



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE January 9, 2013

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the City of Perry, Iowa.

The City's receipts totaled \$9,215,915 for the year ended June 30, 2012, a 16.5% decrease from the prior year. The receipts included \$2,518,987 in property tax, \$626,265 from tax increment financing, \$2,482,487 from charges for service, \$1,380,323 from operating grants, contributions and restricted interest, \$413,787 from capital grants, contributions and restricted interest, \$65,891 from hotel/motel tax, \$1,056,625 from local option sales tax, \$2,817 from unrestricted interest on investments, \$202,012 from franchise fees, \$240,000 from loan proceeds and \$226,721 from other general receipts.

Disbursements for the year totaled \$9,536,989, a 10.6% decrease from the prior year, and included \$2,327,984 for public works, \$1,693,376 for public safety and \$1,374,120 for culture and recreation. Also, disbursements for business type activities totaled \$990,255.

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/1220-0237-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, 2012

Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor’s Report			5-6
Management’s Discussion and Analysis			7-14
Basic Financial Statements:	<u>Exhibit</u>		
Government-wide Financial Statement:			
Statement of Activities and Net Assets – Cash Basis	A		16-17
Governmental Fund Financial Statement:			
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B		18-19
Proprietary Fund Financial Statement:			
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C		20
Fiduciary Fund Financial Statement:			
Statement of Changes in Fiduciary Net Assets – Cash Basis	D		21
Component Unit Financial Statement:			
Combining Statement of Activities and Net Assets – Cash Basis	E		22
Notes to Financial Statements			23-35
Other Information:			
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			38-39
Notes to Other Information – Budgetary Reporting			40
Supplementary Information:	<u>Schedule</u>		
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1		42-43
Schedule of Indebtedness	2		44-45
Bond Maturities	3		46-47
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4		48-49
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>			51-52
Schedule of Findings			53-58
Staff			59

City of Perry

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Jay Pattee	Mayor	Jan 2012
Dr. Randall McCaulley (Appointed)	Council Member	Nov 2011
Wilford Roberts	Council Member	Jan 2012
Chuck Schott	Council Member	Jan 2012
Phillip Stone	Council Member	Jan 2012
Jenny Eklund	Council Member	Jan 2014
Delbert Niebuhr	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Corey Eastman	Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite
(After January 2012)		
Jay Pattee	Mayor	Jan 2014
Jennie Wilson-Moore	Council Member	(Resigned May 2012)
Barbara Wolling (Appointed)	Council Member	Nov 2012
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
Delbert Niebuhr	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Corey Eastman	Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Perry's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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 balance of the aggregate discretely presented component units is not reasonably determinable.

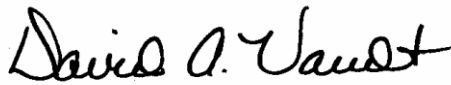
In our opinion, because of the omission of the Perry Public Library Foundation which should be reported as a discretely presented component unit, as discussed in the preceding paragraph, the financial statements do not present fairly the cash basis financial position of the aggregate discretely presented component units as of June 30, 2012, 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.

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, 2012, 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.

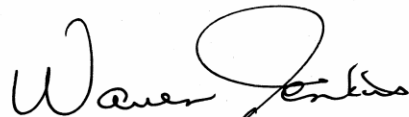
In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2012 on our consideration of the City of Perry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 second paragraph of this report, the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the three years ended June 30, 2005 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the 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.

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. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 14 and 38 through 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 4, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 18.3%, or approximately \$1,829,000, from fiscal year 2011 to fiscal year 2012. Operating grants, contributions and restricted interest decreased approximately \$557,000, capital grants, contributions and restricted interest decreased approximately \$686,000 and local option sales tax decreased approximately \$614,000. CDBG and FAA grant receipts decreased due to the completion of grants during fiscal year 2012. Surrounding communities began collecting a 1% local option sales tax during the fiscal year, decreasing the City's portion of the tax. The City continued to receive half of the Perry Community School District's SILO tax.
- Disbursements of the City's governmental activities decreased 12.4%, or approximately \$1,206,000, in fiscal year 2012 from fiscal year 2011. Public works disbursements decreased approximately \$461,000, community and economic development disbursements decreased approximately \$444,000 and general government disbursements decreased approximately \$382,000. Public works disbursements decreased primarily due to airport improvement projects being substantially completed in the prior year. Community and economic development disbursements decreased primarily due to material completion of the Neighborhood Stabilization Program projects in the prior year. General government disbursements decreased primarily due to less local option sales tax receipts available to spend and a decrease in the amounts paid to Perry Community School District for half of the local option sales tax received by the City.
- The City's total cash basis net assets decreased 16.2%, or \$321,074, from June 30, 2012 to June 30, 2011. Of this amount, the assets of the governmental activities decreased \$398,394 and the assets of the business type activities increased \$77,320.

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 Statement of Activities and Net Assets. 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 Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets 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.

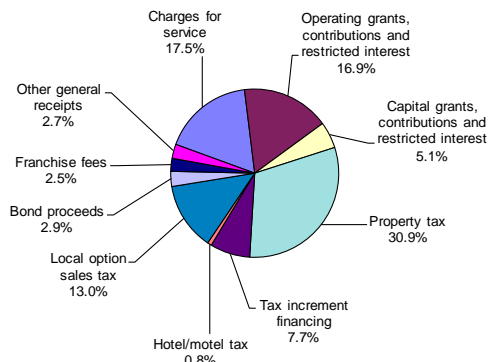
The required financial statement for the fiduciary fund is a Statement of Changes in Fiduciary Net Assets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

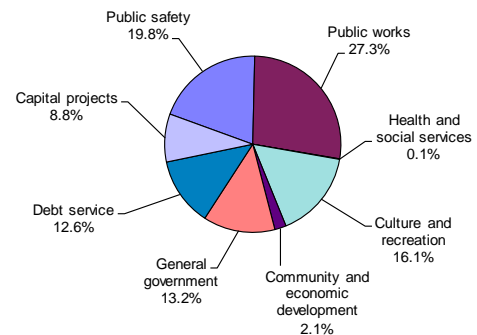
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing to approximately \$377,000 from approximately \$775,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 1,424,376	1,384,040
Operating grants, contributions and restricted interest	1,380,323	1,936,887
Capital grants, contributions and restricted interest	413,787	1,099,960
General receipts:		
Property tax	2,518,987	2,426,126
Tax increment financing	626,265	573,577
Hotel/motel tax	65,891	59,627
Local option sales tax	1,056,625	1,671,000
Unrestricted interest on investments	2,050	3,358
Franchise fees	202,012	182,448
Loan proceeds	240,000	545,000
Other general receipts	218,024	95,756
Total receipts	8,148,340	9,977,779
Disbursements:		
Public safety	1,693,376	1,674,978
Public works	2,327,984	2,789,156
Health and social services	10,819	10,515
Culture and recreation	1,374,120	1,301,685
Community and economic development	183,097	627,177
General government	1,124,064	1,505,904
Debt service	1,078,111	810,955
Capital projects	755,163	1,032,264
Total disbursements	8,546,734	9,752,634
Change in cash basis net assets before transfers	(398,394)	225,145
Transfers, net	-	29,651
Change in cash basis net assets	(398,394)	254,796
Cash basis net assets beginning of year	774,939	520,143
Cash basis net assets end of year	\$ 376,545	774,939

