bonds and sewer revenue refunding bonds are as follows:

Year Ending June 30,	General Obligation		Sewer Revenue Refunding Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2015	\$ 665,000	141,918	405,000	14,403	1,070,000
2016	815,000	130,167	180,000	6,437	995,000	136,604
2017	535,000	116,182	115,000	1,869	650,000	118,051
2018	545,000	103,355	-	-	545,000	103,355
2019	560,000	89,843	-	-	560,000	89,843
2020-2024	2,455,000	224,640	-	-	2,455,000	224,640
2025	365,000	9,362	-	-	365,000	9,362
Total	\$ 5,940,000	815,467	700,000	22,709	6,640,000	838,176

Sewer Revenue Refunding Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,285,000 of sewer revenue refunding bonds issued June 3, 2010. The bonds were issued for the purpose of refunding the City's outstanding Series 1996, 1998A, 1998B and 2004 sewer revenue bonds/notes. The bonds are payable solely and only out of the net earnings of the Sewer Utility System and are payable through 2017. The total principal and interest remaining to be paid on the bonds is \$722,709. For the current year, principal and interest paid and total customer net receipts were \$434,383 and \$522,886, respectively. For the current year, annual principal and interest payments on the sewer revenue refunding bonds required approximately 83% of net receipts.

The resolution providing for the issuance of the sewer revenue refunding bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking fund for the purpose of making the bond principal and interest payments when due.

- (c) A sewer reserve fund shall be established and maintained in the amount of \$228,500. The reserve fund will be used for the payment of principal and interest whenever funds on deposit in the sinking fund are insufficient.
- (d) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

#### General Fund Energy Conservation Bonds

On November 5, 2013, the City entered into an agreement with the Iowa Finance Authority and the Iowa Economic Development Authority for the issuance of not to exceed \$613,543 of energy conservation bonds with interest at 1.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay the cost of financing energy conservation improvements, including light fixtures at various locations, and renovation of the HVAC system at the Public Safety Building. The City will draw down funds from the Trustee upon request to reimburse the City for costs as they are incurred. At June 30, 2014, the City had not yet drawn on the authorized amount. An initiation fee of 2% of the authorized borrowing for the conservation bonds will be charged. The total initiation fee will be withheld by the Iowa Finance Authority from the proceeds of the conservation bonds drawn by the City. A final repayment schedule has not yet been adopted.

#### General Obligation Anticipation Note

On August 6, 2012, the City entered into a loan agreement for \$210,000 to finance the cost of constructing improvements to the stream bank and shoreline of the North Raccoon River adjacent to the municipal wastewater treatment plant. Interest at 3.9% per annum is payable at maturity on August 1, 2013. The anticipation note was redeemed using a portion of the proceeds of the general obligation bonds issued November 5, 2013.

#### Real Estate Contract

On February 3, 2003, the City entered into a real estate contract totaling \$117,845, plus interest at 7% per annum, for the purchase of land for cemetery expansion. A down payment of \$4,000 was made upon contract approval with an additional principal payment of \$11,000 made on January 2, 2004. Monthly payments of \$938 began August 1, 2003 and ended July 1, 2013. The contract was paid in full at June 30, 2014.

#### Bank Loans

In July 2011, the City entered into a loan agreement with a local bank for \$240,000. The funds were used for the purchase of a garbage truck and a recycle truck. The loan bears interest at 2.90% per annum and was repaid in 6 semi-annual installments beginning December 1, 2011 and ending June 1, 2014. For the year ended June 30, 2014, principal and interest paid on the loan totaled \$84,187. The loan was paid in full at June 30, 2014.

In August 2012, the City entered into a general obligation loan agreement with Raccoon Valley Bank to borrow \$177,100 for street improvements. The agreement requires annual principal payments of \$44,275 beginning June 1, 2013 with interest at 2.90% per annum paid semi-annually beginning December 1, 2012. For the year ended June 30, 2014, principal and interest paid on the loan totaled \$48,195. The principal balance of the loan at June 30, 2014 was \$88,550.

In September 2012, the City entered into a loan agreement with Raccoon Valley Bank to borrow \$96,000 for an end loader. The agreement requires four annual principal payments of \$24,000 beginning June 1, 2013 with interest at 2.90% per annum paid



semi-annually beginning December 1, 2012. For the year ended June 30, 2014, principal and interest paid on the loan totaled \$26,125. The principal balance of the loan at June 30, 2014 was \$48,000.