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 18.3%, or \$1,829,439. The total cost of all programs and services decreased \$1,205,900, or 12.4%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$8.547 million compared to approximately \$9.753 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16 and 17, the amount taxpayers ultimately financed for these activities was only \$5.328 million because some of the cost was paid by those who directly benefited from the programs (\$1,424,376), by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,380,323) or from capital grants, contributions and restricted interest (\$413,787). Overall, the City's program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2012 from approximately \$4,421,000 in the prior year to approximately \$3,218,000. The decrease is primarily due to the receipt of less state and federal grants during fiscal year 2012. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4.930 million in 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 Assets of Business Type Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 962,316	954,072
Sewer discharge	95,795	95,221
General receipts:		
Unrestricted interest on investments	767	1,551
Miscellaneous	8,697	8,141
Total receipts	<u>1,067,575</u>	<u>1,058,985</u>
Disbursements:		
Sewer	945,404	840,829
Sewer discharge	44,851	74,597
Total disbursements	<u>990,255</u>	<u>915,426</u>
Increase in cash basis net assets before transfers	77,320	143,559
Transfers, net	-	(29,651)
Increase in cash basis net assets	77,320	113,908
Cash basis net assets beginning of year	1,206,508	1,092,600
Cash basis net assets end of year	<u>\$ 1,283,828</u>	<u>1,206,508</u>

Total business type activities receipts for the fiscal year were \$1,067,575 compared to \$1,058,985 last year. The cash balance increased \$77,320 from the prior year. Receipts remained steady due to no changes to utility rates in fiscal year 2012. Total disbursements for the fiscal year increased 8.2% to approximately \$990,000 due to a change in the method of allocating salaries to the Enterprise, Sewer Fund and an increase in work performed on the sanitary sewers in the current year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$376,545, a decrease of \$398,394 from last year's balance of \$774,939. 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 \$116,288 over the prior year to \$99,455. This increase in the cash balance was primarily attributable to transfers made from the Special Revenue, Local Option Sales Tax and the Capital Projects Funds to reimburse the General Fund for disbursements associated with the Neighborhood Stabilization Program.
- The Special Revenue, Road Use Tax Fund cash balance increased \$78,971 to \$333,944. This increase in the cash balance was primarily attributable to the City spending less than it received. Neither receipts or disbursements changed significantly from the prior year.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance at year end was \$146,385, an increase of \$25,340 over the previous year. The increase in cash balance was primarily due to an increase in tax increment financing collections offset by the disbursements and transfers necessary to pay debt issuances funded by tax increment financing.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$224,574 from the prior year to \$72,430, due primarily to a decrease of approximately \$614,000 in local option sales tax receipts and a decrease in disbursements due to less funds available to spend. The decrease in receipts is due to the passage of a local option sales tax in the cities of Adel, Redfield and Bouton.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$161,514 from the prior year to (\$287,940). This decrease in cash balance was primarily due to thirteen premium and benefit payments recorded in fiscal year 2012 as opposed to only eleven payments made in fiscal year 2011.
- The Debt Service Fund cash balance decreased \$5,138 to (\$193,035) during the fiscal year. The deficit is a result of the City making the first payment on a bond from the Debt Service Fund balance in fiscal year 2009. The City will eliminate the deficit through future transfers from the Special Revenue, Local Option Sales Tax Fund as funds become available.
- The Capital Projects Fund cash balance decreased \$201,747 from the prior year to (\$175,756). This decrease was due to transfers for cost overruns not yet being made at year end and timing differences between the disbursement of funds and subsequent reimbursement from various grants.
- The Permanent, Cemetery Perpetual Care Fund balance increased \$8,440 to \$208,104 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 increased \$26,376 to \$979,660.
- The Enterprise, Sewer Discharge Fund cash balance increased \$50,944 to \$304,168, primarily due to receipts outpacing related disbursements. Disbursements decreased approximately \$30,000 from the prior year due to a storm sewer project which occurred in fiscal year 2011.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 21, 2012 and resulted in an increase in receipts and disbursements, primarily related to capital improvement projects, bond proceeds and the sale of properties rehabilitated under the Neighborhood Stabilization Program.

The City's receipts were \$810,533 less than the amended budget. This was primarily due to the City budgeting local option sales tax receipts at higher amounts than were actually received.

Total disbursements were \$799,424 less than the amended budget. Disbursements in the business type activities function exceeded the amount budgeted. The actual disbursements for the community and economic development function were \$389,053 less than the amended budget. This was primarily due to spending the proceeds from the Neighborhood Stabilization Program in fiscal year 2013 rather than fiscal year 2012. In addition, the City did not receive as much local option sales tax receipts as anticipated, so less was disbursed to the Perry Community School District.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$5,515,753 of bonds and other long-term debt outstanding, compared to \$6,720,689 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General obligation bonds and notes	\$ 3,535,000	4,120,000
Urban renewal tax increment financing revenue bonds	156,250	307,500
Revenue bonds and notes	1,510,000	1,900,000
Lease purchase agreement	-	47,087
Real estate contracts	152,582	304,436
Bank loans	161,921	41,666
Total	\$ 5,515,753	6,720,689

Debt decreased due to the annual payments for principal on outstanding debts. The City entered into a bank loan for \$240,000 to finance the purchase of a recycle truck and a garbage truck to be paid over the next two fiscal 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 \$4,005,753, plus development agreements totaling \$660,404, totals \$4,666,157 and is significantly below its constitutional debt limit of approximately \$13,658,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Taxable valuations used for the fiscal year 2012 budget increased \$3,105,399, or 1.93%, over the value used for the fiscal year 2011 budget. Taxable valuations used for the fiscal year 2013 budget decreased \$7,621,183, or 4.64%, over the value used for the fiscal year 2012 budget. Valuations decreased due to an across the board reduction in residential property assessments by the Dallas County Assessor's Office. Although these projects are tax exempt, the DMACC Academy and the new performing arts auditorium at the Middle School/High School Complex have helped generate more traffic in Perry. 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 Perry Industrial Park, which was completed in 2012 and will be added to the tax rolls for the fiscal year 2014 budget. The City Council is planning a sewer line extension and lift station for the area on North 18th Street. A proposed subdivision in this area should supplement the growth of the City's taxable valuation in the next few years.

The Hotel Pattee (Hotel Perry LLC) continues to draw guests and conferences causing the City's hotel/motel tax receipts to increase \$6,264, or 10.5%, from fiscal year 2011 to fiscal year 2012. Perry residents voted to continue the collection of the hotel/motel tax at a rate of 7% in February 2012, with no sunset clause.

Dallas County Conservation has completed the trail sections from Dawson to Minburn and from Waukee to Dallas Center. Dallas County Conservation will complete the final section of the trail from Dallas Center to Minburn in late 2012, which will create a 33 mile loop, bringing the total trail distance to 89 miles. A REAP grant from the Iowa Department of Natural Resources allowed the City to complete a trail along 5th Street from the Raccoon River Valley Trail, which will eventually connect to the Dallas County Hospital's recreational trail around that facility. 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. Currently, the City is working on a sanitary and storm sewer repair project in the northwest area of Perry to improve flows in that area.

The City began collecting a 1% local option sales tax (LOST) on July 1, 2010. The State of Iowa's fiscal year 2012 LOST receipts for the City were \$427,322, which was a decrease of \$475,659, or 52.7%, from fiscal year 2011. The Cities of Adel, Redfield and Bouton began collecting LOST as well in fiscal year 2012. In fiscal year 2012, the State of Iowa also corrected an overpayment received in fiscal year 2011. The estimate for the City's LOST collections in fiscal year 2013 is \$736,878. The City will continue to receive half of the Perry Community School District's SILO tax and the City will pay the District half of the City's LOST receipts until December 31, 2013. The remainder will be used for street and sewer improvement projects, capital projects and building and grounds maintenance.

The City continued improvements at the Perry Municipal Airport in fiscal year 2012 and will complete the update of the Airport Layout Plan in fiscal year 2013. The City continues to submit capital improvement plans to the FAA in order to remain eligible for grants for airport improvements. In fiscal year 2013, a crack sealing project with funding of \$10,000 from the Iowa Department of Transportation will be completed.

In fiscal year 2011, the City was selected as one of twenty-six entities nationwide the EPA has selected to receive technical assistance in the form of a feasibility study on a contaminated site. The RE-Powering America's Land Initiative promoted the siting of renewable energy on contaminated lands instead of greenspace as part of the larger EPA goal to clean up and revitalize contaminated sites. This feasibility study was completed in fiscal year 2012. 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 City of Perry has been working with the U.S. Army Corps of Engineers to begin a bank stabilization project for the North Raccoon River beginning in fiscal year 2013. Total cost for this project is estimated at \$720,000, with the City responsible for \$252,000.

During the fiscal year 2013 budget process, the City planned on a positive balance of \$25,257 to use as a beginning balance in the General Fund. However, with the sale of properties from the Neighborhood Stabilization Project, the actual unassigned beginning balance in the General Fund for fiscal year 2013 will be \$66,419. Two additional properties will be sold and the City will be reimbursed for its share of disbursements when the sale occurs. The City entered into its third Owner Occupied Housing Rehabilitation CDBG in fiscal year 2012. This project will allow for the rehabilitation of at least ten homes in Perry, with a federal share of \$352,490 and a local match of \$30,000.

These factors were taken into account when adopting the General Fund budget for fiscal year 2013. Budgeted amounts available for appropriation in the fiscal year 2013 General Fund budget total \$3,434,344. Budgeted disbursements in the fiscal year 2013 General Fund budget total \$3,450,667. The City has added no major new programs or initiatives to the fiscal year 2013 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, or Susie Moorhead, Finance Officer, at Perry City Hall located at 1102 Willis Avenue, Perry, IA 50220.

Basic Financial Statements

City of Perry

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,693,376	9,061	95,128	-
Public works	2,327,984	791,309	822,622	-
Health and social services	10,819	-	1,980	-
Culture and recreation	1,374,120	472,264	132,694	-
Community and economic development	183,097	95,029	3,813	10,209
General government	1,124,064	56,713	201,398	-
Debt service	1,078,111	-	-	-
Capital projects	755,163	-	122,688	403,578
Total governmental activities	8,546,734	1,424,376	1,380,323	413,787
Business type activities:				
Sewer	945,404	962,316	-	-
Sewer discharge	44,851	95,795	-	-
Total business type activities	990,255	1,058,111	-	-
Total Primary Government	\$ 9,536,989	2,482,487	1,380,323	413,787
Component Units:				
Perry Police Officers Association	\$ 17,411	-	9,399	-
Perry Volunteer Firefighter's Association	42,639	-	28,693	-
Perry Municipal Waterworks	1,452,362	1,504,806	147,229	-
Total Component Units	\$ 1,512,412	1,504,806	185,321	-
General Receipts:				
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 Perry Community School District				
Unrestricted interest on investments				
Franchise fees				
Loan proceeds				
Bonds/notes refunded				
Sale of capital assets				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Urban renewal purposes				
Self funded health insurance				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
(1,589,187)	-	(1,589,187)	
(714,053)	-	(714,053)	
(8,839)	-	(8,839)	
(769,162)	-	(769,162)	
(74,046)	-	(74,046)	
(865,953)	-	(865,953)	
(1,078,111)	-	(1,078,111)	
(228,897)	-	(228,897)	
(5,328,248)	-	(5,328,248)	
-	16,912	16,912	
-	50,944	50,944	
-	67,856	67,856	
(5,328,248)	67,856	(5,260,392)	
			(8,012)
			(13,946)
			199,673
			177,715
2,288,285	-	2,288,285	-
230,702	-	230,702	-
626,265	-	626,265	-
65,891	-	65,891	-
427,322	-	427,322	-
629,303	-	629,303	-
2,050	767	2,817	5,041
202,012	-	202,012	-
240,000	-	240,000	632,000
-	-	-	(719,000)
218,024	-	218,024	-
-	8,697	8,697	18,216
4,929,854	9,464	4,939,318	(63,743)
(398,394)	77,320	(321,074)	113,972
774,939	1,206,508	1,981,447	622,102
\$ 376,545	1,283,828	1,660,373	736,074
\$ 254,696	-	254,696	-
333,944	-	333,944	-
146,385	-	146,385	-
33,036	-	33,036	-
-	455,754	455,754	130,431
198,796	-	198,796	94,629
(590,312)	828,074	237,762	511,014
\$ 376,545	1,283,828	1,660,373	736,074