Discretely Presented Component Unit

Bonds Payable

Annual debt service requirements to maturity for the Perry Municipal Waterworks water revenue bonds are as follows:

Year Ending June 30,	Water Revenue Refunding Bonds Issued Jul 26, 2011			
	Interest Rates	Principal	Interest	Total
2015	1.65%	\$ 85,000	8,151	93,151
2016	1.90	100,000	6,750	106,750
2017	2.25	100,000	4,850	104,850
2018	2.60	100,000	2,600	102,600
Total		\$ 385,000	22,351	407,351

The Waterworks has pledged future water customer receipts, net of specified operating disbursements, to repay \$640,000 of water revenue refunding bonds issued in July 2011. The bonds were issued for the purpose of refunding and early retirement of the Waterworks' outstanding water revenue bonds/notes. The refunding bonds are payable solely and only out of the net earnings of the Waterworks and are payable through 2018. The total principal and interest remaining to be paid on the refunding bonds is \$407,351. For the current year, principal and interest paid on the refunding bonds and total customer net receipts were \$99,638 and \$615,142, respectively. Annual principal and interest payments on the water revenue refunding bonds are expected to require less than 20% of net receipts.

The resolution providing for the issuance of the refunding revenue bonds includes the following provisions:

- (a) The Board shall provide for the collection rates sufficient to pay the expenses of the utility and to leave a balance of net revenues equal to at least 110% of the principal and interest due in the fiscal year.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking fund for the purpose of making the bond principal and interest payments when due.
- (c) A reserve fund shall be established and maintained in the amount of the lesser of (1) the maximum amount of the principal and interest coming due on the bonds in any succeeding fiscal year, (2) 10% of the principal amount of the bonds then outstanding, which is \$38,500 or (3) 125% of the average amount of principal and interest coming due on the bonds in any succeeding fiscal year.

**(4) Pension and Retirement Benefits**

Iowa Public Employees Retirement System

The City 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.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$211,795, \$207,180 and \$201,888, respectively, equal to the required contributions for each year.

#### Chapter 410 Police Pension Plan

Chapter 410 of the Code of Iowa established a retirement system for duly appointed members of the police department whose appointment occurred before March 2, 1934 or police officers who had been making payments of membership fees and assessments prior to July 1, 1971.

This pension plan is accounted for by the City in the Police Pension Fund. The City finances the amount necessary to fund the annual contribution to this pension plan by levying property tax. The City's contributions to this plan for the years ended June 30, 2014, 2013 and 2012 were \$75,844, \$41,635 and \$83,192, respectively.

The plan is administered by the City through the Police Pension Board of Trustees and provides retirement, disability and death benefits. The benefits are established by state statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to 50% of the monthly salary at retirement or disability and 50% of the monthly salary at death.

At June 30, 2014, the City has two retired police officers and a spouse receiving benefits under the plan.

Presented below is the total pension benefit obligation of the City for the pension plan. The amount is based on a standardized measurement established by GASB Statement No. 5, which is the actuarial present value of credited projected benefits. This method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date by the plan participants and is adjusted for the effect of projected salary increases. A variety of significant actuarial assumptions are used to determine the standardized measure, including:

- (1) The present value of future pension payments was computed using a discount rate of 5.00%. This discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.
- (2) Future pension payments reflect an assumption of 3.00% benefit increases as a result of inflation.

As of July 1, 2011, the latest actuarial valuation made, the standardized measure of the unfunded pension obligation is as follows:

Retiree and beneficiary benefits as of July 1, 2011	\$ 989,095
Cash balance available for benefits as of June 30, 2014	<u>614,857</u>
Unfunded pension benefit obligation	<u>\$ 374,238</u>

The ten-year historical trend information related to this pension plan is not available.

Police Retirement Plan

On March 16, 1987, the City entered into an agreement with the Perry Police Department to provide a replacement plan for retirement, disability and survivor benefits in lieu of social security. Under the terms of the agreement, members of the Police Department agreed to have an amount equivalent to the federal social security rate withdrawn from each paycheck, with the City providing matching funds. Funds are forwarded to a plan administrator. Twenty-three police officers are enrolled in the Plan and the fair value of Plan assets at June 30, 2014 was \$677,622.

During the year ended June 30, 2014, the City and Perry Police Department employees each contributed 6.2% of compensation to the defined contribution plan. The amount paid by the City for the years ended June 30, 2014, 2013 and 2012 was \$37,778, \$37,701 and \$40,142, respectively.

**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 47 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$512 for single coverage and \$1,219 for family coverage. For the year ended June 30, 2014, the City contributed \$556,138 and plan members eligible for benefits contributed \$62,622 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid.

Starting July 1, 2002, full-time employees may not accrue more than 800 hours of sick leave. At the time of retirement, a reduction in work force or termination, the City will buy back sick leave hours at a rate of one to four.

The City's approximate liability for earned vacation, compensatory time and sick leave hours payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 168,000
Compensatory time	58,000
Sick leave	<u>136,000</u>
Total	<u>\$ 362,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

**(7) Interfund Loans**

During the year ended June 30, 2003, the Enterprise, Sewer Fund loaned the General Fund \$25,328 at no interest. Principal repaid during the year ended June 30, 2014 was \$1,687 and the loan was paid in full at June 30, 2014.