City of Perry

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

As of and for the year ended June 30, 2012

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,360,248	-	-	-
Tax increment financing	-	-	626,265	-
Other city tax	67,990	-	-	427,322
Licenses and permits	236,897	-	-	-
Use of money and property	28,929	-	3,434	26
Intergovernmental	82,063	730,478	-	705,421
Charges for service	1,263,746	-	-	-
Miscellaneous	296,299	-	-	95,704
Total receipts	3,336,172	730,478	629,699	1,228,473
Disbursements:				
Operating:				
Public safety	1,133,456	-	-	20,396
Public works	643,137	651,507	-	706,975
Health and social services	10,819	-	-	-
Culture and recreation	922,344	-	-	163,379
Community and economic development	135,624	-	-	-
General government	468,264	-	263,822	270,563
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	3,313,644	651,507	263,822	1,161,313
Excess (deficiency) of receipts over (under) disbursements	22,528	78,971	365,877	67,160
Other financing sources (uses):				
Loan proceeds	-	-	-	240,000
Sale of capital assets	-	-	-	-
Operating transfers in	93,760	-	-	-
Operating transfers out	-	-	(340,537)	(531,734)
Total other financing sources (uses)	93,760	-	(340,537)	(291,734)
Net change in cash balances	116,288	78,971	25,340	(224,574)
Cash balances beginning of year	(16,833)	254,973	121,045	297,004
Cash balances end of year	\$ 99,455	333,944	146,385	72,430
Cash Basis Fund Balances				
Cemetery perpetual care	\$ -	-	-	-
O'Brien beautification	-	-	-	-
Restricted for:				
Streets	-	333,944	-	-
Urban renewal purposes	-	-	146,385	-
Self funded health insurance	33,036	-	-	-
Other purposes	-	-	-	72,430
Unassigned	66,419	-	-	-
Total cash basis fund balances	\$ 99,455	333,944	146,385	72,430

See notes to financial statements.

Employee Benefits	Debt Service	Capital Projects	Permanent Cemetery Perpetual Care	Nonmajor	Total
924,376	230,352	-	-	-	2,514,976
-	-	-	-	-	626,265
1,562	350	-	-	-	497,224
-	-	-	-	-	236,897
20	-	-	-	429	32,838
-	-	393,855	-	6,850	1,918,667
-	-	-	-	2,504	1,266,250
69,813	-	9,723	8,440	117,220	597,199
995,771	230,702	403,578	8,440	127,003	7,690,316
507,479	-	4,996	-	27,049	1,693,376
326,365	-	-	-	-	2,327,984
-	-	-	-	-	10,819
185,546	-	-	-	102,851	1,374,120
16,480	-	29,430	-	1,563	183,097
121,415	-	-	-	-	1,124,064
-	1,078,111	-	-	-	1,078,111
-	-	755,163	-	-	755,163
1,157,285	1,078,111	789,589	-	131,463	8,546,734
(161,514)	(847,409)	(386,011)	8,440	(4,460)	(856,418)
-	-	-	-	-	240,000
-	-	218,024	-	-	218,024
-	842,271	30,000	-	208	966,239
-	-	(63,760)	-	(30,208)	(966,239)
-	842,271	184,264	-	(30,000)	458,024
(161,514)	(5,138)	(201,747)	8,440	(34,460)	(398,394)
(126,426)	(187,897)	25,991	199,664	207,418	774,939
(287,940)	(193,035)	(175,756)	208,104	172,958	376,545
-	-	-	208,104	-	208,104
-	-	-	-	46,592	46,592
-	-	-	-	-	333,944
-	-	-	-	-	146,385
-	-	-	-	-	33,036
-	-	-	-	126,366	198,796
(287,940)	(193,035)	(175,756)	-	-	(590,312)
(287,940)	(193,035)	(175,756)	208,104	172,958	376,545

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, 2012

	Enterprise		Total
	Sewer	Sewer Discharge	
Operating receipts:			
Charges for service	\$ 956,998	95,795	1,052,793
Miscellaneous	5,318	-	5,318
Total operating receipts	962,316	95,795	1,058,111
Operating disbursements:			
Business type activities	422,452	44,851	467,303
Excess of operating receipts over operating disbursements	539,864	50,944	590,808
Non-operating receipts (disbursements):			
Interest on investments	767	-	767
Miscellaneous	8,697	-	8,697
Debt service	(430,718)	-	(430,718)
Capital projects	(92,234)	-	(92,234)
Total non-operating receipts (disbursements)	(513,488)	-	(513,488)
Net change in cash balances	26,376	50,944	77,320
Cash balances beginning of year	953,284	253,224	1,206,508
Cash balances end of year	\$ 979,660	304,168	1,283,828
Cash Basis Fund Balances			
Restricted for debt service	\$ 455,754	-	455,754
Unrestricted	523,906	304,168	828,074
Total cash basis fund balances	\$ 979,660	304,168	1,283,828

See notes to financial statements.

City of Perry

Statement of Changes in Fiduciary Net Assets – Cash Basis
Fiduciary Fund

As of and for the year ended June 30, 2012

	<u>Police Pension</u>
Additions:	
Employer contributions	<u>\$ 83,192</u>
Deductions:	
Benefits paid	77,331
Administration	1,100
Total deductions	<u>78,431</u>
Net change in cash balances	4,761
Cash balance beginning of year	<u>604,683</u>
Cash balance end of year	<u><u>\$ 609,444</u></u>
See notes to financial statements.	

Exhibit E

City of Perry

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

As of and for the year ended June 30, 2012

	Perry Police Officers Association	Perry Volunteer Firefighter's Association	Perry Municipal Waterworks	Total Component Units
Disbursements	\$ 17,411	42,639	1,452,362	1,512,412
Program receipts:				
Charges for service	-	-	1,504,806	1,504,806
Operating grants and contributions	9,399	28,693	147,229	185,321
Total program receipts	9,399	28,693	1,652,035	1,690,127
Net program receipts	(8,012)	(13,946)	199,673	177,715
General receipts:				
Interest on investments	-	-	5,041	5,041
Rental revenue	-	-	18,216	18,216
Revenue refunding bond proceeds, net of \$8,000 discount	-	-	632,000	632,000
Refunded bonds and notes	-	-	(719,000)	(719,000)
Total general receipts	-	-	(63,743)	(63,743)
Change in cash basis net assets	(8,012)	(13,946)	135,930	113,972
Cash basis net assets beginning of year	13,506	19,446	589,150	622,102
Cash basis net assets end of year	\$ 5,494	5,500	725,080	736,074
Cash Basis Net Assets				
Restricted:				
Debt service	\$ -	-	130,431	130,431
Other purposes	5,494	5,500	83,635	94,629
Unrestricted	-	-	511,014	511,014
Total cash basis net assets	\$ 5,494	5,500	725,080	736,074

See notes to financial statements.

City of Perry

Notes to Financial Statements

June 30, 2012

(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, 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.

Except as noted, these financial statements present the City of Perry (the primary government) and its 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 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 3rd 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.

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 Statement of Activities and Net Assets 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 Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

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

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

Unrestricted net assets consist of net assets not meeting the definitions of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets 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 fund 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 payment of principal and interest on debt incurred for urban renewal projects.

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 assets 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 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 Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the business type activities function. In addition, disbursements exceeded the amounts budgeted in the health and social services and capital projects functions before the budget was amended.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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 and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and sewer revenue refunding bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Financing Revenue Bonds		Sewer Revenue Refunding Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2013	650,000	131,727	156,250	6,381	400,000	33,097	1,206,250
2014	470,000	109,793	-	-	410,000	24,382	880,000	134,175
2015	485,000	92,953	-	-	405,000	14,403	890,000	107,356
2016	510,000	74,965	-	-	180,000	6,437	690,000	81,402
2017	225,000	55,319	-	-	115,000	1,869	340,000	57,188
2018-2022	1,195,000	142,372	-	-	-	-	1,195,000	142,372
Total	\$ 3,535,000	607,129	156,250	6,381	1,510,000	80,188	5,201,250	693,698

Urban Renewal Tax Increment Financing (TIF) Revenue Bonds

The City issued \$380,000 and \$225,000 of urban renewal tax increment financing (TIF) revenue bonds in November 2008 and November 2009, respectively. The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$162,631, payable through June 2013. For the current year, principal and interest paid and total TIF receipts were \$163,822 and \$626,265, respectively. Annual principal and interest payments on the bonds required less than 27% of TIF receipts.

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 \$1,590,188. For the current year, principal and interest paid and total customer net receipts were \$430,218 and \$539,864, respectively. Annual principal and interest payments on these sewer revenue refunding bonds required less than 80% 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.

During the year ended June 30, 2012, the City did not make sufficient transfers to the revenue bond sinking fund.

Capital Lease Purchase Agreement

The City previously entered into a capital lease purchase agreement to lease an aerial truck with a cost of \$384,415. The lease payments included interest at 5.21% per annum. Payments under the capital lease purchase agreement totaled \$49,539 for the year ended June 30, 2012. The lease agreement was paid in full at June 30, 2012.

Real Estate Contracts

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 will end July 1, 2013. The unpaid balance at June 30, 2012 is \$10,832.

On November 18, 2010, the City entered into a real estate contract to purchase the Town Craft Building (former First National Bank). The City paid \$28,108 at closing and provided the seller a secured promissory note for \$283,500 requiring two annual installments of \$141,750, plus interest at 0.35% per annum, beginning September 15, 2011. The unpaid balance at June 30, 2012 is \$141,750.

Bank Loans

On May 18, 2009, the City entered into a loan agreement with a local bank for \$125,000. The funds were used for the purchase of land. The loan bears 3.25% per annum interest and is to be repaid in three annual installments of \$41,667 beginning June 1, 2010 and ending June 1, 2012. For the year ended June 30, 2012, principal and interest paid under the loan totaled \$43,043. The loan was paid in full at June 30, 2012.

On July 1, 2011, the City entered into a loan agreement with a local bank for \$240,000. The funds were used for the purchase a garbage truck and a recycle truck. The loan bears interest of 2.90% per annum and is to be repaid in 6 semi-annual installments beginning December 1, 2011 and ending June 1, 2014. For the year ended June 30, 2012, principal and interest paid under the loan totaled \$83,918. The principal balance of the loan at June 30, 2012 was \$161,921.

Discretely Presented Component Unit

Bonds and Notes 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
2013	1.10%	\$ 85,000	10,573	95,573
2014	1.65	90,000	9,637	99,637
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		\$ 560,000	42,561	602,561

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 Waterworks refunded and paid off the bonds/notes, after committing an additional \$100,000, to reduce its total debt service payments by approximately \$55,700 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$41,700. 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 \$602,561. For the current year, principal and interest paid on the refunding bonds and total customer net receipts were \$89,703 and \$460,203, 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: the maximum amount of the principal and interest coming due on the bonds in any succeeding fiscal year, 10% of the principal amount of the bonds then outstanding, which is \$56,000, or 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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$201,888, \$178,838 and \$169,477, 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, 2012, 2011 and 2010 were \$83,192, \$92,370 and \$55,690, 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.

The City has four eligible police officers. Three are retired and are receiving benefits and one is deceased with the spouse receiving 50% of the benefits.

Presented below is the total pension benefit obligation of the City for this 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
Net assets available for benefits as of June 30, 2012	<u>609,444</u>
Unfunded pension benefit obligation	<u>\$ 379,651</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. Seventeen police officers enrolled in the Plan and the fair value of Plan assets at June 30, 2012 was \$626,370.

During the year ended June 30, 2012, 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, 2012, 2011 and 2010 was \$40,142, \$38,095 and \$39,543, 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 50 active and 4 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 \$490 for single coverage and \$1,160 for family coverage. For the year ended June 30, 2012, the City contributed \$568,648 and plan members eligible for benefits contributed \$88,695 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, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 161,000
Compensatory time	44,000
Sick leave	<u>139,000</u>
Total	<u>\$ 344,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

(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, 2012 was \$2,533 and the balance due was \$4,220.

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, 2012.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 30,000
	Capital Projects	63,760
		<u>93,760</u>
Special Revenue: Library Gift	Special Revenue:	
	Friends of the Perry Public Library	<u>208</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	340,537
	Local Option Sales Tax	501,734
		<u>842,271</u>
Capital Projects	Special Revenue:	
	Urban Renewal Revolving Loan	<u>30,000</u>
Total		<u>\$ 966,239</u>

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 663 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 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 due and payable in the current 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 to equal 150% of the total current members' basis rates 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 operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current 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 contribution to the Pool for the year ended June 30, 2012 was \$104,566 and the Perry Municipal Waterworks' contribution was \$17,155.