During the year ended June 30, 2009, the Enterprise, Sewer Fund loaned the General Fund \$63,879 at no interest. The loan is to be repaid over ten years beginning July 1, 2010. No repayments have been made as of June 30, 2014 and the repayment terms have not been amended.

During the year ended June 30, 2013, the Enterprise, Sewer Fund loaned the Special Revenue, Urban Renewal Tax Increment Fund a total of \$76,000 at no interest. Payments will be made on the loan on June 1 of each year to the extent there are incremental tax receipts available which have been allocated to or accrued in the Special Revenue, Urban Renewal Tax Increment Fund. No payments were made during the year ended June 30, 2014.

During the year ended June 30, 2014, the Enterprise, Sewer Fund loaned the Special Revenue, Urban Renewal Tax Increment Fund \$350,000 at no interest. Payments will be made on the loan on June 1 of each year to the extent there are incremental tax receipts available which have been allocated to or accrued in the Special Revenue, Urban Renewal Tax Increment Fund. No payments were made during the year ended June 30, 2014.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 30,000
Special Revenue: Urban Renewal Tax Increment	Enterprise: Sewer	350,000
Special Revenue: Employee Benefits	Special Revenue: Road Use Tax	144,759
Debt Service	Special Revenue: Urban Renewal Tax Increment Local Option Sales Tax	365,204 137,249 502,453
Capital Projects	Debt Service	486,869
Total		\$ 1,514,081

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

**(9) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability,

automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 was \$102,630 and the Perry Municipal Waterworks' contribution was \$16,132.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Employee Health Insurance Plan**

The City self-funds a portion of health insurance deductibles for its employees. The plan is funded by both employee and City contributions and is administered by Employee Benefit Systems (EBS) under an agreement which is subject to automatic renewal. The City self funds up to \$2,000 per individual or \$4,000 per family, with employees contributing the first \$350 and \$700, respectively. Administrative service fees and premiums are paid monthly from the City's operating funds to a separate account administered by EBS. During the year ended June 30, 2014, the City paid \$69,967 to the account. At June 30, 2014, the account balance was \$62,616. The activity in this account is recorded in the City's Special Revenue, Employee Benefits Fund.

**(11) Development Agreements**

The City has entered into a development agreement with Hy-Line International. The City agreed to construct street improvements in an amount not to exceed \$275,000 to serve the property for a chicken hatchery facility. Hy-Line International entered into a minimum assessment agreement with the City for a minimum taxable valuation of \$1,650,000 related to construction of the facility. The City will use the incremental property tax generated from the project to repay the City's TIF debt incurred to complete the street improvements and to provide economic development payments to Perry Economic Development Inc. pursuant to a separate development agreement.

The City has entered into a development agreement with Perry Economic Development Inc. (the developer). The City agreed to pay the developer \$545,000 plus interest to complete sewer, water and storm water improvements in an industrial park owned by the developer. The developer has sold a lot to Hy-Line International to construct a chicken hatchery facility. The agreement requires seven annual payments, not to exceed \$78,831 for year one and \$96,718 for years two through seven, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2014, the City paid \$96,718 to the developer. The balance remaining under the agreement at June 30, 2014 is \$483,588, which is subject to the constitutional debt limit.

The City has entered into a development agreement with Dallas County Development, Inc. (dba Dallas County Development Alliance). The Alliance agreed to undertake programs, projects and other activities specifically directed at encouraging or providing incentives for private economic development within the City's urban renewal area during the term of the agreement. The City agreed to make annual economic development tax increment payments of \$15,404 to the Alliance beginning July 30, 2012 and continuing for 10 years. The payments to be made in any fiscal year shall be subject to action by the City Council to appropriate sufficient tax increment financing receipts as a part of the City's budget for such fiscal year. During the year ended June 30, 2014, the City paid \$15,404 to the developer. The balance remaining under the agreement at June 30, 2014 is \$123,232, of which \$15,404 has been appropriated by the City and is subject to the constitutional debt limit.

The City has entered into a development agreement with Pattee Hotel, LLC. The City agreed to pay Pattee Hotel, LLC \$350,000 in incentive payments to maintain twenty full-time equivalent jobs for ten years. The first payment of \$195,000 was due December 2013. The second payment of \$155,000 is due November 2016. The incentive payments will be treated as forgivable loans and will be subject to repayment if the Developer is not in compliance with the terms of the agreement. During the year ended June 30, 2014, the City paid \$195,000 to the developer.

The City has entered into a real estate development agreement with the Herman L. Rowley Memorial Trust under which the City establishes a seventy foot road right-of-way across the Rowley Masonic Community. The City agrees to pay the construction costs of the

street and utilities. However the City is financially responsible up to a maximum of \$255,256. In exchange, the Rowley Memorial Trust will pay its share of project costs to the City in ten equal payments over a period of ten years beginning May 2013 for the portion of the street that benefits the Rowley Masonic Community building addition. During the year ended June 30, 2014, the Rowley Masonic Trust remitted \$28,335 to the City for its portion of project costs.

**(12) Economic Development Loan**

On July 21, 2003, the City loaned \$200,000 to Tri-County Cash Lumber Mart, Inc. for construction of water, sewer and street improvements for the Homes of Hiawatha subdivision under the provisions of Chapter 15A of the Code of Iowa. Interest is to be repaid at the rate of 3% per annum on July 1 of each year, beginning July 1, 2004. By July 2, 2009, at least 40% of the principal was repaid, as required under the agreement, with the remaining balance due on July 1, 2013. On March 4, 2013, the City approved an amendment to the agreement, extending the loan maturity date to July 1, 2017. The agreement states the developer will pay the City an amount equal to one quarter of the outstanding principal balance on the loan as of July 1, 2013 in annual installments due no later than July 1 of each year, with the first payment due July 1, 2014. The loan is secured by a mortgage on all lots and property within the Homes of Hiawatha subdivision. The loan was made from the Special Revenue, Urban Renewal Tax Increment Fund and loan repayments will be used to replenish this fund. During the year ended June 30, 2014, Tri-County Cash Lumber Mart, Inc. made payments totaling \$14,306. The balance remaining on the loan at June 30, 2014 was \$100,139.

**(13) Urban Renewal Loan Program**

During the year ended June 30, 2010, the City established a Special Revenue, Urban Renewal Revolving Loan Fund. The fund was established from the series 2008A general obligation bond proceeds. Loans are made to qualifying business owners to aid them in maintaining or enhancing their properties in the City. The loans have repayment terms of three to ten years with interest charged at 3% per annum. During the year ended June 30, 2014, the City disbursed \$16,618 in urban renewal loans and received \$30,179 in repayments. The balance remaining on the loans at June 30, 2014 was \$187,329.

**(14) Construction Commitments**

The City has entered into construction contracts totaling approximately \$4,057,000 for various street, trail, airport, parking lot and sanitary sewer improvements. As of June 30, 2014, approximately \$1,781,000 has been paid on the contracts. The remaining \$2,276,000 will be paid as work on the projects progresses.

**(15) Deficit Balances**

The Special Revenue, Employee Benefits Fund had a deficit balance of \$105,770 at June 30, 2014. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated through the Special Revenue, Road Use Tax Fund paying for Street Department employee benefits.

**(16) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of 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.

## **Other Information**



**City of Perry**

City of Perry  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds, Proprietary Funds  
 and Discretely Presented Component Units

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Component Units Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>				
Property tax	\$ 2,409,834	-	-	-
Tax increment financing	540,051	-	-	-
Other city tax	1,089,529	-	-	-
Licenses and permits	311,707	-	-	-
Use of money and property	42,017	689	22,532	-
Intergovernmental	1,807,427	-	-	-
Charges for service	1,285,154	1,063,127	1,623,433	-
Miscellaneous	650,263	8,547	265,875	39,711
Total receipts	8,135,982	1,072,363	1,911,840	39,711
<b>Disbursements:</b>				
Public safety	1,614,752	-	29,494	29,494
Public works	1,870,026	-	-	-
Health and social services	10,994	-	-	-
Culture and recreation	1,476,546	-	-	-
Community and economic development	598,418	-	-	-
General government	935,558	-	-	-
Debt service	789,995	-	-	-
Capital projects	2,379,565	-	-	-
Business type activities	-	1,200,491	1,786,453	-
Total disbursements	9,675,854	1,200,491	1,815,947	29,494
Excess (deficiency) of receipts over (under) disbursements	(1,539,872)	(128,128)	95,893	10,217
Other financing sources (uses), net	2,422,599	(350,000)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	882,727	(478,128)	95,893	10,217
Balances beginning of year	1,484,666	1,590,058	891,260	25,928
Balances end of year	\$ 2,367,393	1,111,930	987,153	36,145

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,409,834	2,436,851	2,436,851	(27,017)
540,051	541,946	541,946	(1,895)
1,089,529	1,048,350	1,924,350	(834,821)
311,707	31,375	87,375	224,332
65,238	43,580	43,580	21,658
1,807,427	1,209,634	1,267,877	539,550
3,971,714	4,286,236	4,222,741	(251,027)
884,974	361,662	686,983	197,991
11,080,474	9,959,634	11,211,703	(131,229)
1,614,752	1,643,010	1,662,546	47,794
1,870,026	1,969,546	2,062,886	192,860
10,994	10,770	10,770	(224)
1,476,546	1,400,859	1,522,009	45,463
598,418	387,025	387,025	(211,393)
935,558	698,690	1,320,551	384,993
789,995	762,430	762,430	(27,565)
2,379,565	100,000	2,596,468	216,903
2,986,944	2,685,663	3,276,514	289,570
12,662,798	9,657,993	13,601,199	938,401
(1,582,324)	301,641	(2,389,496)	807,172
2,072,599	-	2,072,601	(2)
490,275	301,641	(316,895)	807,170
3,940,056	4,058,932	4,058,932	(118,876)
4,430,331	4,360,573	3,742,037	688,294

City of Perry

Notes to Other Information – Budgetary Reporting

June 30, 2014

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Fiduciary Fund and certain discretely presented component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,943,206. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the health and social services, community and economic development and debt service functions. In addition, disbursements exceeded the amounts budgeted in the health and social services, community and economic development, general government and capital projects functions before the budget was amended.