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 in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, 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. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers 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 \$250 and \$500, 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, 2012, the City paid \$63,525 to the account. At June 30, 2012, the account balance was \$33,036. The activity in this account is recorded in the City's General Fund.

(11) Development Agreements

The City has entered into a development agreement with Hotel Perry, LLC. The City agreed to pay Hotel Perry, LLC \$500,000 in incentive payments to maintain twenty full-time equivalent jobs. Payments of \$25,000 will be made quarterly for a period of five years, providing the developer is in compliance with the terms of the agreement. During the year ended June 30, 2012, the City made payments of \$100,000 to the developer. The balance remaining under the agreement at June 30, 2012 is \$100,000.

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, 2012, the City made no payments to the developer. The balance remaining under the agreement at June 30, 2012 is \$545,000.

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 a total of 10 fiscal 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.

(12) Economic Development

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. 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, 2012, Tri-County Cash Lumber Mart, Inc. made no payments. The balance remaining on the loan at June 30, 2012 was \$114,445.

(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, 2012, the City disbursed \$30,373 in urban renewal loans and received \$23,196 in repayments. The balance remaining on the loans at June 30, 2012 was \$170,304.

(14) Deficit Balances

The City had deficit balances at June 30, 2012, as follows:

Fund	Amount
Special Revenue:	
Employee Benefits	\$ 287,940
Debt Service	193,035
Capital Projects	175,756

The deficit balances are the result of costs incurred prior to availability of funds. The deficit balance in the Special Revenue, Employee Benefits Fund will be eliminated through the Special Revenue, Road Use Tax Fund paying for Streets Department employee benefits. The deficit in the Debt Service Fund will be eliminated from future transfers from the Special Revenue, Local Option Sales Tax Fund. The deficit in the Capital Projects Fund will be eliminated by a future bond issue and grant receipts.

(15) Subsequent Events

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.

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.

In September 2012, the City approved a bid of \$397,968 for the 18th and North Street sanitary sewer project.

City of Perry

Other Information

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, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Component Units Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 2,514,976	-	-	-
Tax increment financing	626,265	-	-	-
Other city tax	497,224	-	-	-
Licenses and permits	236,897	-	-	-
Use of money and property	32,838	767	23,257	-
Intergovernmental	1,918,667	-	-	-
Charges for service	1,266,250	1,052,793	1,504,806	-
Special assessments	-	-	-	-
Miscellaneous	597,199	14,015	185,321	38,092
Total receipts	7,690,316	1,067,575	1,713,384	38,092
Disbursements:				
Public safety	1,693,376	-	60,050	60,050
Public works	2,327,984	-	-	-
Health and social services	10,819	-	-	-
Culture and recreation	1,374,120	-	-	-
Community and economic development	183,097	-	-	-
General government	1,124,064	-	-	-
Debt service	1,078,111	-	-	-
Capital projects	755,163	-	-	-
Business type activities	-	990,255	1,452,362	-
Total disbursements	8,546,734	990,255	1,512,412	60,050
Excess (deficiency) of receipts over (under) disbursements	(856,418)	77,320	200,972	(21,958)
Other financing sources (uses), net	458,024	-	(87,000)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(398,394)	77,320	113,972	(21,958)
Balances beginning of year	774,939	1,206,508	622,102	32,952
Balances end of year	\$ 376,545	1,283,828	736,074	10,994

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,514,976	2,442,830	2,442,830	72,146
626,265	630,439	630,439	(4,174)
497,224	1,310,659	1,290,659	(793,435)
236,897	26,875	26,875	210,022
56,862	56,880	56,880	(18)
1,918,667	1,816,528	2,221,626	(302,959)
3,823,849	3,926,670	4,011,470	(187,621)
-	800	800	(800)
758,443	328,710	562,137	196,306
10,433,183	10,540,391	11,243,716	(810,533)
1,693,376	1,695,297	1,740,997	47,621
2,327,984	1,912,583	2,419,928	91,944
10,819	10,100	10,900	81
1,374,120	1,386,963	1,455,313	81,193
183,097	546,280	572,150	389,053
1,124,064	1,115,611	1,160,611	36,547
1,078,111	1,235,866	1,235,866	157,755
755,163	-	763,500	8,337
2,442,617	2,363,510	2,429,510	(13,107)
10,989,351	10,266,210	11,788,775	799,424
(556,168)	274,181	(545,059)	(11,109)
371,024	-	458,024	(87,000)
(185,144)	274,181	(87,035)	(98,109)
2,570,597	2,636,123	2,636,123	(65,526)
2,385,453	2,910,304	2,549,088	(163,635)

City of Perry

Notes to Other Information – Budgetary Reporting

June 30, 2012

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 Fiduciary Funds 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 \$1,522,565. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the business type activities function. In addition, disbursements exceeded the amounts budgeted in the health and social services 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, 2012

	Special			
	Police Drug	Library Gift	Recreation Memorial	Wiese Park
Receipts:				
Use of money and property	\$ -	50	-	-
Intergovernmental	-	6,850	-	-
Charges for service	2,504	-	-	-
Miscellaneous	-	33,368	-	42,800
Total receipts	2,504	40,268	-	42,800
Disbursements:				
Operating:				
Public safety	27,049	-	-	-
Culture and recreation	-	45,516	3,850	41,500
Community and economic development	-	-	-	-
Total disbursements	27,049	45,516	3,850	41,500
Excess (deficiency) of receipts over (under) disbursements	(24,545)	(5,248)	(3,850)	1,300
Other financing sources (uses):				
Operating transfers in	-	208	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	208	-	-
Net change in cash balances	(24,545)	(5,040)	(3,850)	1,300
Cash balances beginning of year	36,583	23,238	39,386	10,961
Cash balances end of year	\$ 12,038	18,198	35,536	12,261
Cash Basis Fund Balances				
Nonspendable - O'Brien beautification	\$ -	-	-	-
Restricted for other purposes	12,038	18,198	35,536	12,261
Total cash basis fund balances	\$ 12,038	18,198	35,536	12,261

See accompanying independent auditor's report.