## **Supplementary Information**

City of Perry

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special					
	Police Drug	Police Canine	Library Gift	Recreation Memorial	Wiese Park	Fly Iowa
Receipts:						
Licenses and permits	\$ -	-	-	-	-	1,150
Use of money and property	-	-	-	-	-	-
Intergovernmental	-	-	6,679	-	-	-
Charges for service	400	-	-	-	-	7,084
Miscellaneous	430	-	102,527	-	25,000	10,800
Total receipts	830	-	109,206	-	25,000	19,034
Disbursements:						
Operating:						
Public safety	676	-	-	-	-	-
Public works	-	-	-	-	-	39,989
Culture and recreation	-	-	103,291	-	26,625	-
Community and economic development	-	-	-	-	-	-
General government	-	-	-	-	-	-
Total disbursements	676	-	103,291	-	26,625	39,989
Change in cash balances	154	-	5,915	-	(1,625)	(20,955)
Cash balances beginning of year	12,492	3,000	18,487	31,912	12,261	24,775
Cash balances end of year	\$ 12,646	3,000	24,402	31,912	10,636	3,820
<b>Cash Basis Fund Balances</b>						
Nonspendable - O'Brien beautification	\$ -	-	-	-	-	-
Restricted for other purposes	12,646	3,000	24,402	31,912	10,636	3,820
Total cash basis fund balances	\$ 12,646	3,000	24,402	31,912	10,636	3,820

See accompanying independent auditor's report.

Revenue			Permanent		
Caboose	Urban Renewal Revolving Loan	Friends of the Perry Public Library	O'Brien Beautification		Total
-	-	-	-		1,150
-	-	-	700		700
-	-	-	-		6,679
-	-	-	-		7,484
-	34,522	32,886	-		206,165
-	34,522	32,886	700		222,178
-	-	-	-		676
-	-	-	-		39,989
-	-	28,904	-		158,820
-	-	-	750		750
300	16,618	-	-		16,918
300	16,618	28,904	750		217,153
(300)	17,904	3,982	(50)		5,025
835	11,264	3,843	46,046		164,915
535	29,168	7,825	45,996		169,940
-	-	-	45,996		45,996
535	29,168	7,825	-		123,944
535	29,168	7,825	45,996		169,940

City of Perry  
Schedule of Indebtedness  
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose bonds	Mar 19, 2008	2.70-4.15 %	\$ 2,045,000
Corporate purpose bonds	Feb 2, 2011	1.75-3.75	545,000
Sewer improvement and refunding bonds	Apr 16, 2013	0.40-2.20	2,300,000
Corporate purpose bonds	Nov 5, 2013	2.00-2.85	2,065,000
Total			
General obligation anticipation note	Aug 6, 2012	3.90 %	\$ 210,000
General Fund energy conservation bonds	Nov 5, 2013	* 1.00 %	\$ 613,543
Revenue bonds:			
Sewer revenue refunding	Jun 3, 2010	1.25-3.25 %	\$ 2,285,000
Real estate contract:			
Bess land	Feb 3, 2003	7.00 %	\$ 117,845
Bank loans:			
Garbage/recycle trucks	Jul 1, 2011	2.90 %	\$ 240,000
Industrial park street improvements	Aug 15, 2012	2.90	177,100
End loader	Sep 12, 2012	2.90	96,000
Total			

\* The agreement also required the City to pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.



Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,610,000	-	155,000	1,455,000	62,115
445,000	-	50,000	395,000	14,050
2,300,000	-	275,000	2,025,000	29,604
-	2,065,000	-	2,065,000	26,767
<b>\$ 4,355,000</b>	<b>2,065,000</b>	<b>480,000</b>	<b>5,940,000</b>	<b>132,536</b>
210,000		210,000	-	8,033
-	-	-	-	-
1,110,000	-	410,000	700,000	24,383
932	-	932	-	5
82,126	-	82,126	-	2,061
132,825	-	44,275	88,550	3,920
72,000	-	24,000	48,000	2,125
<b>\$ 286,951</b>	<b>-</b>	<b>150,401</b>	<b>136,550</b>	<b>8,106</b>

City of Perry  
Bond Maturities  
June 30, 2014

General Obligation Bonds										
Year Ending June 30,	Corporate Purpose Issued March 19, 2008		Corporate Purpose Issued Feb 2, 2011		Sewer Improvement and Refunding Issued April 16, 2013		Corporate Purpose Issued Nov 5, 2013		Total	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2015	3.50%	\$ 160,000	2.50%	\$ 50,000	0.50 %	\$ 280,000	2.00%	\$ 175,000	665,000	
2016	3.70	165,000	3.00	55,000	0.65	420,000	2.00	175,000	815,000	
2017	3.80	170,000	3.25	55,000	0.80	135,000	2.00	175,000	535,000	
2018	3.90	175,000	3.25	55,000	1.00	140,000	2.00	175,000	545,000	
2019	4.00	185,000	3.50	60,000	1.20	140,000	2.00	175,000	560,000	
2020	4.05	190,000	3.50	60,000	1.40	145,000	2.00	175,000	570,000	
2021	4.10	200,000	3.75	60,000	1.60	145,000	2.15	175,000	580,000	
2022	4.15	210,000	-	-	1.80	150,000	2.35	175,000	535,000	
2023	-	-	-	-	2.00	155,000	2.55	240,000	395,000	
2024	-	-	-	-	2.10	155,000	2.70	220,000	375,000	
2025	-	-	-	-	2.20	160,000	2.85	205,000	365,000	
Total		<u>\$ 1,455,000</u>		<u>\$ 395,000</u>		<u>\$ 2,025,000</u>		<u>\$ 2,065,000</u>	<u>5,940,000</u>	

See accompanying independent auditor's report.

Sewer Revenue		
Refunding Bonds		
Year	Issued June 3, 2010	
Ending	Interest	
June 30,	Rates	Amount
2015	3.00%	\$ 405,000
2016	3.25	180,000
2017	3.25	115,000
Total		<u>\$ 700,000</u>

City of Perry

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Ten Years

	2014	2013	2012	2011
<b>Receipts:</b>				
Property tax	\$ 2,409,834	\$ 2,330,809	2,514,976	2,422,350
Tax increment financing	540,051	739,788	626,265	573,577
Other city tax	1,089,529	1,342,358	497,224	966,384
Licenses and permits	311,707	242,096	236,897	245,724
Use of money and property	42,017	36,907	32,838	31,831
Intergovernmental	1,807,427	1,964,791	1,918,667	3,489,056
Charges for service	1,285,154	1,331,225	1,266,250	1,211,909
Special assessments	-	-	-	660
Miscellaneous	650,263	388,709	597,199	432,189
<b>Total</b>	<b>\$ 8,135,982</b>	<b>\$ 8,376,683</b>	<b>7,690,316</b>	<b>9,373,680</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,614,752	\$ 1,604,947	1,693,376	1,674,978
Public works	1,870,026	1,799,742	2,327,984	2,789,156
Health and social services	10,994	10,967	10,819	10,515
Culture and recreation	1,476,546	1,310,457	1,374,120	1,301,685
Community and economic development	598,418	322,332	183,097	627,177
General government	935,558	1,506,007	1,124,064	1,505,904
Debt service	789,995	2,112,217	1,078,111	810,955
Capital projects	2,379,565	918,113	755,163	1,032,264
<b>Total</b>	<b>\$ 9,675,854</b>	<b>\$ 9,584,782</b>	<b>8,546,734</b>	<b>9,752,634</b>

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
2,264,053	2,248,217	2,208,743	2,061,483	1,986,821	2,188,259
606,363	419,463	390,257	285,989	398,759	440,601
230,836	239,200	215,237	282,455	116,767	-
59,023	70,342	90,554	63,653	75,891	68,061
34,526	31,829	69,272	93,085	72,532	28,862
3,175,311	2,590,279	1,903,116	2,697,784	1,617,367	1,466,781
1,255,534	1,255,071	1,215,632	1,108,878	1,073,038	1,157,225
732	786	846	901	970	1,441
495,398	601,053	755,632	406,806	394,700	191,221
8,121,776	7,456,240	6,849,289	7,001,034	5,736,845	5,542,451
1,551,274	1,547,689	1,622,210	1,620,051	1,466,889	1,402,090
2,235,914	2,381,072	2,035,449	1,519,021	2,072,543	1,639,507
10,189	18,680	9,372	8,972	8,850	5,370
1,258,654	1,405,708	1,147,763	1,226,133	1,074,267	956,329
287,332	424,397	175,985	252,031	212,968	73,741
1,099,548	2,184,524	1,015,089	574,582	715,365	335,705
939,524	655,998	585,461	532,123	369,394	1,306,484
939,671	2,460,564	683,645	2,949,134	326,979	1,082,019
8,322,106	11,078,632	7,274,974	8,682,047	6,247,255	6,801,245

**City of Perry**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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

To the Honorable Mayor and  
Members of the City Council:

We have audited 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, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 6, 2015. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Perry Public Library Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Perry'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 the City of Perry's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Perry'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. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Perry's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (E) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (F) and (G) to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Perry'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 which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City'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 City. 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.