Revenue			Permanent		
Caboose	Urban Renewal Revolving Loan	Friends of the Perry Public Library	O'Brien Beautification	Total	
-	-	-	379	429	
-	-	-	-	6,850	
-	-	-	-	2,504	
-	26,984	14,068	-	117,220	
-	26,984	14,068	379	127,003	
-	-	-	-	27,049	
-	-	11,985	-	102,851	
-	-	-	1,563	1,563	
-	-	11,985	1,563	131,463	
-	26,984	2,083	(1,184)	(4,460)	
-	-	-	-	208	
-	(30,000)	(208)	-	(30,208)	
-	(30,000)	(208)	-	(30,000)	
-	(3,016)	1,875	(1,184)	(34,460)	
835	46,366	2,273	47,776	207,418	
835	43,350	4,148	46,592	172,958	
-	-	-	46,592	46,592	
835	43,350	4,148	-	126,366	
835	43,350	4,148	46,592	172,958	

City of Perry
Schedule of Indebtedness
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Urban renewal corporate purpose bonds	May 15, 2006	3.80-4.10 %	\$ 1,790,000
Corporate purpose bonds	Mar 19, 2008	2.70-4.15	2,045,000
Urban renewal corporate purpose bonds	Jul 1, 2008	3.00-3.25	925,000
Corporate purpose bonds	Feb 2, 2011	1.75-3.75	545,000
Total			
Urban renewal tax increment financing revenue bonds			
	Nov 5, 2008	4.75 %	\$ 380,000
Urban renewal tax increment financing revenue bonds			
	Nov 20, 2009	2.90	225,000
Total			
Revenue bonds:			
Sewer revenue refunding	Jun 3, 2010	1.25-3.25 %	\$ 2,285,000
Lease purchase agreement:			
Aerial truck	Nov 20, 2001	5.21 %	\$ 384,415
Real estate contracts:			
Bess land	Feb 3, 2003	7.00 %	\$ 117,845
Town Craft building	Nov 18, 2010	0.35	283,500
Total			
Bank loan:			
Land acquisition	May 18, 2009	3.25 %	\$ 125,000
Garbage/Recycle Truck	Jul 1, 2011	2.90 %	\$ 240,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,330,000	-	245,000	1,085,000	53,255
1,860,000	-	100,000	1,760,000	69,765
385,000	-	190,000	195,000	12,228
545,000	-	50,000	495,000	21,023
\$ 4,120,000	-	585,000	3,535,000	156,271
195,000	-	95,000	100,000	9,300
112,500	-	56,250	56,250	3,272
\$ 307,500	-	151,250	156,250	12,572
1,900,000	-	390,000	1,510,000	40,218
47,087	-	47,087	-	2,452
20,936	-	10,104	10,832	1,145
283,500	-	141,750	141,750	1,502
\$ 304,436	-	151,854	152,582	2,647
41,666	-	41,666	-	1,377
-	240,000	78,079	161,921	5,839
\$ 41,666	240,000	119,745	161,921	7,216

City of Perry
Bond Maturities
June 30, 2012

Year Ending June 30,	General Obligation Bonds						
	Urban Renewal Corporate Purpose Issued May 15, 2006			Corporate Purpose Issued March 19, 2008		Urban Renewal Corporate Purpose Issued July 1, 2008	
	Interest			Interest		Interest	
	Rates	Amount		Rates	Amount	Rates	Amount
2013	3.95%	\$ 255,000	3.10%	\$ 150,000	3.00%	\$ 195,000	
2014	4.00	265,000	3.30	155,000		-	
2015	4.05	275,000	3.50	160,000		-	
2016	4.10	290,000	3.70	165,000		-	
2017		-	3.80	170,000		-	
2018		-	3.90	175,000		-	
2019		-	4.00	185,000		-	
2020		-	4.05	190,000		-	
2021		-	4.10	200,000		-	
2022		-	4.15	210,000		-	
Total		<u>\$ 1,085,000</u>		<u>\$ 1,760,000</u>		<u>\$ 195,000</u>	

Year Ending June 30,	Urban Renewal Tax Increment Financing Revenue Bonds					Sewer Revenue Refunding Bonds	
	Issued Nov 5, 2008		Issued Nov 20, 2009		Total	Issued Jun 3, 2010	
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2013	4.75%	\$ 100,000	2.90%	\$ 56,250	156,250	2.30%	\$ 400,000
2014		-		-	-	2.60	410,000
2015		-		-	-	3.00	405,000
2016		-		-	-	3.25	180,000
2017		-		-	-	3.25	115,000
Total		<u>\$ 100,000</u>		<u>\$ 56,250</u>	<u>156,250</u>		<u>\$ 1,510,000</u>

See accompanying independent auditor's report.

Corporate Purpose		
Issued February 2, 2011		
Interest		
Rates	Amount	Total
1.75%	\$ 50,000	650,000
2.25	50,000	470,000
2.50	50,000	485,000
3.00	55,000	510,000
3.25	55,000	225,000
3.25	55,000	230,000
3.50	60,000	245,000
3.50	60,000	250,000
3.75	60,000	260,000
	-	210,000
	<u>\$ 495,000</u>	<u>3,535,000</u>

City of Perry

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

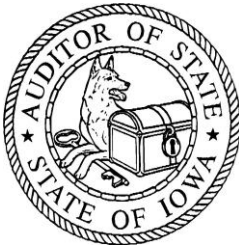
For the Last Ten Years

	2012	2011	2010	2009
Receipts:				
Property tax	\$ 2,514,976	2,422,350	2,264,053	2,248,217
Tax increment financing	626,265	573,577	606,363	419,463
Other city tax	497,224	966,384	230,836	239,200
Licenses and permits	236,897	245,724	59,023	70,342
Use of money and property	32,838	31,831	34,526	31,829
Intergovernmental	1,918,667	3,489,056	3,175,311	2,590,279
Charges for service	1,266,250	1,211,909	1,255,534	1,255,071
Special assessments	-	660	732	786
Miscellaneous	597,199	432,189	495,398	601,053
Total	\$ 7,690,316	9,373,680	8,121,776	7,456,240
Disbursements:				
Operating:				
Public safety	\$ 1,693,376	1,674,978	1,551,274	1,547,689
Public works	2,327,984	2,789,156	2,235,914	2,381,072
Health and social services	10,819	10,515	10,189	18,680
Culture and recreation	1,374,120	1,301,685	1,258,654	1,405,708
Community and economic development	183,097	627,177	287,332	424,397
General government	1,124,064	1,505,904	1,099,548	2,184,524
Debt service	1,078,111	810,955	939,524	655,998
Capital projects	755,163	1,032,264	939,671	2,460,564
Total	\$ 8,546,734	9,752,634	8,322,106	11,078,632

See accompanying independent auditor's report.