#### The City of Perry's Responses to the Findings


The City of Perry's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Perry's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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 results of that testing and not to provide an opinion on the effectiveness of the City'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 City'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 the City of Perry 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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 6, 2015



City of Perry

Schedule of Findings

Year ended June 30, 2014

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although two individuals are involved in the accounting duties of the City, there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City, including the Library Gift Fund and the Friends of the Library:
- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
  - 2) Investments – detailed record keeping, custody and reconciling.
  - 3) Long term debt – recording and reconciling.
  - 4) Receipts – collecting, depositing, posting and reconciling.
  - 5) Disbursements – initiating disbursements, check signing, recording and reconciling.
  - 6) Payroll – preparing, signing and custody of undistributed warrants.
  - 7) Accounting system – performing all general accounting functions and having custody of City assets.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The City will create a written policy designating the duties to be handled by the City Administrator, City Clerk, Finance Officer and Administrative Assistant, which will provide for duties during vacations and other leaves of absence. Controls over separately maintained accounts will be reviewed to obtain the maximum control possible.

Conclusion – Response accepted.

- (B) Utility Reconciliation – The City did not reconcile utility billings, collections and delinquent accounts received from the Perry Water Works.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. An elected official or other independent person should review the reconciliations and monitor delinquencies. The City should develop procedures to support adjustments to utility billings and reconcile postings with deposits.

City of Perry

Schedule of Findings

Year ended June 30, 2014

Response – The City will review the reconciliation spreadsheet sent from the Perry Water Works and compare it to the Account Aging Report. The City will develop procedures to support adjustments to utility billings and to reconcile postings with deposits.

Conclusion – Response accepted.

- (C) Perry Police Officers Association – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Association's financial statement. Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials and other personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

Response – A Council Member assigned to the Public Safety Committee will periodically review the financial transactions and reconciliations of the Perry Police Association. This Council Member will sign and date each review.

Conclusion – Response accepted.

- (D) Perry Volunteer Firefighter's Association – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Association's financial statement. Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

In addition, monthly bank reconciliations were not performed to reconcile bank balances to the Association's ledger balances.

One of five invoices tested was not cancelled to prevent reuse.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials and other current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

To improve financial accountability and control, the ledger balances should be reconciled monthly to the bank balances. Any variances should be investigated and

City of Perry

Schedule of Findings

Year ended June 30, 2014

resolved in a timely manner. An independent person should review the reconciliations and document their review by signing or initialing and dating the monthly reconciliations.

Invoices should be cancelled to prevent reuse.

Response – An internal auditor will perform a monthly review of the financial transactions and reconciliations of the Perry Fire Association. These reviews will be signed and dated. The Fire Association Treasurer will perform monthly bank reconciliations with the internal auditor reviewing, signing and dating the Treasurer’s report. The Fire Association Treasurer will keep all cancelled supporting documentation and invoices on file. Invoices will be marked “Paid” and dated to prevent reuse.

Conclusion – Response accepted.

- (E) Perry Citizen’s Against Crime, Inc. – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the financial statement. Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

In addition, monthly bank reconciliations were not performed to reconcile bank balances to the ledger balances.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials and other current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

To improve financial accountability and control, the ledger balances should be reconciled monthly to the bank balances. Any variances should be investigated and resolved in a timely manner. An independent person should review the reconciliations and document their review by initialing and dating the monthly reconciliations.

Response – A Council Member assigned to the Public Safety Committee will periodically review the financial transactions and reconciliations of the Perry Citizen’s Against Crime. This Council Member will sign and date each review.

Conclusion – Response accepted.

- (F) McCreary Community Center Collections – The McCreary Community Center hosts special events during weekends at which cash is collected. The employee collecting the cash places the collections for the day in the safe and the cash is recorded the following business day. The Center does not maintain supporting documentation for total collections.

City of Perry

Schedule of Findings

Year ended June 30, 2014

Recommendation – The Center should prepare count sheets at the end of the day as support for daily collections. Where possible, dual counts should be performed. The count sheets should be signed and dated by the employees and used to support the amounts recorded in the accounting system.

Response – The staff at the McCreary Community Center will prepare count sheets to be used for special events. The cash will be counted at the end of the day and entered into the Sportsman financial system at that time.

Conclusion – Response accepted.

(G) Transfers – Two transfers were not approved by the City Council.

Recommendation - The City should approve all fund transfers and document approval and amount(s) in the City Council minutes.

Response – The City Council will take formal action to approve all fund transfers during the budget or budget amendment process and/or through a resolution.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Perry

Schedule of Findings

Year ended June 30, 2014

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the health and social services, community and economic development and debt service functions. In addition, disbursements exceeded the amounts budgeted in the health and social services, community and economic development, general government and capital projects functions before the budget was amended.

Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will amend the budget as need arises. The City will also request notification from the Perry Water Works if its budget requires an amendment.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jay Pattee, Mayor, Owner of Ben Franklin	Supplies	\$ 1,079
Michael Landals, Street Department, Owner of Landals Concrete Construction	Trail repair	26,625
Jenny Eklund, Council Member, owner of Perry Paint and Design	Supplies and repair services	447
Brian Eiteman, Firefighter and Recycle Department	CPR certification training	500
Rodney Cromwell, Firefighter, owner of Cromwell Towing	Towing services	432

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Mayor, Council Member and Firefighters do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

City of Perry

Schedule of Findings

Year ended June 30, 2014

The transactions with the Street Department employee may represent a conflict of interest since the City did not enter into the contract through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa. The City obtained quotes, but not formal bids, publicly invited and opened as required by the Code of Iowa.

Recommendation – The City should comply with the requirements of the Code of Iowa. The City should ensure formal bids are solicited for purchases which may benefit a City employee or officer, directly or indirectly, and may exceed the \$1,500 statutory limit within the fiscal year. In addition, the City should consult legal counsel to determine the disposition of the transaction with the Street Department employee.

Response – The City will ensure formal bids are solicited for purchases that may exceed the \$1,500 statutory limit within the fiscal year. The City will obtain quotes through a publicly invited bidding process.

Conclusion – Response acknowledged. The City should also consult legal counsel to determine the disposition of this issue.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – Disbursements for the Library Gift Fund are not presented to the City Council for approval and were not published as part of the list of claims. These claims are approved by the Library Board.

The City did not publish a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa. The City also did not publish a total of claims by fund for certain claims listings.

Recommendation – The City should comply with the Code of Iowa. All disbursements should be presented to the City Council for approval and be published. A summary of receipts and totals of claims by fund should be published in accordance with Chapter 372.13(6) of the Code of Iowa.

Response – The City will comply with the Code of Iowa by presenting the disbursements of the Library Gift Fund to the City Council for review and publishing receipt summaries on a monthly basis.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Sewer Revenue Bonds – No instances of non-compliance with the sewer revenue bond resolution were noted.
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1. The City understated the amount reported as TIF debt outstanding by \$15,404 on the Levy Authority Summary.

City of Perry

Schedule of Findings

Year ended June 30, 2014

Recommendation – The City should ensure the amounts reported on the Levy Authority Summary agree with the City’s records.

Response – The City will ensure the amounts reported on the Levy Authority Summary agree with the City’s records and will correct the understated amount on the Annual Urban Renewal Report in the 2014-2015 fiscal year.

Conclusion – Response accepted.

- (10) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State as required.

Response – The City has begun the process of reviewing all outstanding checks and will determine if payment has been made by another means. The City will then report and remit obligations to the State Treasurer annually.

Conclusion – Response accepted.

- (11) Financial Condition – The Special Revenue, Employee Benefits Fund had a deficit balance of \$105,770 at June 30, 2014.

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

Response – The City will eliminate the deficit in the Special Revenue, Employee Benefits Fund by paying the employee benefits for the Street Department employees from the Special Revenue, Road Use Tax Fund.

Conclusion – Response accepted.

- (12) Interfund Loan – During the year ended June 30, 2009, the City approved a loan of \$63,879 from the Enterprise, Sewer Fund to the General Fund for the payment of an energy efficient lighting project. The loan was to be repaid over a ten year period beginning July 1, 2010. As of June 30, 2014, the City has not made any payments on the interfund loan and has not amended the terms of the interfund loan agreement.

Recommendation – The City should repay the interfund loan as scheduled or amend the terms of the interfund loan agreement.

Response – The City will begin to repay the interfund loan and will amend the terms of the interfund loan agreement.

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2014

- (13) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from the fund as provided in Chapter 403.19 of the Code of Iowa. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The following issues related to the City’s TIF certifications were noted:

- The City certified \$66,000 for a development agreement with Perry Economic Development Inc. for economic development payments to Hotel Perry, LLC. The Hotel Perry subsequently went out of business and the City paid Hotel Perry, LLC \$43,499 under the agreement. The City should decertify \$22,501, the remaining amount which will not be paid under the agreement.
- During the year ended June 30, 2013, the City issued \$2,300,000 of sewer improvement and refunding bonds. A portion of the proceeds was used to refund the Urban Renewal Corporate Purpose Bonds, Series 2006. The 2006 debt was properly certified on an earlier debt certificate. The City will experience a savings due to the issuance of the 2013 bonds and refunding of the 2006 bonds. The City should decertify the difference between the obligations of the old and new debt to reflect the savings attained.

Recommendation – The City should decertify the necessary amounts.

Response – The City will decertify the necessary amounts.

Conclusion – Response accepted.



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City of Perry

Staff

This audit was performed by:

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