2008	2007	2006	2005	2004	2003
2,208,743	2,061,483	1,986,821	2,188,259	2,138,066	1,866,408
390,257	285,989	398,759	440,601	405,732	355,388
215,237	282,455	116,767	-	714,035	700,060
90,554	63,653	75,891	68,061	53,771	47,792
69,272	93,085	72,532	28,862	8,556	24,062
1,903,116	2,697,784	1,617,367	1,466,781	811,712	1,197,948
1,215,632	1,108,878	1,073,038	1,157,225	1,126,046	991,731
846	901	970	1,441	2,609	-
755,632	406,806	394,700	191,221	185,578	244,390
6,849,289	7,001,034	5,736,845	5,542,451	5,446,105	5,427,779
1,622,210	1,620,051	1,466,889	1,402,090	1,361,838	1,287,994
2,035,449	1,519,021	2,072,543	1,639,507	2,591,640	2,155,227
9,372	8,972	8,850	5,370	9,856	13,118
1,147,763	1,226,133	1,074,267	956,329	963,581	949,744
175,985	252,031	212,968	73,741	68,702	63,874
1,015,089	574,582	715,365	335,705	294,024	409,474
585,461	532,123	369,394	1,306,484	364,134	372,254
683,645	2,949,134	326,979	1,082,019	558,368	172,201
7,274,974	8,682,047	6,247,255	6,801,245	6,212,143	5,423,886

City of Perry



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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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 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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 4, 2012. Our report expressed unqualified opinions on the financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information which were prepared in conformity with an other comprehensive basis of accounting. 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. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Perry is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Perry's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Perry's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Perry's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be 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 described in the accompanying Schedule of Findings as items (A) through (D) 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 deficiency described in the accompanying Schedule of Findings as item (E) to be a significant deficiency.

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, 2012 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 findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Perry's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Perry and other parties to whom the City of Perry may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 4, 2012

City of Perry

Schedule of Findings

Year ended June 30, 2012

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 Clerk and Finance Officer, 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) Financial Reporting – During the audit, we determined a corrective transfer to the Debt Service Fund was necessary since a bank loan required the loan be paid from the General Fund. An adjustment was subsequently made to properly record this amount in the financial statements.

Recommendation – The City should implement procedures to ensure debt service transfers are properly recorded in the City's financial statements.

Response – The City will properly record all debt service transfers in the financial statements.

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2012

- (C) Perry Police 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 evidenced by initials or signature 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 Firefighters 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.

Supporting documentation could not be located for 2 of 5 disbursements tested and invoices were not always 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 evidenced 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.

Supporting documentation should be maintained for all disbursements and invoices should be cancelled to prevent reuse.

City of Perry

Schedule of Findings

Year ended June 30, 2012

Response – As requested by the fiscal year 2011 audit, the Perry Fire Association elected an internal auditor who 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.

Conclusion – Response accepted.

- (E) Petty Cash – Petty cash funds are maintained at City Hall and the McCreary Center. Amounts in the petty cash funds are not verified by surprise counts.

Recommendation – The amounts maintained in the petty cash funds should be periodically verified by an independent person performing surprise counts.

Response – The Clerk for the Police Department, or another independent party, will periodically collect the petty cash drawers at City Hall and the McCreary Center and count the drawers with the assistance of the Finance Officer. This verification will be noted on a document which will be kept on file at City Hall.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Perry

Schedule of Findings

Year ended June 30, 2012

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the business type activities function. In addition, disbursements exceeded the amounts budgeted in the health and social services 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	\$ 368
Rodney Cromwell, Volunteer Firefighter, Owner of Cromwell Towing and Recovery	Towing services	382
Brian Eiteman, Assistant Chief, Fire Department	CPR instruction	300
Ana Jiminez, Police Dispatcher	Interpreter services	135
Michael Landals, Street Department, Owner of Landals Concrete Construction	Trail and alley improvements, per informal bids	63,040
Jenny Eklund, Council Member, owner of Perry Paint and Design	Supplies and repair services	1,558
Joshua Sparks, Police Officer, owner of Jansen Plumbing, LLC	Storm sewer repair, per informal bids Storm sewer repair	8,950 10,065

City of Perry

Schedule of Findings

Year ended June 30, 2012

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

The transactions with the Street Department employee and the Police Officer which were informally bid may represent conflicts of interest since the City's bids were not publicly invited and opened as required by Chapter 362.5(3)(d) of the Code of Iowa.

The transactions with the Council Member and Police Officer which were not bid may represent conflicts of interest in accordance with Chapter 362.5(3)(d) of the Code of Iowa since total transactions exceeded \$1,500 during the fiscal year and the transactions were not entered into through competitive bidding.

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 transactions with the Council Member and Police Officer.

Response – The City will use a formal bid process when purchases or contracts would benefit a City employee or officer. The City will publish the competitive bid invitations and the bid openings will be public with City Council approval.

Conclusion – Response accepted.

- (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 Special Revenue, Library Gift and Police Drug Funds are not presented to the City Council for approval or published as part of the list of claims. These claims are approved by the Library Board and Police Chief, respectively.

Although minutes of City Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. In addition, the City did not publish a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa. All disbursements should be presented to the City Council for approval and publication. All minutes of City Council proceedings and a summary of receipts 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 Special Revenue, Library Gift and Police Drug Funds to the City Council for approval. These disbursements will also be published. The City will comply with the Code of Iowa by publishing minutes within the fifteen days as required by publishing receipt summaries on a monthly basis.

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2012

(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 – The provisions of the sewer revenue bonds require sufficient monthly transfers be made to the sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

The City did not make sufficient required monthly transfers to the revenue bond sinking account.

Recommendation – The City should ensure adequate transfers are made to the sinking accounts so the balances at year end are at least equal to the amounts required.

Response – The City will review the amount of monthly transfers necessary to meet the amount required during the budget process of each year.

Conclusion – Response accepted.

(9) 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 will review all outstanding checks to 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.

(10) Financial Condition – The City had deficit balances at June 30, 2012, as follows:

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
Employee Benefits	\$287,940
Debt Service	193,035
Capital Projects	175,756

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – The City will eliminate the deficit in the Employee Benefits Fund by paying the employee benefits for the Street Department Employees from the Special Revenue, Road Use Tax fund. The City will eliminate the deficit in the Debt Services Fund over the next two years through transfers from the Special Revenue, Local Option Sales Tax Fund. The deficit in the Capital Projects Fund will be eliminated by a future bond issue and by grant receipts.

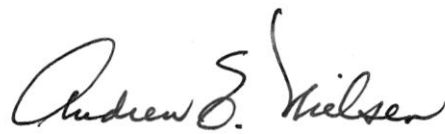
Conclusion – Response accepted.

City of Perry

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II
Brett A. Hoffman, Staff Auditor
Laura E. Grinnell, Assistant Auditor
Alexander D. Weihs, Auditor Intern

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State